

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

JUNE 30, 2013

## Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Notes to Financial Statements		27-38
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund		40
Notes to Required Supplementary Information – Budgetary Reporting		41
Schedule of Funding Progress for the Retiree Health Plan		42
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	45
Capital Projects Funds:		
Combining Balance Sheet	3	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	47
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	48-49
Debt Service Funds:		
Combining Balance Sheet	6	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	7	51
Schedule of Revenues by Source and Expenditures by Function – All Governmental Fund Types	8	52
Schedule of Expenditures of Federal Awards	9	53
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		54-55
Independent Auditor's Report on Compliance for Each Major Program, on Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133		56-57
Schedule of Findings		58-63

Gilbert Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Kim Mosiman	President	2015
Tyler Holck	Vice President	2015
Tanya Austin	Board Member	2015
Marcia DeZonia	Board Member	2013
Mary Zimmerman	Board Member	2013

**School Officials**

Lindsey Beecher	Superintendent	2013
Johna Clancy	Board Secretary/Treasurer and Business Manager	2013
Ahlers & Cooney, P.C.	Attorney	2013

**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:**

**Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**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 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

## **Other Matters**

### *Required Supplementary Information*

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 7 through 15 and 40 through 42 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2014 on our consideration of Gilbert Community School District's internal control over financial reporting and on 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 in considering Gilbert Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 17, 2014  
Newton, Iowa

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

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Gilbert Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$12,210,936 in fiscal 2012 to \$12,219,000 in fiscal 2013, while General Fund expenditures increased from \$11,999,831 in fiscal 2012 to \$12,907,955 in fiscal 2013. The District's General Fund balance decreased from \$2,319,040 in fiscal 2012 to \$1,630,085 in fiscal 2013, a 29.71% decrease over the prior year.
- The increase in General Fund revenues was mostly attributable to increased state revenues in fiscal 2013. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits because of the hiring of new staff during fiscal 2013.

### **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 Position 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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

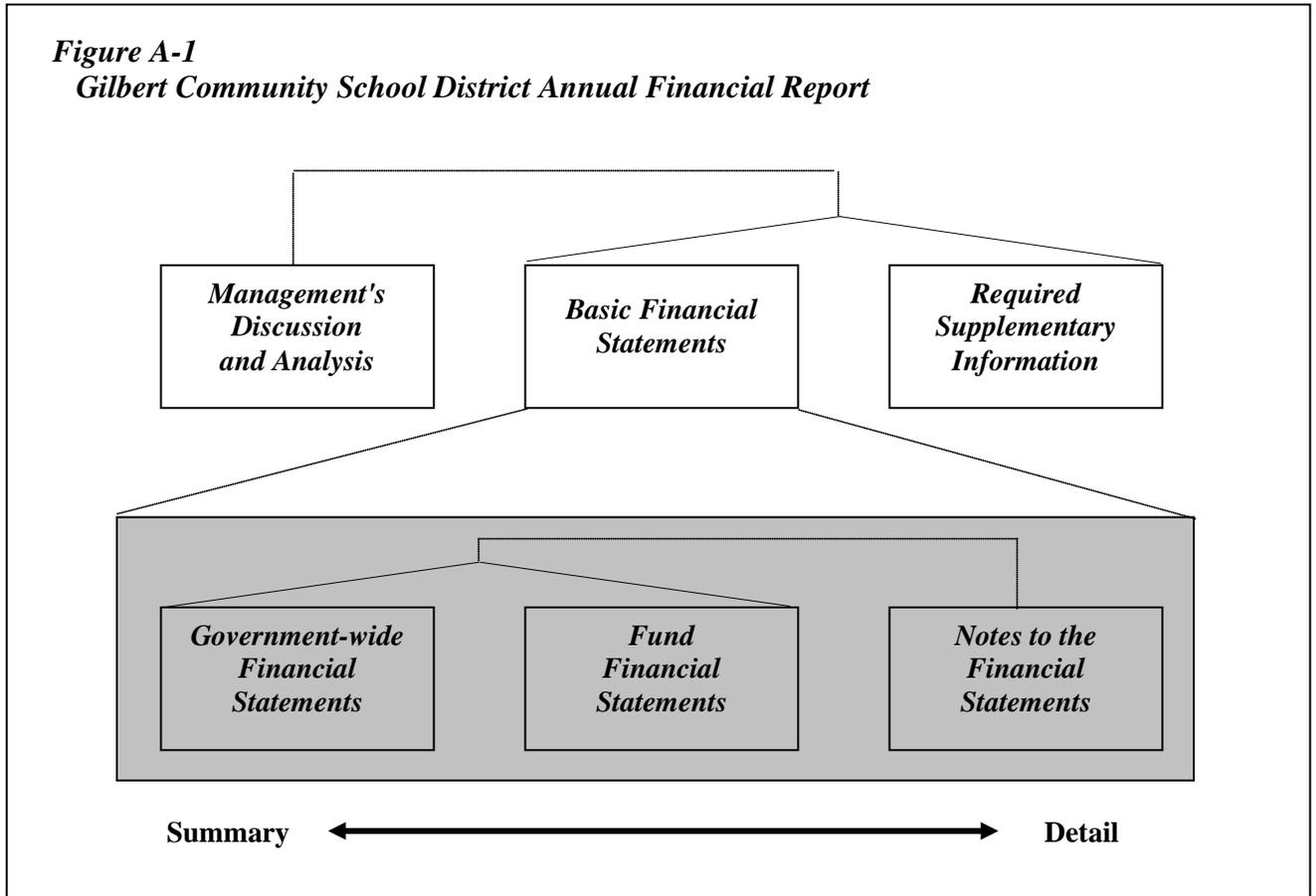


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<i>Major Features of the Government-wide and Fund Financial Statements</i>			
	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	<input type="checkbox"/> Statement of net position  <input type="checkbox"/> Statement of activities	<input type="checkbox"/> Balance sheet  <input type="checkbox"/> Statement of revenues, expenditures, and changes in fund balances	<input type="checkbox"/> Statement of net position  <input type="checkbox"/> Statement of revenues, expenses and changes in fund net position  <input type="checkbox"/> 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 Position includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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The two government-wide financial statements report the District's net position and how they have changed. Net position - 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 position is 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 Net Position, Statement of Revenues, Expenses and Changes in Net Position 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 position at June 30, 2013 compared to June 30, 2012.

Figure A-3  
Condensed Statement of Net Position

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2013-12
Current and other assets	\$ 17,755,277	27,488,898	81,176	89,914	17,836,453	27,578,812	-35.33%
Capital assets	37,897,739	22,206,781	79,024	84,401	37,976,763	22,291,182	70.37%
Total assets	<u>55,653,016</u>	<u>49,695,679</u>	<u>160,200</u>	<u>174,315</u>	<u>55,813,216</u>	<u>49,869,994</u>	<u>11.92%</u>
Long-term obligations	30,979,072	26,753,230	17,469	5,038	30,996,541	26,758,268	15.84%
Other liabilities	6,969,120	6,771,108	4,611	16,935	6,973,731	6,788,043	2.74%
Total liabilities	<u>37,948,192</u>	<u>33,524,338</u>	<u>22,080</u>	<u>21,973</u>	<u>37,970,272</u>	<u>33,546,311</u>	<u>13.19%</u>
Net position:							
Invested in capital assets, net of related debt	9,832,762	8,877,974	79,024	84,401	9,911,786	8,962,375	10.59%
Restricted	6,486,333	5,320,641	-	-	6,486,333	5,320,641	21.91%
Unrestricted	1,385,729	1,972,726	59,096	67,941	1,444,825	2,040,667	-29.20%
Total net position	<u>\$ 17,704,824</u>	<u>16,171,341</u>	<u>138,120</u>	<u>152,342</u>	<u>17,842,944</u>	<u>16,323,683</u>	<u>9.31%</u>

The District's combined net position increased by 9.31%, or \$1,519,261 over the prior year. The largest portion of the District's net position 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 position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by 21.91%, or \$1,165,692, over the prior year. The increase in restricted net position is mainly attributable to the increase in ending fund balance for the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net position - the part of net position that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased 29.20%, or \$595,842, from the prior year. The decrease in unrestricted net position is mainly attributable to the decrease in ending fund balance for the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to June 30, 2012.

Figure A-4  
Changes of Net Position

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	2013	2012	2013	2012	2013	2012	2013-12
Revenues :							
Program revenues:							
Charges for services	\$ 1,850,600	1,904,128	405,221	411,156	2,255,821	2,315,284	-2.57%
Operating grants and contributions and restricted interest	763,767	857,748	141,627	134,152	905,394	991,900	-8.72%
Capital grants and contributions and restricted interest	571,110	48,878	-	-	571,110	48,878	100.00%
General revenues:							
Property tax	6,515,357	6,696,917	-	-	6,515,357	6,696,917	-2.71%
Statewide sales, services and use tax	1,396,882	1,329,336	-	-	1,396,882	1,329,336	5.08%
Nonspecific program federal grants	-	7,358	-	-	-	7,358	-100.00%
Unrestricted state grants	5,804,944	5,374,596	-	-	5,804,944	5,374,596	8.01%
Unrestricted interest	93,361	110,281	639	594	94,000	110,875	-15.22%
Other general revenue	167,164	110,665	2,336	-	169,500	110,665	53.16%
Total revenues	17,163,185	16,439,907	549,823	545,902	17,713,008	16,985,809	4.28%
Program expenses:							
Governmental activities:							
Instructional	10,184,113	9,287,724	-	-	10,184,113	9,287,724	9.65%
Support services	3,702,761	3,626,713	4,793	2,327	3,707,554	3,629,040	2.16%
Non-instructional programs	1,310	-	559,252	548,109	560,562	548,109	2.27%
Other expenses	1,741,518	1,521,632	-	-	1,741,518	1,521,632	14.45%
Total expenses	15,629,702	14,436,069	564,045	550,436	16,193,747	14,986,505	8.06%
Change in net position	1,533,483	2,003,838	(14,222)	(4,534)	1,519,261	1,999,304	-24.01%
Net position beginning of year	16,171,341	14,167,503	152,342	156,876	16,323,683	14,324,379	13.96%
Net position end of year	\$ 17,704,824	16,171,341	138,120	152,342	17,842,944	16,323,683	9.31%

In fiscal 2013, property tax and unrestricted state grants account for 71.78% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.46% of the revenue from business type activities.

The District's total revenues were \$17,713,008 of which \$17,163,185 was for governmental activities and \$549,823 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.28% increase in revenues and a 8.06% increase in expenses. Capital grants and contributions and restricted interest increased \$522,232 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 \$17,163,185 and expenses were \$15,629,702.

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, for the year ended June 30, 2013 compared to June 30, 2012.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2013-12	2013	2012	Change 2013-12
Instruction	\$ 10,184,113	9,287,724	9.65%	8,059,357	6,965,693	15.70%
Support services	3,702,761	3,626,713	2.10%	3,102,642	3,564,291	-12.95%
Non-instructional programs	1,310	-	100.00%	1,310	-	100.00%
Other expenses	1,741,518	1,521,632	14.45%	1,280,916	1,095,331	16.94%
Totals	\$ 15,629,702	14,436,069	8.27%	12,444,225	11,625,315	7.04%

- The cost financed by users of the District’s programs was \$1,850,600.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,334,877.
- The net cost of governmental activities was financed with \$6,515,357 in property tax, \$1,396,882 in statewide sales, service and use tax, \$5,804,944 in unrestricted state grants, \$93,361 in interest income and \$167,164 in other general revenues.

**Business Type Activities**

Revenues of the District’s business type activities were \$549,823 and expenses were \$564,045. 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 \$10,961,391, well below last year’s ending fund balances of a \$20,869,732. However, the primary reason for the dramatic decrease in combined fund balances at the end of fiscal 2013 is due to the decrease in the Bond Construction Fund balance.

**Governmental Fund Highlights**

- The District’s decreasing General Fund financial position is the product of many factors. The increase in expenditures was due to an increase in the negotiated salary and benefits because of the hiring of new staff during fiscal 2013.
- The Statewide Sales and Services Tax Fund increased from \$3,377,509 in fiscal 2012 to \$4,456,704 in fiscal 2013. The Physical Plant and Equipment Levy (PEEL) fund balance increased from \$143,349 in fiscal 2012 to \$346,623 in fiscal 2013. The District also started a Bond Construction Fund in fiscal 2012. This fund is being used to record bond proceeds and construction costs associated with the new high school building. The fund balance decreased from \$13,296,193 in fiscal 2012 to \$2,685,023 in fiscal 2013. The decrease in the fund balance is due to continuing construction projects through the year.

- The Debt Service fund balance increased from \$829,704 in 2012 to \$947,910 in fiscal 2013, due in part to the timing of scheduled bond payments.

### Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$152,342 in 2012 to \$138,120 in 2013. Revenues for the fiscal year increased by \$3,921 or 0.72%. The expenditures increased by \$13,609 or 2.47%. The higher cost of transportation, storage, and actual cost of the food, along with an increase in wages and benefits were the big factors for the decrease.

### BUDGETARY HIGHLIGHTS

The District's revenues were \$630,284 less than budgeted revenues, a variance of 3.44%. 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, 2013, the District had invested \$37,976,763, 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 70.37% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$687,591.

The original cost of the District's capital assets was \$46,027,209. Governmental funds account for \$45,751,563 with the remainder of \$275,646 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$650,635 at June 30, 2013, compared to \$173,776 in 2012 due to the high school drainage project during the year.

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,
	2013	2012	2013	2012	2013	2012	2013-12
Land	\$ 1,146,053	1,146,053	-	-	1,146,053	1,146,053	0.00%
Construction in progress	21,743,792	6,482,830	-	-	21,743,792	6,482,830	235.41%
Buildings	13,629,685	13,817,079	-	-	13,629,685	13,817,079	-1.36%
Land improvements	650,635	173,776	-	-	650,635	173,776	274.41%
Machinery and equipment	727,574	587,043	79,024	84,401	806,598	671,444	20.13%
<b>Total</b>	<b>\$ 37,897,739</b>	<b>22,206,781</b>	<b>79,024</b>	<b>84,401</b>	<b>37,976,763</b>	<b>22,291,182</b>	<b>70.37%</b>

## Long-Term Debt

At June 30, 2013, the District had long-term debt outstanding of \$30,983,683 in general obligation bonds and other long-term debt. This represents an increase of 15.79% 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 \$21,850,000 at June 30, 2013.

The District had revenue bonds payable of \$8,900,000 at June 30, 2013.

The District also had total outstanding early retirement payable of \$137,020 at June 30, 2013, that is payable from the Special Revenue, Management Levy Fund.

The District had a net OPEB liability of \$92,052 in the governmental activities and \$4,611 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,
	2013	2012	2013	2012	2013	2012	2013-12
General obligation bonds	\$ 21,850,000	17,725,000	-	-	21,850,000	17,725,000	23.27%
Revenue bonds	8,900,000	8,900,000	-	-	8,900,000	8,900,000	0.00%
Early retirement	137,020	69,975	-	-	137,020	69,975	95.81%
Net OPEB obligation	92,052	58,255	4,611	5,038	96,663	63,293	52.72%
Total	\$ 30,979,072	26,753,230	4,611	5,038	30,983,683	26,758,268	15.79%

## 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 FY14 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 POSITION  
JUNE 30, 2013

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:	\$ 10,118,896	62,152	10,181,048
Receivables:			
Property tax:			
Delinquent	12,709	-	12,709
Succeeding year	6,718,808	-	6,718,808
Due from other governments	904,864	1,028	905,892
Inventories	-	17,996	17,996
Capital assets, net of accumulated depreciation	37,897,739	79,024	37,976,763
<b>TOTAL ASSETS</b>	<b>55,653,016</b>	<b>160,200</b>	<b>55,813,216</b>
<b>LIABILITIES</b>			
Accounts payable	75,078	-	75,078
Interest payable	175,234	-	175,234
Deferred revenue:			
Succeeding year property tax	6,718,808	-	6,718,808
Unearned revenue	-	17,469	17,469
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	815,000	-	815,000
Revenue bonds payable	100,000	-	100,000
Termination benefits payable	135,395	-	135,395
Portion due after one year:			
General obligation bonds payable	21,035,000	-	21,035,000
Revenue bonds payable	8,800,000	-	8,800,000
Termination benefits payable	1,625	-	1,625
Net OPEB liability	92,052	4,611	96,663
<b>TOTAL LIABILITIES</b>	<b>37,948,192</b>	<b>22,080</b>	<b>37,970,272</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	9,832,762	79,024	9,911,786
Restricted for:			
Categorical funding	152,304	-	152,304
Debt service	772,676	-	772,676
School infrastructure	4,456,704	-	4,456,704
Physical plant & equipment levy	346,623	-	346,623
Management levy	597,022	-	597,022
Student activities	161,004	-	161,004
Unrestricted	1,385,729	59,096	1,444,825
<b>TOTAL NET POSITION</b>	<b>\$ 17,704,824</b>	<b>138,120</b>	<b>17,842,944</b>

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 6,712,860	1,249,542	33,432	-	(5,429,886)	-	(5,429,886)
Special	1,376,228	107,041	203,117	-	(1,066,070)	-	(1,066,070)
Other	2,095,025	494,017	37,607	-	(1,563,401)	-	(1,563,401)
	<u>10,184,113</u>	<u>1,850,600</u>	<u>274,156</u>	<u>-</u>	<u>(8,059,357)</u>	<u>-</u>	<u>(8,059,357)</u>
Support services:							
Student	340,994	-	-	-	(340,994)	-	(340,994)
Instructional staff	441,943	-	8,463	-	(433,480)	-	(433,480)
Administration	1,355,999	-	-	-	(1,355,999)	-	(1,355,999)
Operation and maintenance of plant	911,685	-	7,134	571,110	(333,441)	-	(333,441)
Transportation	652,140	-	13,412	-	(638,728)	-	(638,728)
	<u>3,702,761</u>	<u>-</u>	<u>29,009</u>	<u>571,110</u>	<u>(3,102,642)</u>	<u>-</u>	<u>(3,102,642)</u>
Non-instructional programs:							
Community service operations	33	-	-	-	(33)	-	(33)
Food service operations	1,277	-	-	-	(1,277)	-	(1,277)
	<u>1,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,310)</u>	<u>-</u>	<u>(1,310)</u>
Long-term debt interest	870,462	-	-	-	(870,462)	-	(870,462)
Other expenses:							
AEA flowthrough	460,602	-	460,602	-	-	-	-
Depreciation(unallocated)*	410,454	-	-	-	(410,454)	-	(410,454)
	<u>871,056</u>	<u>-</u>	<u>460,602</u>	<u>-</u>	<u>(410,454)</u>	<u>-</u>	<u>(410,454)</u>
Total governmental activities	15,629,702	1,850,600	763,767	571,110	(12,444,225)	-	(12,444,225)
Business type activities:							
Support services:							
Operation and maintenance of plant	4,793	-	-	-	-	(4,793)	(4,793)
Non-instructional programs:							
Nutrition services	559,252	405,221	141,627	-	-	(12,404)	(12,404)
Total business type activities	564,045	405,221	141,627	-	-	(17,197)	(17,197)
Total	\$ 16,193,747	2,255,821	905,394	571,110	(12,444,225)	(17,197)	(12,461,422)
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 4,444,479	-		4,444,479
Debt services				1,463,816	-		1,463,816
Capital outlay				607,062	-		607,062
Statewide sales, services and use tax				1,396,882	-		1,396,882
Unrestricted state grants				5,804,944	-		5,804,944
Unrestricted investment earnings				93,361	639		94,000
Other				167,164	2,336		169,500
Total general revenues				<u>13,977,708</u>	<u>2,975</u>		<u>13,980,683</u>
Change in net position				1,533,483	(14,222)		1,519,261
Net position beginning of year				<u>16,171,341</u>	<u>152,342</u>		<u>16,323,683</u>
Net position end of year				<u>\$ 17,704,824</u>	<u>138,120</u>		<u>17,842,944</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, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 1,495,002	6,784,440	944,946	894,508	10,118,896
Receivables:					
Property tax:					
Delinquent	8,154	1,188	2,850	517	12,709
Succeeding year	4,244,986	641,964	1,556,859	274,999	6,718,808
Due from other governments	202,007	702,722	114	21	904,864
<b>TOTAL ASSETS</b>	<b>\$ 5,950,149</b>	<b>8,130,314</b>	<b>2,504,769</b>	<b>1,170,045</b>	<b>17,755,277</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 75,078	-	-	-	75,078
Deferred revenue:					
Succeeding year property tax	4,244,986	641,964	1,556,859	274,999	6,718,808
<b>Total liabilities</b>	<b>4,320,064</b>	<b>641,964</b>	<b>1,556,859</b>	<b>274,999</b>	<b>6,793,886</b>
Fund balances:					
Restricted for:					
Categorical funding	152,304	-	-	-	152,304
Debt service	-	-	947,910	-	947,910
School infrastructure	-	7,141,727	-	-	7,141,727
Physical plant and equipment	-	346,623	-	-	346,623
Management levy purposes	-	-	-	734,042	734,042
Student activities	-	-	-	161,004	161,004
Unassigned	1,477,781	-	-	-	1,477,781
<b>Total fund balances</b>	<b>1,630,085</b>	<b>7,488,350</b>	<b>947,910</b>	<b>895,046</b>	<b>10,961,391</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,950,149</b>	<b>8,130,314</b>	<b>2,504,769</b>	<b>1,170,045</b>	<b>17,755,277</b>

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

<b>Total fund balances of governmental funds(page 20)</b>	\$	10,961,391
 <i>Amounts reported for governmental activities in the Statement of Net Position 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.		37,897,739
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.		(175,234)
Long-term liabilities, including bonds payable, termination benefits 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>(30,979,072)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>17,704,824</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS

**GILBERT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013**

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 4,179,128	2,003,944	1,463,816	265,351	7,912,239
Tuition	1,256,164	-	-	-	1,256,164
Other	226,048	129,043	3,722	506,382	865,195
State sources	6,292,558	56,152	512	93	6,349,315
Federal sources	265,102	515,170	-	-	780,272
<b>TOTAL REVENUES</b>	<b>12,219,000</b>	<b>2,704,309</b>	<b>1,468,050</b>	<b>771,826</b>	<b>17,163,185</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	6,179,814	30,145	-	161,426	6,371,385
Special	1,297,830	-	-	-	1,297,830
Other	1,522,121	-	-	500,163	2,022,284
	<b>8,999,765</b>	<b>30,145</b>	<b>-</b>	<b>661,589</b>	<b>9,691,499</b>
Support services:					
Student	326,177	-	-	-	326,177
Instructional staff	465,600	-	-	-	465,600
Administration	1,325,173	-	4,106	47,974	1,377,253
Operation and maintenance of plant	838,416	-	-	51,505	889,921
Transportation	492,189	190,627	-	18,372	701,188
	<b>3,447,555</b>	<b>190,627</b>	<b>4,106</b>	<b>117,851</b>	<b>3,760,139</b>
Non-instructional programs:					
Food service operations	-	-	-	1,277	1,277
Community service operations	33	-	-	-	33
	<b>33</b>	<b>-</b>	<b>-</b>	<b>1,277</b>	<b>1,310</b>
Capital outlay	-	16,526,076	-	-	16,526,076
Long-term debt:					
Principal	-	-	825,000	-	825,000
Interest and fiscal charges	-	-	847,170	-	847,170
	<b>-</b>	<b>-</b>	<b>1,672,170</b>	<b>-</b>	<b>1,672,170</b>
Other expenditures:					
AEA flowthrough	460,602	-	-	-	460,602
<b>TOTAL EXPENDITURES</b>	<b>12,907,955</b>	<b>16,746,848</b>	<b>1,676,276</b>	<b>780,717</b>	<b>32,111,796</b>
Excess(Deficiency) of revenues over(under) expenditures	(688,955)	(14,042,539)	(208,226)	(8,891)	(14,948,611)
Other financing sources(uses):					
Transfer in	-	-	326,432	-	326,432
Transfer out	-	(326,432)	-	-	(326,432)
General obligation bond issuance	-	4,950,000	-	-	4,950,000
Premium on general obligation bond issuance	-	159,323	-	-	159,323
Discount on general obligation bond issuance	-	(69,053)	-	-	(69,053)
<b>Total other financing sources(uses)</b>	<b>-</b>	<b>4,713,838</b>	<b>326,432</b>	<b>-</b>	<b>5,040,270</b>
Change in fund balances	(688,955)	(9,328,701)	118,206	(8,891)	(9,908,341)
Fund balance beginning of year	2,319,040	16,817,051	829,704	903,937	20,869,732
Fund balance end of year	\$ 1,630,085	7,488,350	947,910	895,046	10,961,391

SEE NOTES TO FINANCIAL STATEMENT

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, 2013

**Change in fund balances - total governmental funds(page 22)** \$ (9,908,341)

*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	\$ 16,362,993	
Depreciation expense	(672,035)	15,690,958

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 Position. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position.

Issued	(4,950,000)	
Repaid	825,000	(4,125,000)

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. (23,292)

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.

Termination benefits	(67,045)	
Other postemployment benefits	(33,797)	(100,842)

**Change in net position of governmental activities(page 19)** \$ 1,533,483

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013

	School Nutrition
<b>ASSETS</b>	
Cash and cash equivalents	\$ 62,152
Due from other governments	1,028
Inventories	17,996
Capital assets, net of accumulated depreciation	79,024
<b>TOTAL ASSETS</b>	<b>160,200</b>
 <b>LIABILITIES</b>	
Unearned revenues	17,469
Net OPEB liability	4,611
<b>TOTAL LIABILITIES</b>	<b>22,080</b>
 <b>NET POSITION</b>	
Invested in capital assets	79,024
Unrestricted	59,096
<b>TOTAL NET POSITION</b>	<b>\$ 138,120</b>

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013

	School Nutrition
<b>OPERATING REVENUE:</b>	
Local sources:	
Charges for service	\$ 405,221
Miscellaneous	2,336
<b>TOTAL OPERATING REVENUES</b>	<b>407,557</b>
 <b>OPERATING EXPENSES:</b>	
Non-instructional programs:	
Support services:	
Operation and maintenance of plant:	
Services	4,793
Food service operations:	
Salaries	164,710
Benefits	73,657
Services	2,359
Supplies	302,970
Depreciation	15,556
<b>TOTAL OPERATING EXPENSES</b>	<b>564,045</b>
 <b>OPERATING LOSS</b>	 <b>(156,488)</b>
 <b>NON-OPERATING REVENUES:</b>	
Interest	639
State sources	4,924
Federal sources	136,703
<b>TOTAL NON-OPERATING REVENUES</b>	<b>142,266</b>
 Decrease in net position	 (14,222)
 Net position at beginning of year	 152,342
 Net position end of year	 \$ 138,120

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 405,755
Cash received from miscellaneous operating activities	2,336
Cash payments to employees for services	(238,794)
Cash payments to suppliers for goods or services	(270,363)
Net cash used by operating activities	(101,066)
Cash flows from non-capital financing activities:	
State grants received	4,924
Federal grants received	98,837
Net cash provided by non-capital financing activities	103,761
Cash flows from investing activities:	
Interest on investments	639
Cash flows from capital financing activities:	
Purchase of assets	(10,179)
Net decrease in cash and cash equivalents	(6,845)
Cash and cash equivalents at beginning of year	68,997
Cash and cash equivalents at end of year	\$ 62,152
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (156,488)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	36,838
Depreciation	15,556
Decrease in inventories	2,921
Increase in unearned revenue	534
Decrease in other postemployment benefits	(427)
Net cash used by operating activities	\$ (101,066)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received \$36,838 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**(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 Position and the Statement of Activities report information on all of the non-fiduciary 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 Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

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

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 position 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.

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 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. 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 of depreciation 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 Position 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 Position 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 Position.

Fund Balances - 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 Position - In the Government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position 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, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$14 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, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service: Debt Sinking	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 326,432</u>

The transfer from Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service: Debt Sinking Fund was needed to satisfy the sinking requirements for the reserve account for the revenue bonds dated February 1, 2012.

**(4) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 17,725,000	4,950,000	825,000	21,850,000	815,000
Revenue bonds	8,900,000	-	-	8,900,000	100,000
Termination benefits	69,975	133,770	66,725	137,020	135,395
Net OPEB liability	58,255	33,797	-	92,052	-
<b>Total</b>	<b>\$ 26,753,230</b>	<b>5,117,567</b>	<b>891,725</b>	<b>30,979,072</b>	<b>1,050,395</b>
Business type activities:					
Net OPEB liability	\$ 5,038	-	427	4,611	-

**General Obligation Bonds**

Details of the District's June 30, 2013 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
2014	4.05 %	\$ 475,000	285,518	3.00 %	\$ 125,000	307,308
2015	4.05	495,000	260,854	3.00	125,000	303,557
2016	4.05-4.15	515,000	240,604	3.00	130,000	299,808
2017	4.15-4.30	540,000	219,048	3.00	135,000	295,907
2018	4.30-4.40	560,000	195,815	3.00	140,000	291,858
2019-2023	4.40-4.70	3,215,000	572,396	3.00	795,000	1,392,687
2024-2028	4.70-4.75	630,000	21,045	3.00-3.30	4,515,000	1,097,738
2029-2033		-	-	3.40-3.55	3,560,000	250,313
<b>Total</b>		<b>\$ 6,430,000</b>	<b>1,795,280</b>		<b>\$ 9,525,000</b>	<b>4,239,176</b>

Year Ending June 30,	Bond Issue of February 1, 2012		Bond Issue of June 1, 2013			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Total
2014	0.55 %	\$ 140,000	15,122	0.40 %	\$ 75,000	129,562	\$ 815,000 737,510 1,552,510
2015	0.70	145,000	14,352	0.75	35,000	129,262	800,000 708,025 1,508,025
2016	2.70	145,000	13,338	0.75	35,000	129,000	825,000 682,750 1,507,750
2017	2.65	140,000	9,422	0.75	40,000	128,738	855,000 653,115 1,508,115
2018	1.35	150,000	5,713	0.75	35,000	128,438	885,000 621,824 1,506,824
2019-2023	1.55-1.75	225,000	5,438	2.00	710,000	619,475	4,945,000 2,589,996 7,534,996
2024-2028		-	-	2.00-2.50	720,000	536,725	5,865,000 1,655,508 7,520,508
2029-2033		-	-	2.50-3.00	3,300,000	412,288	6,860,000 662,601 7,522,601
<b>Total</b>		<b>\$ 945,000</b>	<b>63,385</b>		<b>\$ 4,950,000</b>	<b>2,213,488</b>	<b>\$ 21,850,000 8,311,329 30,161,329</b>

Revenue Bonds

Details of the District’s June 30, 2013 revenue bond indebtedness is as follows:

Year Ending June 30,	Bond Issue of February 1, 2012				
	Interest Rates		Principal	Interest	Total
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	2.00		315,000	203,507	518,507
2019-2023	2.00-2.40		2,755,000	861,613	3,616,613
2024-2028	2.50-3.00		3,105,000	503,535	3,608,535
2029-2030	3.10-3.40		1,720,000	68,144	1,788,144
Total			\$ 8,900,000	2,509,979	11,409,979

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 23 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$11,409,979. For the current year, \$207,861 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,396,882.

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

- a) \$731,258 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.

Termination Benefits(Early Retirement)

The District offers a voluntary early retirement plan to all its 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, 2013, totaled \$66,725.

**(5) Advance Refunding**

During the year ended June 30, 2013, the District levied an additional \$113,158 in debt service levy property tax to advance refund \$110,000 of outstanding general obligation bonds dated July 1, 2004. The property tax proceeds have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay part of the interest on the July 1, 2004 general obligation bonds from December 1, 2014 to June 1, 2024 as well as \$110,000 in principal of the June 1, 2024 payment. The \$110,000 in principal has been removed from the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. At June 30, 2013, \$110,000 of such bonds are outstanding. Defeasement of principal and interest for the year was \$0 and \$0 respectively. The economic gain of this bond defeasement was \$52,250.

**(6) Capital Assets**

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 265,467	10,179	-	275,646
Less accumulated depreciation	181,066	15,556	-	196,622
Business type activities capital assets	<u>\$ 84,401</u>	<u>(5,377)</u>	<u>-</u>	<u>79,024</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,146,053	-	-	1,146,053
Construction in progress	6,482,830	15,960,882	699,920	21,743,792
Total capital assets not being depreciated	<u>7,628,883</u>	<u>15,960,882</u>	<u>699,920</u>	<u>22,889,845</u>
Capital assets being depreciated:				
Buildings	18,374,008	169,832	-	18,543,840
Land improvements	748,742	530,087	-	1,278,829
Machinery and equipment	2,636,937	402,112	-	3,039,049
Total capital assets being depreciated	<u>21,759,687</u>	<u>1,102,031</u>	<u>-</u>	<u>22,861,718</u>
Less accumulated depreciation for:				
Buildings	4,556,929	357,226	-	4,914,155
Land improvements	574,966	53,228	-	628,194
Machinery and equipment	2,049,894	261,581	-	2,311,475
Total accumulated depreciation	<u>7,181,789</u>	<u>672,035</u>	<u>-</u>	<u>7,853,824</u>
Total capital assets being depreciated, net	<u>14,577,898</u>	<u>429,996</u>	<u>-</u>	<u>15,007,894</u>
Governmental activities capital assets, net	<u>\$ 22,206,781</u>	<u>16,390,878</u>	<u>699,920</u>	<u>37,897,739</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 47,201
Special	2,239
Other	39,618
Support services:	
Instructional services	10,518
Administration services	8,735
Operation and maintenance of plant services	34,497
Transportation	118,773
	<hr/>
	261,581
Unallocated depreciation	<hr/>
	410,454
	<hr/>
Total governmental activities depreciation expense	\$ 672,035
	<hr/>
Business type activities:	
Food services	\$ 15,556
	<hr/>

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of its annual covered payroll. Contribution requirements are established by State statute. The District’s contribution to IPERS for the years ended June 30, 2013, 2012, and 2011, were \$681,962, \$581,166, and \$472,334, respectively, equal to the required contributions for each year.

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

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 86 active and 9 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are 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 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	53,322
Interest on net OPEB obligation		1,582
Adjustment to annual required contribution		(6,409)
Annual OPEB cost		<u>48,495</u>
Contributions made		<u>(15,125)</u>
Increase in net OPEB obligation		33,370
Net OPEB obligation beginning of year		<u>63,293</u>
Net OPEB obligation end of year	\$	<u><u>96,663</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2013, the District contributed \$15,125 to the medical plan. Plan members eligible for benefits contributed \$212,076, or 93.34% 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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	38,658	51.29%	35,467
2012	38,595	27.90%	63,293
2013	48,495	31.19%	96,663

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$273,248, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$273,248. The covered payroll (annual payroll of active employees covered by the plan) was \$4,882,498, and the ratio of the UAAL to covered payroll was 5.60%. As of June 30, 2013 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, 2012 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. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$460,602 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Construction Commitment**

As of June 30, 2013, the District had entered into various contracts totaling \$28,661,061 for the construction of a new high school building. Costs of \$21,743,792 had been incurred by the District against these contracts. The remaining \$6,917,269 will be paid as work on the project progresses.

**(12) Categorical Funding**

The District's ending balances for categorical funding by project as of the year ended June 30, 2013 are as follows:

Project	Amount
Home school assistance program	\$ 45,124
Weighted at-risk programs	15,160
Dropout and dropout prevention	28,059
Teacher salary supplement	37,906
Professional development	806
Four-year old preschool state aid	8,615
Professional development for model core curriculum	9,398
Market factor incentives	7,236
Total	<u>\$ 152,304</u>

**(13) Subsequent Event**

On July 1, 2013, the District issued \$3,650,000 in revenue bonds to finance school improvement projects.

**(14) Detailed Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Invested in Capital Assets	School Infrastructure	Management Levy	Debt Service	Unassigned/ Restricted balances
Fund balance (Exhibit C)	\$ -	7,141,727	734,042	947,910	1,477,781
Capital assets, net of accumulated debt	37,897,739	-	-	-	-
General obligation bond capitalized indebtedness	(19,164,977)	-	-	-	-
General obligation bond proceeds not expended	-	(2,685,023)	-	-	-
Revenue bond capitalized indebtedness	(8,900,000)	-	-	-	-
Accrued interest payable	-	-	-	(175,234)	-
Termination benefits	-	-	(137,020)	-	-
Net OPEB liability	-	-	-	-	(92,052)
Net position (Exhibit A)	<u>\$ 9,832,762</u>	<u>4,456,704</u>	<u>597,022</u>	<u>772,676</u>	<u>1,385,729</u>

REQUIRED SUPPLEMENTARY INFORMATION

GILBERT COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2013

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 10,033,598	408,196	10,441,794	11,535,619	11,535,619	(1,093,825)
State sources	6,349,315	4,924	6,354,239	6,337,673	6,337,673	16,566
Federal sources	780,272	136,703	916,975	470,000	470,000	446,975
Total revenues	<u>17,163,185</u>	<u>549,823</u>	<u>17,713,008</u>	<u>18,343,292</u>	<u>18,343,292</u>	<u>(630,284)</u>
Expenditures/expenses:						
Instruction	9,691,499	-	9,691,499	11,271,000	11,271,000	1,579,501
Support services	3,760,139	4,793	3,764,932	4,856,098	4,856,098	1,091,166
Non-instructional programs	1,310	559,252	560,562	964,638	964,638	404,076
Other expenditures	18,658,848	-	18,658,848	23,975,908	23,975,908	5,317,060
Total expenditures/expenses	<u>32,111,796</u>	<u>564,045</u>	<u>32,675,841</u>	<u>41,067,644</u>	<u>41,067,644</u>	<u>8,391,803</u>
Deficiency of revenues under expenditures/expenses	(14,948,611)	(14,222)	(14,962,833)	(22,724,352)	(22,724,352)	7,761,519
Other financing sources, net	<u>5,040,270</u>	-	<u>5,040,270</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>2,040,270</u>
Deficiency of revenues and other financing sources under expenditures/expenses	(9,908,341)	(14,222)	(9,922,563)	(19,724,352)	(19,724,352)	9,801,789
Balance beginning of year	<u>20,869,732</u>	<u>152,342</u>	<u>21,022,074</u>	<u>19,724,352</u>	<u>19,724,352</u>	<u>1,297,722</u>
Balance end of year	<u>\$ 10,961,391</u>	<u>138,120</u>	<u>11,099,511</u>	<u>-</u>	<u>-</u>	<u>11,099,511</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013

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, 2013

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%
2013	July 1, 2012	-	273,248	273,248	0.00%	4,882,498	5.60%

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

SUPPLEMENTARY INFORMATION

GILBERT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2013

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 161,004	733,504	894,508
Receivables:			
Property tax:			
Delinquent	-	517	517
Succeeding year	-	274,999	274,999
Due from other governments	-	21	21
<b>TOTAL ASSETS</b>	<b>\$ 161,004</b>	<b>1,009,041</b>	<b>1,170,045</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	274,999	274,999
Fund balances:			
Restricted for:			
Management levy purposes	-	734,042	734,042
Student activities	161,004	-	161,004
Total fund balances	161,004	734,042	895,046
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 161,004</b>	<b>1,009,041</b>	<b>1,170,045</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2013

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	265,351	265,351
Other	494,017	12,365	506,382
State sources	-	93	93
<b>TOTAL REVENUES</b>	<b>494,017</b>	<b>277,809</b>	<b>771,826</b>
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	161,426	161,426
Other	500,163	-	500,163
Support services:			
Administration	-	47,974	47,974
Operation and maintenance of plant	-	51,505	51,505
Transportation	-	18,372	18,372
Non-instructional programs:			
Food service operations	-	1,277	1,277
<b>TOTAL EXPENDITURES</b>	<b>500,163</b>	<b>280,554</b>	<b>780,717</b>
Change in fund balances	(6,146)	(2,745)	(8,891)
Fund balance beginning of year	167,150	736,787	903,937
Fund balance end of year	\$ 161,004	734,042	895,046

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2013

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Bond Construction Fund	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 4,337,888	345,388	2,101,164	6,784,440
Receivables:				
Property tax:				
Delinquent	-	1,188	-	1,188
Succeeding year	-	641,964	-	641,964
Due from other governments	118,816	47	583,859	702,722
<b>TOTAL ASSETS</b>	<b>\$ 4,456,704</b>	<b>988,587</b>	<b>2,685,023</b>	<b>8,130,314</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ -	641,964	-	641,964
Fund balances:				
Restricted for:				
School infrastructure	4,456,704	-	2,685,023	7,141,727
Physical plant and equipment	-	346,623	-	346,623
Total fund balances	4,456,704	346,623	2,685,023	7,488,350
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,456,704</b>	<b>988,587</b>	<b>2,685,023</b>	<b>8,130,314</b>

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, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Bond Construction Fund	
REVENUES:				
Local sources:				
Local tax	\$ 1,396,882	607,062	-	2,003,944
Other	8,745	3,961	116,337	129,043
State sources	-	212	55,940	56,152
Federal sources	-	-	515,170	515,170
<b>TOTAL REVENUES</b>	<b>1,405,627</b>	<b>611,235</b>	<b>687,447</b>	<b>2,704,309</b>
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	30,145	-	30,145
Support services:				
Transportation	-	190,627	-	190,627
Other expenditures:				
Capital outlay	-	187,189	16,338,887	16,526,076
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>407,961</b>	<b>16,338,887</b>	<b>16,746,848</b>
Excess(Deficiency) of revenues over(under) expenditures	1,405,627	203,274	(15,651,440)	(14,042,539)
Other financing sources(uses):				
Transfer out	(326,432)	-	-	(326,432)
General obligation bond issuance	-	-	4,950,000	4,950,000
Premium on general obligation bond issuance	-	-	159,323	159,323
Discount on general obligation bond issuance	-	-	(69,053)	(69,053)
<b>Total other financing sources(uses)</b>	<b>(326,432)</b>	<b>-</b>	<b>5,040,270</b>	<b>4,713,838</b>
Change in fund balances	1,079,195	203,274	(10,611,170)	(9,328,701)
Fund balance beginning of year	3,377,509	143,349	13,296,193	16,817,051
Fund balance end of year	\$ 4,456,704	346,623	2,685,023	7,488,350

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b><u>Elementary</u></b>				
GESS	\$ 36,294	54,382	43,190	47,486
Elementary health club	1,530	9	378	1,161
Elementary student activity	287	2,688	2,772	203
Student script	8,481	125,383	126,372	7,492
	<u>46,592</u>	<u>182,462</u>	<u>172,712</u>	<u>56,342</u>
<b><u>Music</u></b>				
Instrumental music	9,661	13,234	17,881	5,014
Band/vocal travel	-	55,226	53,743	1,483
MS band	240	1,620	1,486	374
Vocal music	3,683	3,392	2,775	4,300
	<u>13,584</u>	<u>73,472</u>	<u>75,885</u>	<u>11,171</u>
<b><u>Miscellaneous</u></b>				
Adult education	825	6	-	831
General activity	8,196	71	313	7,954
	<u>9,021</u>	<u>77</u>	<u>313</u>	<u>8,785</u>
<b><u>Athletics</u></b>				
General Athletics	12,103	6,619	15,712	3,010
Boys basketball	-	6,752	6,752	-
Girls basketball	-	6,817	6,817	-
Football	-	12,060	12,060	-
Boy's Soccer	-	4,560	4,560	-
Girl's Soccer	-	3,617	3,617	-
Baseball	-	13,299	13,299	-
Softball	-	6,160	6,160	-
Boys' track	-	6,228	6,228	-
Boys/Girls Cross Country	-	4,004	4,004	-
Girls' Track	-	6,081	6,081	-
Boys' Golf	-	3,045	3,045	-
Girls' Golf	-	476	476	-
Football camp	823	5,729	6,521	31
Wrestling	-	3,615	3,615	-
Volleyball	-	3,907	3,907	-
Baseball camp	121	1	-	122
Girls basketball camp	55	1	-	56
Softball camp	1,960	1,920	1,613	2,267
Boys basketball camp	945	8	-	953
Volleyball camp	348	154	-	502
	<u>16,355</u>	<u>95,053</u>	<u>104,467</u>	<u>6,941</u>
<b><u>Classes</u></b>				
Alumni	2,477	802	1,994	1,285
Class of 2012	792	-	792	-
Class of 2013	4,364	1,256	4,945	675
Class of 2014	502	12,878	8,103	5,277
Class of 2015	-	1,307	437	870
	<u>8,135</u>	<u>16,243</u>	<u>16,271</u>	<u>8,107</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b><u>Athletic support</u></b>				
District football	688	1,512	836	1,364
Cheerleading MS I	21	-	-	21
Cheerleading HS II	3,052	6,335	7,843	1,544
G club	9,076	11,874	20,950	-
FCA	126	1	66	61
	<u>12,963</u>	<u>19,722</u>	<u>29,695</u>	<u>2,990</u>
<b><u>HS clubs/organizations</u></b>				
Yearbook	5,336	19,769	17,938	7,167
Business club	632	319	301	650
Drama	2,408	3,587	3,801	2,194
After prom	1,378	7,288	5,704	2,962
FCCLA	1,358	22,870	20,501	3,727
History club	320	554	551	323
HS student council	2,627	5,864	5,527	2,964
MOC	49	1	-	50
Spanish club	2,550	20	-	2,570
Art club	700	3,710	3,865	545
Secondary student pop	4,870	-	158	4,712
National honor society	171	423	409	185
Industrial education projects	60	3,688	3,712	36
Agriculture education	879	1,103	354	1,628
Science club	9	-	-	9
FFA	31,955	18,093	20,623	29,425
Student activity	-	1,248	847	401
	<u>55,302</u>	<u>88,537</u>	<u>84,291</u>	<u>59,548</u>
<b><u>Middle school</u></b>				
MS 6th grade carnival	771	834	837	768
MS special olympics	378	1	230	149
MS GLADD	104	1	-	105
MS 5th grade activity	28	744	762	10
MS student activity	393	527	818	102
MS guidance	78	2	-	80
MS vocal	-	1,005	1,005	-
MS FCCLA	45	1,335	1,374	6
MS yearbook	489	4,568	3,738	1,319
MS student pop	831	212	101	942
MS student council	1,349	7,300	7,637	1,012
MS drama	446	3	-	449
MS art club	278	2	19	261
MS Adapt P.E.	8	-	8	-
	<u>5,198</u>	<u>16,534</u>	<u>16,529</u>	<u>5,203</u>
<b><u>Intermediate school</u></b>				
Student activity	-	1,917	-	1,917
Totals	<u>\$ 167,150</u>	<u>494,017</u>	<u>500,163</u>	<u>161,004</u>

GILBERT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUNDS  
 JUNE 30, 2013

	Debt Service		
	Debt Service	Debt Sinking	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 212	944,734	944,946
Receivables:			
Property tax:			
Delinquent	2,850	-	2,850
Succeeding year	1,556,859	-	1,556,859
Due from other governments	114	-	114
<b>TOTAL ASSETS</b>	<b>\$ 1,560,035</b>	<b>944,734</b>	<b>2,504,769</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 1,556,859	-	1,556,859
Fund balances:			
Restricted for:			
Debt service	3,176	944,734	947,910
Total fund balances	3,176	944,734	947,910
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,560,035</b>	<b>944,734</b>	<b>2,504,769</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 DEBT SERVICES FUNDS  
 YEAR ENDED JUNE 30, 2013

	Debt Service		
	Debt Service	Debt Sinking	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,463,816	-	1,463,816
Other	1,799	1,923	3,722
State sources	512	-	512
<b>TOTAL REVENUES</b>	<b>1,466,127</b>	<b>1,923</b>	<b>1,468,050</b>
EXPENDITURES:			
Current:			
Support services:			
Administration	4,106	-	4,106
Long-term debt:			
Principal	825,000	-	825,000
Interest and fiscal charges	637,809	209,361	847,170
<b>TOTAL EXPENDITURES</b>	<b>1,466,915</b>	<b>209,361</b>	<b>1,676,276</b>
Deficiency of revenues under expenditures	(788)	(207,438)	(208,226)
Other financing sources:			
Transfer in	-	326,432	326,432
Change in fund balances	(788)	118,994	118,206
Fund balance beginning of year	3,964	825,740	829,704
Fund balance end of year	<b>\$ 3,176</b>	<b>944,734</b>	<b>947,910</b>

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 TEN YEARS**

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 7,912,239	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	1,256,164	1,276,564	1,308,836	1,212,944	1,117,011	1,069,366	833,141	781,055	797,463	779,286
Other	865,195	868,275	790,325	895,485	1,120,873	1,096,214	903,823	815,712	765,286	450,714
State sources	6,349,315	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	780,272	346,652	624,365	934,307	379,014	181,856	192,299	191,698	226,429	167,216
<b>Total</b>	<b>\$ 17,163,185</b>	<b>16,439,907</b>	<b>15,517,600</b>	<b>14,607,885</b>	<b>14,204,490</b>	<b>13,371,936</b>	<b>12,512,238</b>	<b>10,940,374</b>	<b>10,332,679</b>	<b>8,906,525</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular	\$ 6,371,385	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	1,297,830	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	2,022,284	2,041,010	1,919,858	1,898,309	1,705,012	1,409,132	852,669	1,119,677	990,884	874,004
<b>Support services:</b>										
Student	326,177	229,282	155,810	155,266	146,556	133,394	127,416	92,712	99,117	94,973
Instructional staff	465,600	403,903	376,610	383,309	363,677	352,823	396,916	345,799	336,575	290,551
Administration	1,377,253	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	889,921	823,255	828,007	837,633	826,804	796,851	696,035	545,010	545,481	493,087
Transportation	701,188	576,238	560,077	485,482	482,829	542,904	477,046	408,024	376,937	310,496
Central support	-	-	-	-	-	-	-	-	-	45,195
<b>Non-instructional programs:</b>										
Community service operations	33	-	41	692	4,194	4,420	5,501	6,169	8,621	5,623
Food service operations	1,277	-	11,327	11,258	10,212	-	-	-	-	-
Capital outlay	16,526,076	6,294,207	1,442,205	451,456	314,137	360,156	2,171,839	8,485,959	2,428,951	435,506
<b>Long term debt:</b>										
Principal	825,000	2,405,000	920,000	890,000	850,000	973,356	896,924	490,565	479,273	433,083
Interest and fiscal charges	847,170	615,876	403,756	435,329	467,584	501,990	534,019	535,999	443,017	134,894
<b>Other expenditures:</b>										
AEA flow-through	460,602	426,301	445,562	432,541	380,378	351,079	332,307	286,885	265,059	244,617
<b>Total</b>	<b>\$ 32,111,796</b>	<b>22,312,436</b>	<b>15,073,789</b>	<b>13,501,550</b>	<b>13,164,217</b>	<b>12,510,708</b>	<b>13,291,410</b>	<b>18,388,989</b>	<b>11,608,290</b>	<b>8,527,197</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	\$ 11,923
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	123,920 *
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 13	860
			<u>136,703</u>
U.S. DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 13	<u>25,440</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 13	<u>4,292</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 13	<u>16,656</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 13	<u>8,463</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 13	<u>60,437</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:			
IOWA HOMELAND SECURITY AND EMERGENCY MANAGEMENT:			
HAZARD MITIGATION	97.039	FY 13	<u>515,170</u>
TOTAL			<u>\$ 767,161</u>

\* Includes \$36,838 of non-cash awards.

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

SEE ACCOMPANYING INDEEDPENDENT AUDITOR'S REPORT

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 17, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Gilbert Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gilbert Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Gilbert Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and 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 described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which 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 II of the accompanying Schedule of Findings and Questioned Costs as items II-B-13 and II-C-13 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 which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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**

Gilbert Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Gilbert Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 17, 2014  
Newton, Iowa

**NOLTE, CORNMAN & JOHNSON P.C.**  
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**Independent Auditor's Report on Compliance for Each Major Federal Program,  
on Internal Control over Compliance and on the Schedule of Expenditures  
of Federal Awards Required by OMB Circular A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited Gilbert Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Gilbert Community School District's major federal programs for the year ended June 30, 2013. Gilbert Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Gilbert Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gilbert Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Gilbert Community School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Gilbert Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

Gilbert Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Gilbert Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 17, 2014  
Newton, Iowa

GILBERT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Individual
    - CFDA Number 97.039 - Hazard Mitigation
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Gilbert Community School District did not qualify as a low-risk auditee.

GILBERT COMMUNITY SCHOOL DISTRICT  
SCHEDULED OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

**Part II: Findings Related to the Financial Statements:**

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.
- 8) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

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

Conclusion - Response acknowledged.

II-B-13 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 to turn in copies of the pre-numbered receipts to the District administration office.

Response - The FCCLA group has used a cash register for all their sales. This has been a good way to record the sales for that group. The District is planning extend the use of the cash register to the high school for receipting purchases made by students. In using the register each student would receive a cash register receipt for the items purchased.

Conclusion - Response accepted.

II-C-13 Payroll Procedures - We noted during our audit the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In an effort to comply with the Department of Labor requirements on wage per hour contracts, the District should keep track of the hours worked for non-certified staff coaches.

Response - The District is working on getting an electronic timecard to keep track of coaches' hours.

Conclusion - Response accepted.

GILBERT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

**Part III: Findings and Questioned Costs For Federal Awards:**

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 97.039: Hazard Mitigation Grant  
Federal Award Year: 2013  
U.S. Department of Homeland Security  
Passed through Iowa Homeland Security and Emergency Management

III-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.
- 8) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

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

Conclusion - Response acknowledged.

GILBERT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-13 Certified Budget - District disbursements for the year ended June 30, 2013, did not exceed the amount budgeted.
- IV-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in Attorney General's opinion dated April 25, 1979.
- IV-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-13 Business Transactions - We noted no business transactions involving district staff or board members.
- IV-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-13 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were reported as resident students was overstated by 2.0 students.
- Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response - The District's auditor will contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Conclusion - Response accepted
- IV-H-13 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-13 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	3,377,509
Revenues/transfer in:			
Sales tax revenues	\$	1,396,882	
Other local revenues		8,745	1,405,627
		<u>          </u>	<u>          </u>
Expenditures/transfer out:			4,783,136
Transfer to other funds:			
Debt service fund			326,432
			<u>          </u>
Ending Balance		\$	<u><u>4,456,704</u></u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa

IV-M-13 Payroll Procedures - We noted during our audit the District does not have written authorization to mail employees' payroll checks. Per Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District will obtain written authorization from each employee who requests to receive their payroll check by mail.

Conclusion - Response accepted.