

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

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Independent Auditor's Report

To the Board of Education of
Glidden-Ralston Community School District:

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

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

The financial statements referred to above include only the primary government of the Glidden-Ralston Community School District, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the District's legal entity. The financial statements do not include financial data for the District's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the District's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Glidden-Ralston Community School District at June 30, 2012, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2013 on our consideration of Glidden-Ralston Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of

that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 33 through 35 be presented to supplement the basic 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 Glidden-Ralston Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011, (which are not presented herein) and expressed qualified opinions on those financial statements due to the omission of a component unit, the Elmer Smith Trust, from the financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

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

March 26, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Glidden - Ralston Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

Government-Wide Financial Analysis

Figure A-1 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-1

	Condensed Statement of Net Assets						Percentage Change 2011-2012
	Governmental Activities		Business-type Activities		Total School District		
	2011	2012	2011	2012	2011	2012	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,582,837	6,018,901	20,085	12,079	5,741,960	6,030,980	5%
Capital assets	3,266,428	3,260,224	51,687	44,662	3,318,115	3,304,886	<-1%
Total assets	8,849,265	9,279,125	71,772	56,741	9,060,075	9,335,866	3%
Long-term liabilities	1,771,372	1,692,475	5,565	8,099	1,776,937	1,700,574	-4%
Other liabilities	1,722,379	1,666,394	5,380	4,020	1,866,797	1,670,414	-11%
Total liabilities	3,493,751	3,358,869	10,945	12,119	3,643,734	3,370,988	-7%
Net Assets:							
Invested in capital assets, net of related debt	1,691,428	1,845,224	51,687	44,662	1,743,115	1,889,886	8%
Restricted	748,714	834,290	-	-	748,714	834,290	11%
Unrestricted	2,915,372	3,240,742	9,140	(40)	2,924,512	3,240,702	11%
TOTAL NET ASSETS	5,355,514	5,920,256	60,827	44,622	5,416,341	5,964,878	10%

The District's combined net assets increased by nearly 10%, or approximately \$548,537, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$85,576 or 11% over the prior year. The increase was primarily a result of increased revenues from operating grants and contributions as well as successful efforts to control costs.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$316,190, or 11%. This change in unrestricted net assets was a result of increased revenues from income surtax and investment earnings.

Figure A-2 shows the change in net assets for the years ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-2

	Change in Net Assets						Percentage Change 2011-2012
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	
Revenues							
Program Revenues:							
Charges for services	536,572	557,934	103,275	101,749	639,847	659,683	3%
Operating grants & contributions	665,149	587,515	80,394	77,045	745,543	664,560	-11%
Capital grants & contributions	-	-	-	-	-	-	-
General Revenues:							
Property taxes	1,259,949	1,283,042	-	-	1,259,949	1,283,042	2%
Income Surtax	158,817	164,568	-	-	158,817	164,568	4%
Statewide sales & service tax	242,916	331,707	-	-	242,916	331,707	37%
Unrestricted state grants	1,141,882	1,250,421	-	-	1,141,882	1,250,421	10%
Unrestricted investment earnings	29,475	35,101	218	155	29,693	35,256	19%
Other revenue	459	-	-	-	459	-	-100%
Total Revenues	4,035,219	4,210,288	183,887	178,949	4,219,106	4,389,237	4%
Expenses:							
Instruction	2,161,703	2,286,333	-	-	2,161,703	2,286,333	6%
Support services	1,114,313	1,055,506	-	-	1,114,313	1,055,506	-5%
Non-instructional programs	-	-	182,662	195,154	182,662	195,154	7%
Other expenditures	391,284	303,707	-	-	391,284	303,707	-22%
Total expenses	3,667,300	3,645,546	182,662	195,154	3,849,962	3,840,700	<-1%
CHANGE IN NET ASSETS	367,919	564,742	1,225	(16,205)	369,144	548,537	49%
Net assets beginning of year	4,987,595	5,355,514	59,602	60,827	5,047,197	5,416,341	7%
Net assets end of year	5,355,514	5,920,256	60,827	44,622	5,416,341	5,964,878	10%

Property tax and unrestricted state grants account for 58% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,210,288 and expenses were \$3,645,546.

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

Figure A-3

Total and Net Cost of Governmental Activities

	Total Cost of Services	Total Cost Of Services	Net Cost of Services	Net Cost of Services
	2011	2012	2011	2012
	\$	\$	\$	\$
Instruction	2,161,703	2,286,333	1,105,378	1,289,803
Support Services	1,114,313	1,055,506	1,103,992	1,054,532
Other Expenses	391,284	303,707	256,209	155,762
TOTAL	3,667,300	3,645,546	2,465,579	2,500,097

- The cost financed by users of the District’s programs was \$557,934.
- Federal and state governments and others subsidized certain programs with grants and contributions totaling \$587,515.
- The net cost of governmental activities was financed with \$1,779,317 in property and other taxes and \$1,250,421 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$178,949 and expenses were \$195,154. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,198,480.

Governmental Fund Highlights

- The General Fund balance increased from \$2,965,783 to \$3,372,517. The increase was due primarily to implemented budget reductions, staff restructuring, and additional revenues from State and federal sources.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District’s accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.
 - The Physical Plant and Equipment Levy account balance increased from \$8,922 at June 30, 2011 to \$39,011 at June 30, 2012.

- The Statewide Sales Tax account balance decreased from \$572,782 at June 30, 2011 to \$557,749 at June 30, 2012.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$60,827 at June 30, 2011 to \$44,622 at June 30, 2012, representing a decrease of approximately 27%.

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$3,304,886 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net decrease of <1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$165,265.

Figure A-4

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage
	Activities		Activities		School District		
	2011	2012	2011	2012	2011	2012	2011-2012
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Buildings	3,041,705	3,066,776	-	-	3,041,705	3,066,776	1%
Improvements other than buildings	72,035	66,686	-	-	72,035	66,686	-7%
Equipment & Furniture	214,723	116,762	51,687	44,662	266,410	161,424	-39%
TOTAL	3,266,428	3,260,224	51,687	44,662	3,318,115	3,304,886	<-1%

Long-Term Debt

At June 30, 2012, the District had \$1,700,574 in general obligation and other long-term debt outstanding. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

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

	Total School District		Percentage Change
	2011	2012	2011-2012
	\$	\$	
Governmental activities:			
General obligation bonds	1,575,000	1,415,000	-10%
Termination benefits	18,300	18,300	0%
Net OPEB liability	<u>178,072</u>	<u>259,175</u>	46%
	<u>1,771,372</u>	<u>1,692,475</u>	<u>-4%</u>
Business type activities:			
Net OPEB liability	<u>5,565</u>	<u>8,099</u>	46%

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:

- School financing is highly dependent upon student enrollment. The District's September 2012 enrollment decreased by 20 students.
- Increased opportunities for sharing (between neighboring districts and DMAACC-Carroll Campus) may increase costs or decrease costs depending on annual negotiated agreements and legislative decisions about sharing incentive money.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Denise Best, District Secretary/Treasurer and Business Manager, Glidden-Ralston Community School District, 602 Idaho, Glidden, Iowa 51443.

BASIC FINANCIAL STATEMENTS

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	4,435,449	8,222	4,443,671
Receivables:			
Property tax:			
Delinquent	8,435	-	8,435
Succeeding year	1,325,301	-	1,325,301
Due from other governments	238,418	-	238,418
Inventories	-	3,857	3,857
Bond discount	11,298	-	11,298
Capital assets, net of accumulated depreciation	3,260,224	44,662	3,304,886
	<u>9,279,125</u>	<u>56,741</u>	<u>9,335,866</u>
Liabilities			
Accounts payable	15,588	125	15,713
Salaries and benefits payable	320,897	645	321,542
Accrued interest payable	4,608	-	4,608
Deferred revenue:			
Succeeding year property tax	1,325,301	-	1,325,301
Other	-	3,250	3,250
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	160,000	-	160,000
Termination benefits	18,300	-	18,300
Portion due after one year:			
General obligation bonds payable	1,255,000	-	1,255,000
Net OPEB liability	259,175	8,099	267,274
	<u>3,358,869</u>	<u>12,119</u>	<u>3,370,988</u>
Net assets			
Invested in capital assets, net of related debt	1,845,224	44,662	1,889,886
Restricted for:			
Categorical funding	31,235	-	31,235
Management levy	112,200	-	112,200
Physical plant and equipment levy	39,011	-	39,011
Student activities	68,872	-	68,872
School infrastructure	557,749	-	557,749
Debt service	25,223	-	25,223
Unrestricted	3,240,742	(40)	3,240,702
	<u>5,920,256</u>	<u>44,622</u>	<u>5,964,878</u>

See notes to financial statements.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,574,897	399,863	375,163	-
Special	244,777	-	20,935	-
Other	466,659	158,071	42,498	-
	<u>2,286,333</u>	<u>557,934</u>	<u>438,596</u>	<u>-</u>
Support services:				
Student	173,792	-	-	-
Instructional staff	85,974	-	-	-
Administration	330,683	-	-	-
Operation and maintenance of plant	331,874	-	-	-
Transportation services	133,183	-	974	-
	<u>1,055,506</u>	<u>-</u>	<u>974</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	18,660	-	-	-
Long-term debt interest	62,418	-	28,167	-
AEA flowthrough	119,778	-	119,778	-
Depreciation (unallocated)*	102,851	-	-	-
	<u>303,707</u>	<u>-</u>	<u>147,945</u>	<u>-</u>
Total governmental activities	<u>3,645,546</u>	<u>557,934</u>	<u>587,515</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	195,154	101,749	77,045	-
Total business type activities	<u>3,840,700</u>	<u>659,683</u>	<u>664,560</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(799,871)	-	(799,871)
(223,842)	-	(223,842)
(266,090)	-	(266,090)
<u>(1,289,803)</u>	<u>-</u>	<u>(1,289,803)</u>
(173,792)	-	(173,792)
(85,974)	-	(85,974)
(330,683)	-	(330,683)
(331,874)	-	(331,874)
(132,209)	-	(132,209)
<u>(1,054,532)</u>	<u>-</u>	<u>(1,054,532)</u>
(18,660)	-	(18,660)
(34,251)	-	(34,251)
-	-	-
(102,851)	-	(102,851)
<u>(155,762)</u>	<u>-</u>	<u>(155,762)</u>
<u>(2,500,097)</u>	<u>-</u>	<u>(2,500,097)</u>
-	(16,360)	(16,360)
<u>(2,500,097)</u>	<u>(16,360)</u>	<u>(2,516,457)</u>
1,202,766	-	1,202,766
41,587	-	41,587
38,689	-	38,689
164,568	-	164,568
331,707	-	331,707
1,250,421	-	1,250,421
35,101	155	35,256
<u>3,064,839</u>	<u>155</u>	<u>3,064,994</u>
564,742	(16,205)	548,537
<u>5,355,514</u>	<u>60,827</u>	<u>5,416,341</u>
<u>5,920,256</u>	<u>44,622</u>	<u>5,964,878</u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	3,652,101	554,423	228,925	4,435,449
Receivables:				
Property tax:				
Delinquent	7,380	255	800	8,435
Succeeding year	1,113,782	41,519	170,000	1,325,301
Due from other governments	193,358	45,060	-	238,418
	<u>4,966,621</u>	<u>641,257</u>	<u>399,725</u>	<u>6,007,603</u>
Total assets				
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	12,088	2,978	522	15,588
Salaries and benefits payable	320,897	-	-	320,897
Deferred revenue:				
Succeeding year property tax	1,113,782	41,519	170,000	1,325,301
Income surtax	147,337	-	-	147,337
Total liabilities	<u>1,594,104</u>	<u>44,497</u>	<u>170,522</u>	<u>1,809,123</u>
Fund balances:				
Restricted for:				
Categorical funding	31,235	-	-	31,235
Debt service	-	-	29,831	29,831
Management levy	-	-	130,500	130,500
Student activities	-	-	68,872	68,872
School infrastructure	-	557,749	-	557,749
Physical plant and equipment	-	39,011	-	39,011
Unassigned	3,341,282	-	-	3,341,282
Total fund balances	<u>3,372,517</u>	<u>596,760</u>	<u>229,203</u>	<u>4,198,480</u>
	<u>4,966,621</u>	<u>641,257</u>	<u>399,725</u>	<u>6,007,603</u>
Total liabilities and fund balances				

GLIDDEN-RALSTON 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 (Exhibit C)	4,198,480
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,260,224
Unamortized bond discounts are recorded in the governmental activities.	11,298
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	147,337
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,608)
Long-term liabilities, including bonds payable, termination benefits and other post employment benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(1,692,475)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,920,256</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,278,373	370,396	121,674	1,770,443
Tuition	287,090	-	-	287,090
Other	154,287	6,659	176,806	337,752
State sources	1,661,704	17	53	1,661,774
Federal sources	144,355	-	-	144,355
Total revenues	<u>3,525,809</u>	<u>377,072</u>	<u>298,533</u>	<u>4,201,414</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,516,121	-	19,700	1,535,821
Special	234,639	-	-	234,639
Other	328,697	-	137,962	466,659
	<u>2,079,457</u>	<u>-</u>	<u>157,662</u>	<u>2,237,119</u>
Support services:				
Student	168,723	-	-	168,723
Instructional staff	85,974	-	-	85,974
Administration	337,217	-	-	337,217
Operation and maintenance of plant	243,081	50,377	37,068	330,526
Transportation	84,845	-	-	84,845
	<u>919,840</u>	<u>50,377</u>	<u>37,068</u>	<u>1,007,285</u>
Other expenditures:				
Facilities acquisition	-	131,639	-	131,639
Long-term debt:				
Principal	-	-	160,000	160,000
Interest and fiscal charges	-	-	61,480	61,480
AEA flowthrough	119,778	-	-	119,778
	<u>119,778</u>	<u>131,639</u>	<u>221,480</u>	<u>472,897</u>
Total expenditures	<u>3,119,075</u>	<u>182,016</u>	<u>416,210</u>	<u>3,717,301</u>
Excess (deficiency) of revenues over (under) expenditures	<u>406,734</u>	<u>195,056</u>	<u>(117,677)</u>	<u>484,113</u>
Other financing sources (uses):				
Operating transfers in	-	-	180,000	180,000
Operating transfers out	-	(180,000)	-	(180,000)
Total other financing sources (uses)	<u>-</u>	<u>(180,000)</u>	<u>180,000</u>	<u>-</u>
Net change in fund balances	406,734	15,056	62,323	484,113
Fund balances beginning of year	<u>2,965,783</u>	<u>581,704</u>	<u>166,880</u>	<u>3,714,367</u>
Fund balances end of year	<u>3,372,517</u>	<u>596,760</u>	<u>229,203</u>	<u>4,198,480</u>

See notes to financial statements.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2012

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		484,113
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	152,036	
Depreciation expense	<u>(158,240)</u>	(6,204)
Amortization of bond discount.		(1,412)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		8,874
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		160,000
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.		474
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Other postemployment benefits		<u>(81,103)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>564,742</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	8,222
Inventories	3,857
Capital assets, net of accumulated depreciation	<u>44,662</u>
Total assets	<u>56,741</u>
Liabilities	
Accounts payable	125
Salaries and benefits payable	645
Deferred revenue	3,250
Net OPEB liability	<u>8,099</u>
Total liabilities	<u>12,119</u>
Net assets	
Invested in capital assets	44,662
Unrestricted	<u>(40)</u>
Total net assets	<u><u>44,622</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>101,749</u>
Operating expenses:	
Non-instructional programs:	
Salaries	46,492
Benefits	17,804
Supplies	123,833
Depreciation	7,025
Total operating expenses	<u>195,154</u>
Operating income (loss)	<u>(93,405)</u>
Non-operating revenues:	
State sources	1,915
Federal sources	75,130
Interest income	155
Total non-operating revenues	<u>77,200</u>
Change in net assets	(16,205)
Net assets beginning of year	<u>60,827</u>
Net assets end of year	<u><u>44,622</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	101,569
Cash payments to employees for services	(63,037)
Cash payments to suppliers for goods or services	(110,522)
Net cash used by operating activities	<u>(71,990)</u>
Cash flows from non-capital financing activities:	
State grants received	1,915
Federal grants received	61,903
Net cash provided by non-capital financing activities	<u>63,818</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>155</u>
Net increase (decrease) in cash and cash equivalents	(8,017)
Cash and cash equivalents at beginning of year	<u>16,239</u>
Cash and cash equivalents at end of year	<u><u>8,222</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(93,405)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	13,227
Depreciation	7,025
Decrease (increase) in inventories	30
Decrease (increase) in accounts receivable	(41)
(Decrease) increase in accounts payable	125
(Decrease) increase in salaries and benefits payable	(1,275)
(Decrease) increase in deferred revenue	(210)
(Decrease) increase in other postemployment benefits	2,534
Net cash used by operating activities	<u><u>(71,990)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012 the District received \$13,227 of federal commodities.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

Glidden-Ralston Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Glidden and Ralston, Iowa and the predominately agricultural territory in a portion of Carroll and Greene Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Glidden-Ralston Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Elmer Smith Scholarship School Trust meets the criteria for a component unit.

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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.

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

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

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

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

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

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

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

Unassigned – All amounts not included in other classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

2. **Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain

registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

3. Interfund Transfers

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

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental – Debt Service Fund	Capital Projects	180,000

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

4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	4,773,666	112,979	-	4,886,645
Improvements other than buildings	107,912	-	-	107,912
Furniture and equipment	456,146	39,057	-	495,203
Total capital assets being deprec.	<u>5,337,724</u>	<u>152,036</u>	-	<u>5,489,760</u>
Less accumulated depreciation for:				
Buildings	1,722,367	97,502	-	1,819,869
Improvements other than buildings	35,877	5,349	-	41,226
Furniture and equipment	323,052	55,389	-	378,441
Total accumulated depreciation	<u>2,081,296</u>	<u>158,240</u>	-	<u>2,239,536</u>
Total capital assets being depreciated, net	<u>3,256,428</u>	<u>(6,204)</u>	-	<u>3,250,224</u>
Governmental activities capital assets, net	<u>3,266,428</u>	<u>(6,204)</u>	-	<u>3,260,224</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	175,149	-	-	175,149
Less accumulated depreciation	<u>123,462</u>	<u>7,025</u>	-	<u>130,487</u>
Business type activities capital assets, net	<u>51,687</u>	<u>(7,025)</u>	-	<u>44,662</u>

Depreciation expense was charged to the following functions:

	\$
Instruction:	
Regular instruction	7,074
Support services:	
Administration	3,698
Operation and maintenance	1,348
Transportation	<u>43,269</u>
	55,389
Unallocated depreciation	<u>102,851</u>
Total depreciation expense – governmental activities	<u>158,240</u>
Business type activities:	
Food services	<u>7,025</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	1,575,000	-	160,000	1,415,000	160,000
Termination benefits	18,300	18,300	18,300	18,300	18,300
Net OPEB liability	<u>178,072</u>	<u>81,103</u>	-	<u>259,175</u>	-
Total	<u>1,771,372</u>	<u>99,403</u>	<u>178,300</u>	<u>1,692,475</u>	<u>178,300</u>
Business type activities:					
Net OPEB liability	<u>5,565</u>	<u>2,534</u>	-	<u>8,099</u>	-

Termination Benefits

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

Early retirement benefits will be paid in the next year.

At June 30, 2012, the District has an obligation to one participant with a total liability of \$18,300. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$18,300.

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ended June 30,	Bond Issue of November 2005			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	3.60	160,000	55,300	215,300
2014	3.70	165,000	49,540	214,540
2015	3.80	175,000	43,435	218,435
2016	3.90	175,000	36,785	211,785
2017	4.00	185,000	29,960	214,960
2018-2020	4.00-4.10	555,000	43,675	598,675
		<u>1,415,000</u>	<u>258,695</u>	<u>1,673,695</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 annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$162,852, \$133,588 and \$130,809 respectively, equal to the required contributions for each year.

7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 48 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

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

	\$
Annual required contribution	125,000
Interest on net OPEB obligation	8,264
Adjustment to annual required contribution	<u>(7,627)</u>
Annual OPEB cost	125,637
Contributions made	<u>42,000</u>
Increase in net OPEB obligation	83,637
Net OPEB obligation beginning of year	<u>183,637</u>
Net OPEB obligation end of year	<u>267,274</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, 2012.

For the year ended June 30, 2012, the District contributed \$42,000 to the medical plan. Plan members eligible for benefits contributed \$76,000, or 64% 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:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	125,000	25.6%	93,000
2011	125,637	28.9%	183,637
2012	125,637	33.4%	267,274

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 \$1,127,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,127,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,425,000 and the ratio of the UAAL to covered payroll was 79.1%. 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 events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to

reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.05% each year until reaching the 5% ultimate trend rate.

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

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

8. Risk Management

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

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 \$119,778 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. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Home School Assistance Program	2,971
At-Risk	13,440
Teacher salary supplement	2,171
Core curriculum	3,906
Educator quality, professional development	8,747
	<u>31,235</u>

REQUIRED SUPPLEMENTARY INFORMATION

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2012

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,395,285	101,904	2,497,189	2,319,404	2,319,404	177,785
State sources	1,661,774	1,915	1,663,689	1,924,760	1,924,760	(261,071)
Federal sources	144,355	75,130	219,485	298,000	298,000	(78,515)
Total revenues	<u>4,201,414</u>	<u>178,949</u>	<u>4,380,363</u>	<u>4,542,164</u>	<u>4,542,164</u>	<u>(161,801)</u>
Expenditures/Expenses:						
Instruction	2,237,119	-	2,237,119	3,282,147	3,282,147	1,045,028
Support services	1,007,285	-	1,007,285	1,745,000	1,745,000	737,715
Non-instructional programs	-	195,154	195,154	476,000	476,000	280,846
Other expenditures	472,897	-	472,897	495,968	495,968	23,071
Total expenditures/expenses	<u>3,717,301</u>	<u>195,154</u>	<u>3,912,455</u>	<u>5,999,115</u>	<u>5,999,115</u>	<u>2,086,660</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	484,113	(16,205)	467,908	(1,456,951)	(1,456,951)	1,924,859
Balance beginning of year	<u>3,714,367</u>	<u>60,827</u>	<u>3,775,194</u>	<u>1,504,749</u>	<u>1,504,749</u>	<u>2,270,445</u>
Balance end of year	<u><u>4,198,480</u></u>	<u><u>44,622</u></u>	<u><u>4,243,102</u></u>	<u><u>47,798</u></u>	<u><u>47,798</u></u>	<u><u>4,195,304</u></u>

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

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

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

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	1,127,000	1,127,000	0.0%	1,140,000	98.9%
2011	July 1, 2009	-	1,127,000	1,127,000	0.0%	1,310,000	86.0%
2012	July 1, 2009	-	1,127,000	1,127,000	0.0%	1,425,000	79.1%

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

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

Assets	<u>Special Revenue Funds</u>		<u>Debt Service</u>	<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>		
	\$	\$	\$	\$
Cash and pooled investments	129,973	69,394	29,558	228,925
Receivables:				
Property tax:				
Delinquent	527	-	273	800
Succeeding year	55,000	-	115,000	170,000
	<u>185,500</u>	<u>69,394</u>	<u>144,831</u>	<u>399,725</u>
Total assets	<u>185,500</u>	<u>69,394</u>	<u>144,831</u>	<u>399,725</u>
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	522	-	522
Deferred revenue:				
Succeeding year property tax	55,000	-	115,000	170,000
Total liabilities	<u>55,000</u>	<u>522</u>	<u>115,000</u>	<u>170,522</u>
Fund balances:				
Restricted for:				
Debt service	-	-	29,831	29,831
Management levy	130,500	-	-	130,500
Student activities	-	68,872	-	68,872
Total fund balances	<u>130,500</u>	<u>68,872</u>	<u>29,831</u>	<u>229,203</u>
Total liabilities and fund balances	<u>185,500</u>	<u>69,394</u>	<u>144,831</u>	<u>399,725</u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Special Revenue Funds		Debt Service	Total
	Management Levy	Student Activity		
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	80,087	-	41,587	121,674
Other	3,188	145,451	28,167	176,806
State sources	35	-	18	53
Total revenues	<u>83,310</u>	<u>145,451</u>	<u>69,772</u>	<u>298,533</u>
Expenditures:				
Current:				
Instruction:				
Regular	19,700	-	-	19,700
Other	-	137,962	-	137,962
Support services:				
Operation and maintenance of plant	37,068	-	-	37,068
Other expenditures:				
Long-term debt:				
Principal	-	-	160,000	160,000
Interest and fiscal charges	-	-	61,480	61,480
Total expenditures	<u>56,768</u>	<u>137,962</u>	<u>221,480</u>	<u>416,210</u>
Excess (deficiency) of revenues over (under) expenditures	26,542	7,489	(151,708)	(117,677)
Other financing sources (uses):				
Operating transfers in	-	-	180,000	180,000
Net change in fund balance	26,542	7,489	28,292	62,323
Fund balances beginning of year	<u>103,958</u>	<u>61,383</u>	<u>1,539</u>	<u>166,880</u>
Fund balances end of year	<u><u>130,500</u></u>	<u><u>68,872</u></u>	<u><u>29,831</u></u>	<u><u>229,203</u></u>

GLIDDEN-RALSTON 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	Total
Assets	\$	\$	\$
Cash and pooled investments	513,607	40,816	554,423
Receivables:			
Property tax:			
Delinquent	-	255	255
Succeeding year	-	41,519	41,519
Due from other governments	45,060	-	45,060
Total assets	<u>558,667</u>	<u>82,590</u>	<u>641,257</u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	918	2,060	2,978
Deferred revenue:			
Succeeding year property tax	-	41,519	41,519
Total liabilities	<u>918</u>	<u>43,579</u>	<u>44,497</u>
Fund balances:			
Restricted for:			
School infrastructure	557,749	-	557,749
Physical plant and equipment	-	39,011	39,011
Total fund balances	<u>557,749</u>	<u>39,011</u>	<u>596,760</u>
Total liabilities and fund balances	<u>558,667</u>	<u>82,590</u>	<u>641,257</u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	331,707	38,689	370,396
Other	4,400	2,259	6,659
State sources	-	17	17
Total revenues	<u>336,107</u>	<u>40,965</u>	<u>377,072</u>
Expenditures:			
Current:			
Support services:			
Operation and maintenance of plant	39,501	10,876	50,377
Other expenditures:			
Facilities acquisition	131,639	-	131,639
Total expenditures	<u>171,140</u>	<u>10,876</u>	<u>182,016</u>
Excess (deficiency) of revenues over (under) expenditures	164,967	30,089	195,056
Other financing sources (uses):			
Operating transfers out	<u>(180,000)</u>	<u>-</u>	<u>(180,000)</u>
Net change in fund balance	(15,033)	30,089	15,056
Fund balances beginning of year	<u>572,782</u>	<u>8,922</u>	<u>581,704</u>
Fund balance end of year	<u><u>557,749</u></u>	<u><u>39,011</u></u>	<u><u>596,760</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance
	Beginning of Year				End of Year
	\$	\$	\$	\$	\$
Officials	(928)	-	160	160	(928)
Drama	131	-	-	-	131
Speech	(577)	50	820	418	(929)
Vocal	(286)	1,941	1,540	-	115
Instrumental	2,851	4,346	5,677	-	1,520
Boys high school basketball	1,400	3,566	2,704	-	2,262
Junior high basketball	(2,070)	2,460	3,850	1,340	(2,120)
High school football	11,098	22,541	20,077	(1,488)	12,074
Junior high football	(930)	-	420	420	(930)
Baseball	(5,655)	881	3,166	2,275	(5,665)
Boys high school track	(917)	412	917	499	(923)
Girls high school basketball	1,657	4,193	3,184	-	2,666
Cheerleading	3,079	3,273	5,297	-	1,055
Dance team	450	740	756	-	434
Volleyball	(789)	1,764	1,141	240	74
Junior high volleyball	(540)	-	240	-	(780)
Softball	(3,162)	1,093	2,277	1,273	(3,073)
Girls high school track	(812)	450	832	442	(752)
Junior high track	(533)	530	639	169	(473)
Student services	148	1,107	223	-	1,032
Towels & padlocks	1,909	784	153	(630)	1,910
Fund raiser	113	900	899	-	114
Resale	767	1,987	1,557	-	1,197
Activities resale	7,873	20,506	20,598	(5,935)	1,846
Activity tickets	12,452	5,935	-	-	18,387
Class of 2009	75	-	-	-	75
Class of 2010	435	-	-	-	435
Class of 2011	18	-	-	-	18
Class of 2012	1,525	795	2,110	-	210
Class of 2013	1,805	2,174	1,912	-	2,067
Class of 2014	1,070	1,868	470	-	2,468
Class of 2015	75	750	76	-	749
Class of 2016	-	614	-	-	614
FFA	9,862	20,586	22,322	-	8,126
FHA	1,152	851	562	-	1,441
Golf	(1,865)	23	841	817	(1,866)
Interest	(1,682)	485	1,430	-	(2,627)
Science club	247	23,498	23,347	-	398
Spanish club	2,315	949	354	-	2,910

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Art club	53	10	6	-	57
Student council	4,371	4,339	6,224	-	2,486
Yearbook	8,188	9,050	831	-	16,407
Glidden school newspaper	421	-	350	-	71
Undesignated	6,589	-	-	-	6,589
Totals	<u>61,383</u>	<u>145,451</u>	<u>137,962</u>	<u>-</u>	<u>68,872</u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	1,770,443	1,650,245	1,543,282	1,662,973	1,427,211	1,455,241	1,293,991	1,322,892	1,492,713
Tuition	287,090	291,067	267,262	289,657	250,925	210,555	190,555	167,328	120,103
Other	337,752	275,439	332,069	311,201	309,670	236,498	300,778	192,146	213,455
State sources	1,661,774	1,607,956	1,479,943	1,826,112	1,876,970	1,694,426	1,576,713	1,589,601	1,385,722
Federal sources	144,355	199,075	355,247	141,917	141,766	125,152	309,604	146,316	186,944
Total revenues	<u>4,201,414</u>	<u>4,023,782</u>	<u>3,977,803</u>	<u>4,231,860</u>	<u>4,006,542</u>	<u>3,721,872</u>	<u>3,671,641</u>	<u>3,418,283</u>	<u>3,398,937</u>
Expenditures:									
Instruction:									
Regular	1,535,821	1,431,274	1,468,617	1,416,188	1,471,511	1,363,502	1,080,908	1,354,536	1,318,801
Special	234,639	268,291	261,329	265,548	202,786	258,081	225,238	250,374	249,298
Other	466,659	393,474	416,495	449,658	439,349	434,083	433,517	346,666	393,174
Support services:									
Student	168,723	175,254	139,914	154,582	128,839	127,748	163,758	140,147	142,473
Instructional staff	85,974	150,157	214,362	195,013	143,006	162,873	222,871	65,348	62,310
Administration	337,217	312,127	315,866	304,656	299,061	265,158	268,196	293,552	258,168
Operation and maintenance	330,526	296,430	274,744	268,289	285,027	301,348	271,928	191,399	194,765
Transportation	84,845	110,159	100,459	128,023	98,903	164,648	110,003	96,621	79,725
Other expenditures:									
Facilities acquisition	131,639	102,424	149,503	70,342	80,939	197,596	97,977	41,733	24,576
Long-term debt:									
Principal	160,000	150,000	120,000	140,000	135,000	130,000	195,000	110,000	105,000
Interest and other charges	61,480	66,680	71,175	75,614	79,291	82,465	145,680	104,665	108,812
AEA flowthrough	119,778	135,075	134,385	126,171	124,474	114,464	106,775	107,439	107,798
Total expenditures	<u>3,717,301</u>	<u>3,591,345</u>	<u>3,666,849</u>	<u>3,594,084</u>	<u>3,488,186</u>	<u>3,601,966</u>	<u>3,321,851</u>	<u>3,102,480</u>	<u>3,044,900</u>

See accompanying independent auditor's report.

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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
Glidden-Ralston Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Glidden-Ralston Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2013. Because the financial statements referred to above include only the primary government of the Glidden-Ralston Community School District, they do not purport to, and do not present fairly, the financial position and changes in financial position of the Glidden-Ralston Community School District in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

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

consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 12-I-A, 12-I-B and 12-I-C to be material weaknesses.

Compliance and Other Matters

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

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Glidden-Ralston Community School District and other parties to whom Glidden-Ralston Community School District may report, and is not intended to be and should not be used by anyone other than these specified parties.

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

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

March 26, 2013

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

12-II-A Certified Budget: Expenditures for the year ended June 30, 2012 did not exceed the certified budget amount.

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

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Butch Gregory, board member, contractor	repairs	\$94

The transaction does not appear to represent a conflict of interest since the dollar amount was less than \$2,500.

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

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

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

12-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

12-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

12-II-J Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education by the due date.

12-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

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

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

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 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	\$	\$
		572,782
Revenues/transfers in:		
Statewide sales, services and use tax revenue	331,707	
Other local revenues	<u>4,400</u>	336,107
Expenditures/transfers out:		
School infrastructure construction	131,639	
Equipment	39,501	
Transfers to debt service fund	<u>180,000</u>	<u>351,140</u>
Ending balance		<u>557,749</u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E of 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	<u>\$</u>	<u>\$</u>
Debt Service Levy	1.53454	180,000

12-II-M Student Activity Fund Deficits: We noted several accounts in the Student Activity Fund with deficit balances.

Recommendation: The District should seek ways to eliminate the deficits.

District Response: We are trying to reduce those accounts with deficit balances.

Conclusion: Response accepted.