

GLAVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

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Independent Auditor's Report

To the Board of Education of
Galva-Holstein Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Galva-Holstein Community School District, Holstein, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Galva-Holstein Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 8 to the financial statements, during the year ended June 30, 2004, Galva-Holstein Community School District adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement Number 38, Certain Financial Statement Note Disclosures; Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated July 29, 2004, on our consideration of Galva-Holstein Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 39 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Galva-Holstein Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

July 29, 2004

Management Discussion and Analysis

Galva-Holstein Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operation.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the Government-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates *like businesses*, such as food services.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one other.

Figure A-1

**Galva-Holstein Community School District
Annual Financial Report**

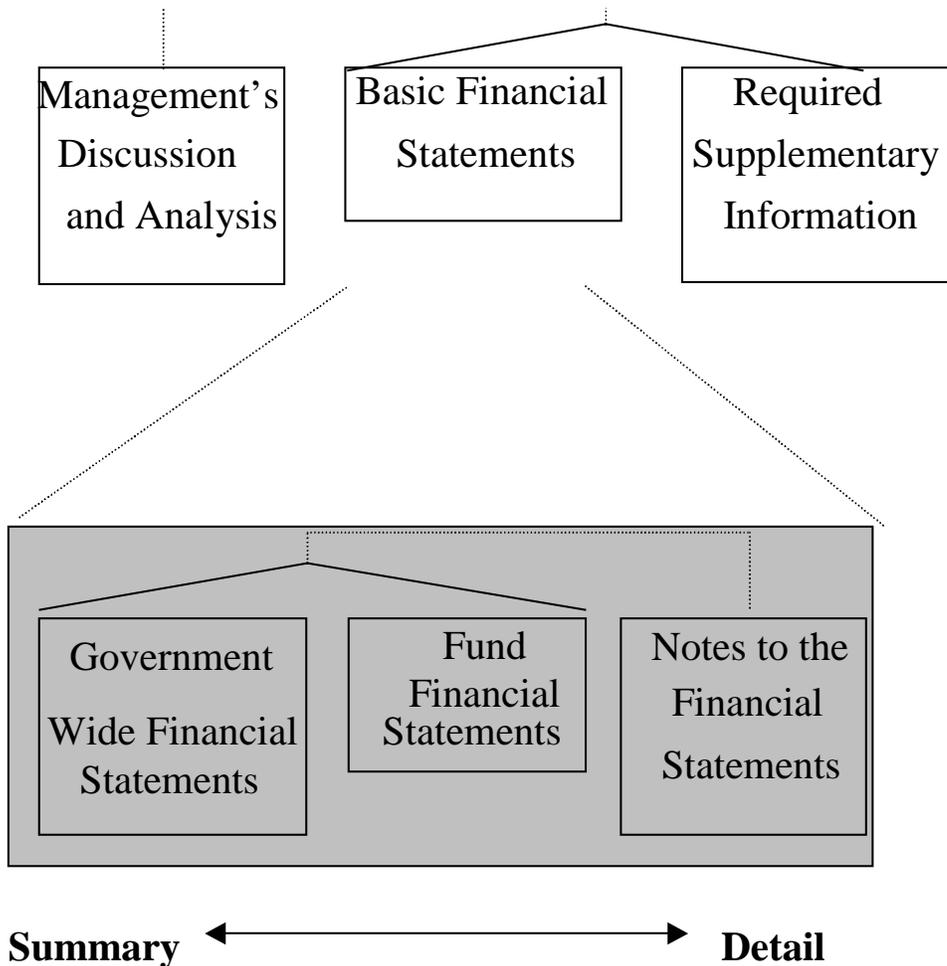


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2: Major Features of the Government Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary 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 is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of cash flows • Statement of revenues, expenses and changes in net assets 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic 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	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
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 and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

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

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be 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 repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *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 funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The District's governmental funds include General, Debt Service, Management, Student Activity, Physical Plant and Equipment Levy and Capital Projects.

- *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 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. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. At this time the District chooses not to use any internal service funds. The District's Proprietary fund is School Nutrition.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets – Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004.

Figure A-3
Condensed Statement of Net Assets June 30, 2004

	Governmental Activities		Business-type Activities		Total School District	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current and other assets	\$6,653,071	\$3,428,701	\$7,266	\$37,403	\$6,660,337	\$3,466,104
Capital assets	\$5,651,715	\$5,839,657	\$78,321	\$67,496	\$5,730,036	\$5,907,153
Total assets	\$12,304,786	\$9,268,358	\$85,587	\$104,899	\$12,390,373	\$9,373,257
Long-term debt outstanding	\$7,244,357	\$4,155,623			\$7,244,357	\$4,155,623
Other liabilities	\$1,903,125	\$2,114,543	\$2,392	\$2,501	\$1,905,517	\$2,117,044
Total liabilities	\$9,127,482	\$6,270,166	\$2,392	\$2,501	\$9,129,874	\$6,272,667
Net assets						
Invested in capital assets, net of related debt	\$1,816,715	\$1,789,657	\$78,321	\$67,681	\$1,895,036	\$1,857,338
Restricted	\$164,707	\$217,058			\$164,707	\$217,058
Unrestricted	\$1,195,882	\$991,477	\$4,874	\$34,717	\$1,200,756	\$1,026,194
Total net assets	\$3,177,304	\$2,998,192	\$83,195	\$4,102,398	\$3,260,499	\$3,100,590

The District's combined net assets increase by 5.16% from \$3,100,590 to \$3,260,499.

The overall financial performance of the district remains strong, The past year has seen an increase in the unrestricted fund balance.

The unrestricted fund balance increase can be attributed to prudent spending on behalf of the district to increase the unspent balance, cooperation with district's teachers association in relationship to a fair salary settlement and long range planning that has focused on quality education delivered in an efficient manner.

The district is very much aware of the trend toward declining enrollment, inadequate allowable budget growth and the poor condition of the State of Iowa economy. The district continues to explore sharing options with adjoining districts which includes the sharing of extra-curricular, vocational and college level courses through partnerships with nearby districts and Western Iowa Tech Community College.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4

Changes in Net Assets from Operating Results for the year ended June 30, 2004

	Governmental Activities <u>2004</u>	Business-type Activities <u>2004</u>	Total School District <u>2004</u>
Revenues			
Program revenues			
Charges for services	\$612,830	\$111,142	\$723,572
Operating Grants & Contributions	\$322,411	\$94,761	\$417,172
General revenues			
Property taxes	\$2,107,001	0	\$2,107,001
Unrestricted state grants	\$1,669,197	0	\$1,669,197
Income surtax	\$43,240	0	\$43,240
Silo taxes	\$1,975	0	\$1,975
Other	\$27,031	\$244	\$27,031
Total revenues	\$4,783,685	\$206,147	\$4,989,432
Expenses			
Instruction	\$2,698,755	0	\$2,698,755
Support Services	\$1,156,025	0	\$1,156,025
Non instructional programs	0	\$225,350	\$225,350
Other expenditures	\$749,795	0	\$749,795
Total expenses	\$4,604,573	\$225,350	\$4,829,923
Increase (decrease) in net assets	\$179,113	\$(19,203)	\$\$159,509

Governmental Activities

Figure A-5 presents the cost of four major district activities: instruction, support services, debt services, and intergovernmental. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers.

Figure A-5
Net Cost of Governmental Activities

	Total Cost Of Services <u>2004</u>	Total Cost Of Services <u>2004</u>
Instruction	\$2,698,755	\$1,926,216
Support Services	\$1,156,025	\$1,155,160
Non-instructional	\$225,350	\$19,477
Other	\$749,793	\$587,956
Total	\$4,829,923	\$3,688,779

- The cost of all governmental activities this year was \$4,829,923.
- A portion of the cost was financed by the users of the District's programs (see F.A-4)
- The federal and state governments subsidized certain programs with grants and contributions of \$417,182.
- The \$3,669,332 net cost of governmental activities was financed with \$2,107,001 of property taxes, \$1,669,197 of unrestricted state grants, \$1,975 of local option sales taxes, \$43,240 of income surtax, \$23,919 unrestricted investment earnings and \$3,112 other income.

Business-Type Activities

Revenues of the District's business-type activities (food services) totaled \$206,147 and expenses totaled \$225,350. (Refer to Figure A-4.) Factors contributing to these results are as follows: Business-type activity expenditures exceeded revenue by \$19,203. Indicators justifying this decrease are: 1) less meals served which equates to less federal and state reimbursement dollars received by the district for operation, 2) increase in food cost due to the implementation of a fruit snack program started this school year, 3) increase cost in equipment due to the purchase of an air conditioning systems at the Holstein site for a cost of \$10,060.00.

Financial Analysis of the District's Funds

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

Governmental Fund Highlights

The General Fund balance showed an increase of \$216,681, from \$1,086,490 to \$1,303,171. This increase is a result of more funds available from state and federal sources. Additional revenues received from state sources would include state foundation aid increase due to regular program growth per pupil, additional teacher compensation/salary improvement allocations, increase in educational excellence program allocations and additional funding for early childhood intervention. Additional revenues received from federal sources would include additional allocations from Title VI, REAP, and IDEA Part B monies designated to supplement special education costs.

Non-Major Governmental Fund balances, which are management fund, activity fund, and Physical Plant and Equipment (PPEL) fund showed an increase of \$32,590. This is primarily due to increased revenues within the activity fund.

Proprietary Fund Highlights

The Nutrition Fund balance decreased by \$19,203. This deficit is attributed to less meals served which equates to less federal and state reimbursement dollars received by the district for operation, 2) increase in food cost due to the implementation of a fruit snack program started this school year, 3) increase cost in equipment due to the purchase of an air conditioning systems for the Holstein site at a cost of \$10,060.00.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on a cash basis. Over the course of the year the district exceeded the amounts budgeted in the non-instructional programs and other expenditures functional areas. The excess spending within the non-instructional function can be attributed to the purchase of an air conditioning unit at the Holstein site along with updating of other equipment. The excess spending within the other expenditures function is due to the completion of the paving of the high school parking lot, roof repairs, purchase of stage curtains for the middle school and installation of new lights in the middle school gymnasium.

There was a small variance in the District's budget in comparison to actual results. Total actual revenue was 3.81% more than budgeted, while total actual expenditures were 9.13% less than budgeted. Detail can be found in the supplementary information section of this report.

Capital Asset and Debt Administration

Capital Assets

By the end of 2004, the District had invested \$8,998,513 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-6) (**More detailed information about capital assets can be found in Note 4 to the financial statements.**) Total depreciation expense for the year exceeded \$198,896

Figure A-6
Capital Assets, (in millions of dollars)

	Governmental Activities <u>2004</u>	Business- type Activities <u>2004</u>	Total School District <u>2004</u>
Land	\$109,317	-	\$109,317
Construction in progress	-	-	-
Buildings	\$4,857,711	-	\$4,857,711
Equipment & Furniture	\$343,068	\$78,321	\$421,391
Improvements other than buildings	\$341,619	-	\$341,619
	\$5,651,715	\$78,321	\$5,730,036

Long-Term Debt

At year-end, the District had \$7,224,357 in general obligation bonds and other long-term debt outstanding. See Figure A-7 below.

Figure A-7
Outstanding Long-Term Debt (in millions of dollars)

	Total School District <u>2004</u>
General obligation bonds & notes	\$7,100,000
Early Retirement	\$124,357
Total	\$7,224,357

Additional information about the District's long-term debt is present in Note 7 to the financial statement.

Factors Bearing on the District's Future

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

- The national recession has adversely impacted the State of Iowa's budget which translated into reduced levels of state aid funding for education. Future increases in state aid to schools, (allowable growth) will be predicated upon the condition of the national and state economy. State funding growth for public schools for fiscal year 2005, has been set at 4%.
- Under Iowa's school funding formula, District funding is highly dependant upon district enrollments and the budget guarantee. Future enrollment stability and adequate state funding are critical elements in maintaining a sound financial foundation. District enrollment experienced a significant decrease as the September, 2005 count was 528 students, down 42.8 students which translate into \$212,374 less revenue for the district. Current state law will continue to impact the budget due to a decreasing of the budget guarantee. During the last few years the district's unspent balance has been increasing but that will be offset in future years by a smaller total budget amount. Expenditures are expected to continually increase at a rate of three to four percent per year.

Other noteworthy factors:

- The district will begin receiving a one (1) cent local option sales tax from Buena Vista, Cherokee, Ida and Sac counties during FY 2005. This tax was voted in for ten (10) years and will provide significant revenue for debt reduction, capital repairs, busses and technology. The Board of Directors has determined that 51% of the local option sales tax will be used for debt reduction for the 2005-2006 school year.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Dr. Harold Post, Superintendent, Galva-Holstein Community School District, 519 E. Maple Street, Holstein, IA 51025.

BASIC FINANCIAL STATEMENTS

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
Cash with fiscal agent	3,176,236	-	3,176,236
Other	1,478,639	803	1,479,442
Receivables:			
Property tax:			
Delinquent	26,475	-	26,475
Succeeding year	1,852,186	-	1,852,186
Accounts	-	416	416
Accrued interest	566	-	566
Due from other governments	118,969	-	118,969
Inventories	-	6,047	6,047
Capital assets, net of accumulated depreciation	5,651,715	78,321	5,730,036
Total assets	12,304,786	85,587	12,390,373
Liabilities			
Accrued interest payable	50,939	-	50,939
Deferred revenue:			
Succeeding year property tax	1,852,186	-	1,852,186
Other	-	2,392	2,392
Long-term liabilities			
Portion due within one year:			
General obligation bonds payable	230,000	-	230,000
Early retirement	32,294	-	32,294
Portion due after one year:			
General obligation bonds payable	6,870,000	-	6,870,000
Early retirement	92,063	-	92,063
Total liabilities	9,127,482	2,392	9,129,874
Net assets			
Invested in capital assets, net of related debt	1,816,715	78,321	1,895,036
Restricted for:			
Capital outlay	1,975	-	1,975
Physical plant and equipment levy	116,586	-	116,586
Other special revenue purposes	46,146	-	46,146
Unrestricted	1,195,882	4,874	1,200,756
Total net assets	3,177,304	83,195	3,260,499

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	1,808,369	148,711	236,720	-
Special instruction	458,896	61,572	85,691	-
Other instruction	431,490	239,845	-	-
	<u>2,698,755</u>	<u>450,128</u>	<u>322,411</u>	<u>-</u>
Support services:				
Student services	75,967	-	-	-
Instructional staff services	128,314	-	-	-
Administration services	438,714	-	-	-
Operation and maintenance of plant services	334,571	865	-	-
Transportation services	178,459	-	-	-
	<u>1,156,025</u>	<u>865</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	61,444	-	-	-
Long-term debt interest	306,091	-	-	-
AEA flowthrough	161,837	161,837	-	-
Depreciation (unallocated)*	220,421	-	-	-
	<u>749,793</u>	<u>161,837</u>	<u>-</u>	<u>-</u>
Total governmental activities	4,604,573	612,830	322,411	-
Business type activities				
Non-instructional programs:				
Food service operations	225,350	111,142	94,761	-
Total	<u>4,829,923</u>	<u>723,972</u>	<u>417,172</u>	<u>-</u>

General Revenues:

Property taxes levied for:
 General purposes
 Debt service
 Capital outlay
Income surtax
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

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

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

<u>Net (Expense) Revenue and Changes in Net Assets:</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(1,422,938)	-	(1,422,938)
(311,633)	-	(311,633)
(191,645)	-	(191,645)
<u>(1,926,216)</u>	<u>-</u>	<u>(1,926,216)</u>
(75,967)	-	(75,967)
(128,314)	-	(128,314)
(438,714)	-	(438,714)
(333,706)	-	(333,706)
(178,459)	-	(178,459)
<u>(1,155,160)</u>	<u>-</u>	<u>(1,155,160)</u>
(61,444)	-	(61,444)
(306,091)	-	(306,091)
-	-	-
<u>(220,421)</u>	<u>-</u>	<u>(220,421)</u>
<u>(587,956)</u>	<u>-</u>	<u>(587,956)</u>
(3,669,332)	-	(3,669,332)
-	(19,447)	(19,447)
<u>(3,669,332)</u>	<u>(19,447)</u>	<u>(3,688,779)</u>
1,558,384	-	1,558,384
439,860	-	439,860
108,757	-	108,757
43,240	-	43,240
1,975	-	1,975
1,669,197	-	1,669,197
23,919	244	24,163
3,112	-	3,112
<u>3,848,444</u>	<u>244</u>	<u>3,848,688</u>
179,112	(19,203)	159,909
<u>2,998,192</u>	<u>102,398</u>	<u>3,100,590</u>
<u>3,177,304</u>	<u>83,195</u>	<u>3,260,499</u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
Cash with fiscal agent	-	3,176,236	-	3,176,236
Other	1,219,858	25,544	233,237	1,478,639
Receivables:				
Property tax:				
Delinquent	18,196	5,510	2,769	26,475
Succeeding year	1,253,750	436,315	162,121	1,852,186
Accrued interest	566	-	-	566
Due from other governments	64,551	-	54,418	118,969
Total assets	<u>2,556,921</u>	<u>3,643,605</u>	<u>452,545</u>	<u>6,653,071</u>
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	1,253,750	436,315	162,121	1,852,186
Other	-	-	53,627	53,627
Total liabilities	<u>1,253,750</u>	<u>436,315</u>	<u>215,748</u>	<u>1,905,813</u>
Fund balances:				
Reserved for:				
Debt service	-	3,207,290	-	3,207,290
Unreserved	1,303,171	-	236,797	1,539,968
Total fund balances	<u>1,303,171</u>	<u>3,207,290</u>	<u>236,797</u>	<u>4,747,258</u>
Total liabilities and fund balances	<u>2,556,921</u>	<u>3,643,605</u>	<u>452,545</u>	<u>6,653,071</u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (Exhibit C)	4,747,258
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,651,715
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	53,627
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(50,939)
Long-term liabilities, including bonds payable and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(7,224,357)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,177,304</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,446,766	439,860	263,921	2,150,547
Tuition	186,058	-	-	186,058
Other	49,799	717	239,071	289,587
State sources	1,989,840	362	-	1,990,202
Federal sources	163,243	-	-	163,243
Total revenues	<u>3,835,706</u>	<u>440,939</u>	<u>502,992</u>	<u>4,779,637</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,747,339	-	32,227	1,779,566
Special instruction	458,896	-	-	458,896
Other instruction	208,343	-	223,147	431,490
	<u>2,414,578</u>	<u>-</u>	<u>255,374</u>	<u>2,669,952</u>
Support services:				
Student services	75,967	-	-	75,967
Instructional staff services	123,632	-	4,682	128,314
Administration services	430,690	-	-	430,690
Operation and maintenance of plant services	275,452	-	56,524	331,976
Transportation services	139,248	-	78,600	217,848
	<u>1,044,989</u>	<u>-</u>	<u>139,806</u>	<u>1,184,795</u>
Other expenditures:				
Facilities acquisition	-	-	75,222	75,222
Long-term debt:				
Principal	-	215,000	-	215,000
Interest and fiscal charges	-	218,785	-	218,785
AEA flowthrough	161,837	-	-	161,837
	<u>161,837</u>	<u>433,785</u>	<u>75,222</u>	<u>670,844</u>
Total expenditures	<u>3,621,404</u>	<u>433,785</u>	<u>470,402</u>	<u>4,525,591</u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	214,302	7,154	32,590	254,046
Other financing sources (uses):				
Compensation for loss of fixed assets	1,839	-	-	1,839
Refunding bonds issued	-	3,265,000	-	3,265,000
Bond discount	-	(7,673)	-	(7,673)
Bond issue costs	-	(65,108)	-	(65,108)
Sales of materials and equipment	540	-	-	540
Total other financing sources (uses)	<u>2,379</u>	<u>3,192,219</u>	<u>-</u>	<u>3,194,598</u>
Net change in fund balances	216,681	3,199,373	32,590	3,448,644
Fund balances beginning of year, as restated	<u>1,086,490</u>	<u>7,917</u>	<u>204,207</u>	<u>1,298,614</u>
Fund balances end of year	<u><u>1,303,171</u></u>	<u><u>3,207,290</u></u>	<u><u>236,797</u></u>	<u><u>4,747,258</u></u>

GALVA-HOLSTEIN 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, 2004

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		3,448,644
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the year as follows:		
Expenditures for capital assets	92,378	
Depreciation expense	<u>(280,320)</u>	(187,942)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		1,669
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		215,000
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.		(14,525)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement		(18,734)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(3,265,000)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>179,112</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2004

	Nonmajor School Nutrition Fund
	<u> </u>
	\$
Assets	
Cash and cash equivalents	803
Accounts receivable	416
Inventories	6,047
Capital assets, net of accumulated depreciation	<u>78,321</u>
Total assets	85,587
Liabilities	
Deferred revenue	<u>2,392</u>
Net assets	
Invested in capital assets, net of related debt	78,321
Unrestricted	<u>4,874</u>
Total net assets	<u><u>83,195</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2004

	Nonmajor School Nutrition Fund <u> </u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>111,142</u>
Operating expenses:	
Non-instructional programs:	
Salaries	61,232
Benefits	16,652
Purchased services	5,602
Supplies	131,201
Depreciation	10,582
Other	81
	<u>225,350</u>
Operating gain (loss)	<u>(114,208)</u>
Non-operating revenue:	
State sources	3,338
Federal sources	91,423
Interest income	244
Total non-operating revenue	<u>95,005</u>
Change in net assets	(19,203)
Net assets beginning of year	<u>102,398</u>
Net assets end of year	<u><u>83,195</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2004

	Nonmajor School Nutrition Fund
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	109,752
Cash received from misc services	1,138
Cash payments to employees for services	(77,885)
Cash payments to suppliers for goods or services	<u>(112,452)</u>
Net cash used by operating activities	<u>(79,447)</u>
Cash flows from non-capital financing activities:	
State grants received	3,338
Federal grants received	<u>70,214</u>
Net cash provided by non-capital financing activities	<u>73,552</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(21,407)</u>
Cash flows from investing activities:	
Interest on investments	<u>244</u>
Net increase (decrease) in cash and cash equivalents	(27,058)
Cash and cash equivalents at beginning of year	<u>27,861</u>
Cash and cash equivalents at end of year	<u><u>803</u></u>
Reconciliation of operating gain (loss) to net cash used	
operating activities:	
Operating gain (loss)	(114,208)
Adjustments to reconcile operating gain (loss)	
to net cash used by operating activities:	
Commodities used	21,209
Depreciation	10,582
Decrease (increase) in inventories	3,222
Decrease (increase) in accounts receivable	(143)
(Decrease) increase in deferred revenue	<u>(109)</u>
Net cash used in operating activities	<u><u>(79,447)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$21,209 of federal commodities.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2004

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	21,053
Accrued interest receivable	<u>167</u>
Total Assets	21,220
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>21,220</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2004

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	435
Deductions:	
Support services:	
Scholarships awarded	<u>1,000</u>
Change in net assets	(565)
Net assets beginning of year	<u>21,785</u>
Net assets end of year	<u><u>21,220</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

Galva-Holstein Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Galva and Holstein, Iowa and the predominately agricultural territory in a portion of Ida, Cherokee, Buena Vista and Sac 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, Galva-Holstein Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Galva-Holstein Community School District has no component units that 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, 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 nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, including instruction, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

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

The District also reports fiduciary funds, which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the

District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003, through June 30, 2004, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Furniture and equipment	5-10 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 receivable and other receivables not collected within sixty days after year end.

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

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

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the non-instructional and other expenditures functions exceeded the amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The only District investments were government securities invested with a fiscal agent to fund a crossover refunding bond issue.

3. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated \$	Increases \$	Decreases \$	Balance End of Year \$
Governmental activities:				
Capital assets not being depreciated:				
Land	109,317	-	-	109,317
Capital assets being depreciated:				
Buildings	6,856,913	-	-	6,856,913
Improvements other than buildings	865,244	-	-	865,244
Furniture and equipment	978,624	92,378	17,759	1,053,243
Total capital assets being deprec.	8,700,781	92,378	17,759	8,775,400
Less accumulated depreciation for:				
Buildings	1,865,256	133,946	-	1,999,202
Improvements other than buildings	470,920	52,705	-	523,625
Furniture and equipment	634,265	93,669	17,759	710,175
Total accumulated depreciation	2,970,441	280,320	17,759	3,233,002
Total capital assets being Depreciated, net	5,730,340	(187,942)	-	5,542,398
Governmental activities capital assets, net	5,839,657	(187,942)	-	5,651,715
	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
Business type activities:				
Furniture and equipment	112,389	21,407	-	133,796
Less accumulated depreciation	44,893	10,582	-	55,475
Business type activities capital assets, net	67,496	10,825	-	78,321

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	10,069
Support Services:	
Administration services	8,024
Operation and maintenance of plant services	2,595
Transportation	39,211
	<u>59,899</u>
Unallocated depreciation	220,421
	<u>280,320</u>
Total depreciation expense – governmental activities	
Business type activities:	
Food services	<u>10,582</u>

4. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	4,050,000	3,265,000	215,000	7,100,000	230,000
Early retirement	105,623	49,400	30,666	124,357	32,294
Total	<u>4,155,623</u>	<u>3,314,400</u>	<u>245,666</u>	<u>7,224,357</u>	<u>262,294</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified 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. Early retirement expenditures for the year ended June 30, [2004](#) totaled \$30,666.

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May, 1998			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	5.80	230,000	206,015	436,015
2006	5.00	245,000	192,675	437,675
2007	5.00	260,000	180,425	440,425
2008	5.10	275,000	167,425	442,425
2009	5.20	290,000	153,400	443,400
2010-2014	5.30-5.50	1,710,000	517,430	2,227,430
2015-2016	5.50	825,000	68,750	893,750
		<u>3,835,000</u>	<u>1,486,120</u>	<u>5,321,120</u>

Refunding Bonds

Details of the District's April 29, 2004 crossover refunding bond issue are as follows:

Year Ending June 30,	Bond Issue of April 29, 2004			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	-	-	99,625	99,625
2006	-	-	99,075	99,075
2007	-	-	99,075	99,075
2008	2.10	340,000	99,075	439,075
2009	2.40	350,000	91,935	441,935
2010-2014	2.70-3.45	1,900,000	309,780	2,209,780
2015-2016	3.55-3.65	675,000	33,712	708,712
		<u>3,265,000</u>	<u>832,277</u>	<u>4,097,277</u>

- \$3,176,236 of the refunding proceeds from the bond issue have been placed with a fiscal agent and invested in government securities to pay interest on this issue and in 2008 to retire the May 1998 bonds.

The refunding reduced total debt service payments over the next twelve years by \$208,292. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$147,031.

5. 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 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$128,108, \$127,939, and \$129,743 respectively, equal to the required contributions for each year.

6. Risk Management

Galva-Holstein Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision, and prescription drugs.

Each member's contributions to ISEBA fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. The District's annual contributions to ISEBA for the year ended June 30, 2004, were \$307,569.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

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

7. 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 \$161,837 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

8. Accounting Change and Restatement

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities, and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund			Total
	General	Debt Service	Nonmajor	
	\$		\$	\$
Net assets, June 30, 2003, as previously reported	1,086,490	7,917	204,207	1,298,614
GASB Interpretation 6 adjustments	-	-	-	-
Net assets, July 1, 2003, as restated for governmental funds	<u>1,086,490</u>	<u>7,917</u>	<u>204,207</u>	1,298,614
GASB 34 adjustments:				
Capital assets net of accumulated depreciation of \$2,970,441				5,839,657
Long-term liabilities:				
Bonds			405,000	
Early retirement			<u>105,623</u>	(4,155,623)
Accrued interest payable				(36,414)
Deferred revenue				<u>51,958</u>
Net assets, July 1, 2003, as restated				<u>2,998,192</u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	2,586,339	111,134	2,697,473	2,611,886	2,611,886	85,587
State sources	1,990,202	3,338	1,993,540	1,976,937	1,976,937	16,603
Federal sources	154,775	91,423	246,198	167,000	167,000	79,198
Total receipts	<u>4,731,316</u>	<u>205,895</u>	<u>4,937,211</u>	<u>4,755,823</u>	<u>4,755,823</u>	<u>181,388</u>
Disbursements:						
Instruction	2,644,352	-	2,644,352	2,854,000	2,854,000	209,648
Support services	1,184,794	-	1,184,794	1,545,000	1,545,000	360,206
Non-instructional programs	-	232,953	232,953	202,000	202,000	(30,953)
Other expenditures	670,844	-	670,844	607,250	607,250	(63,594)
Total disbursements	<u>4,499,990</u>	<u>232,953</u>	<u>4,732,943</u>	<u>5,208,250</u>	<u>5,208,250</u>	<u>475,307</u>
Excess (deficiency) of receipts over (under) disbursements	231,326	(27,058)	204,268	(452,427)	(452,427)	656,695
Other financing sources (uses) net	<u>3,194,598</u>	<u>-</u>	<u>3,194,598</u>	<u>-</u>	<u>-</u>	<u>3,194,598</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	3,425,924	(27,058)	3,398,866	(452,427)	(452,427)	3,851,293
Balance beginning of year	<u>1,228,951</u>	<u>27,861</u>	<u>1,256,812</u>	<u>808,872</u>	<u>808,872</u>	<u>447,940</u>
Balance end of year	<u><u>4,654,875</u></u>	<u><u>803</u></u>	<u><u>4,655,678</u></u>	<u><u>356,445</u></u>	<u><u>356,445</u></u>	<u><u>4,299,233</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	4,731,316	48,321	4,779,637
Expenditures	4,499,990	25,601	4,525,591
Net	231,326	22,720	254,046
Other financing sources (uses) net	3,194,598	-	3,194,598
Beginning fund balances	1,228,951	69,663	1,298,614
Ending fund balances	<u>4,654,875</u>	<u>92,383</u>	<u>4,747,258</u>
	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	205,895	252	206,147
Expenditures	232,953	(7,603)	225,350
Net	(27,058)	7,855	(19,203)
Beginning fund balances	27,861	74,537	102,398
Ending fund balances	<u>803</u>	<u>82,392</u>	<u>83,195</u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the [cash basis](#). Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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

During the year ended June 30, [2004](#), disbursements in the non-[instructional and other expenditure](#) functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds			Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales Tax	
	\$	\$	\$	\$	
Cash and pooled investments	70,687	46,146	115,220	1,184	233,237
Receivables:					
Property tax:					
Delinquent	1,403	-	1,366	-	2,769
Succeeding year	80,000	-	82,121	-	162,121
Due from other governments	-	-	53,627	791	54,418
Total assets	152,090	46,146	252,334	1,975	452,545
Liabilities & Fund Balances					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	80,000	-	82,121	-	162,121
Other	-	-	53,627	-	53,627
Total liabilities	80,000	-	135,748	-	215,748
Fund balances:					
Unreserved fund balance	72,090	46,146	116,586	1,975	236,797
Total liabilities and fund balances	152,090	46,146	252,334	1,975	452,545

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Special Revenue Funds			Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales Tax	
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	111,618	-	150,328	1,975	263,921
Other	58	230,849	8,164	-	239,071
Total revenues	<u>111,676</u>	<u>230,849</u>	<u>158,492</u>	<u>1,975</u>	<u>502,992</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	32,227	-	-	-	32,227
Other instruction	-	223,147	-	-	223,147
Support services:					
Instructional staff services	4,682	-	-	-	4,682
Operation and maintenance of plant services	56,524	-	-	-	56,524
Transportation services	-	-	78,600	-	78,600
Other expenditures:					
Facilities acquisition	-	-	75,222	-	75,222
Total expenditures	<u>93,433</u>	<u>223,147</u>	<u>153,822</u>	<u>-</u>	<u>470,402</u>
Net change in fund balance	18,243	7,702	4,670	1,975	32,590
Fund balances beginning of year, as restated	<u>53,847</u>	<u>38,444</u>	<u>111,916</u>	<u>-</u>	<u>204,207</u>
Fund balances end of year	<u><u>72,090</u></u>	<u><u>46,146</u></u>	<u><u>116,586</u></u>	<u><u>1,975</u></u>	<u><u>236,797</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
Dramatics	730	2,543	1,589	-	1,684
Speech	250	807	605	-	452
Quiz bowl	100	1,238	1,154	-	184
Model UN	200	729	615	-	314
Mock trial	-	300	300	-	-
Music - vocal	400	924	550	-	774
Music - musical	1,792	-	1,137	-	655
Drill team	-	8,126	8,706	-	(580)
Band instrument rent	612	-	-	-	612
JH fund raiser	958	2,944	2,543	-	1,359
Fund raiser	500	12,997	7,647	(1,400)	4,450
Cheerleaders	2,524	6,437	6,370	-	2,591
Basketball	356	14,094	13,181	-	1,269
Volleyball	500	15,492	15,426	-	566
Football	1,000	44,168	43,159	-	2,009
Baseball	206	10,457	11,458	800	5
Softball	750	6,334	7,614	600	70
Track	1,474	14,228	13,865	-	1,837
Cross country	1,725	6,093	6,209	-	1,609
Golf	500	958	1,134	-	324
Wrestling	213	8,509	8,142	-	580
Freshman	2,129	-	144	(2,129)	(144)
Sophomores	3,632	2,758	1,534	(1,503)	3,353
Juniors	906	2,200	4,187	1,647	566
Seniors	546	1,167	2,041	359	31
Yearbook	3,120	9,235	8,864	1,626	5,117
Student council	1,020	18,003	13,966	-	5,057
Elementary classes	4,441	2,511	2,963	-	3,989
Library	-	5,080	5,128	48	-
RIF	2,709	955	541	(48)	3,075
NHS	701	-	117	-	584
Pop fund	5	-	-	-	5
Textbooks	10	-	-	-	10
Activity participation fee	-	62	56	-	6
Concessions	770	26,579	25,199	-	2,150
Interest	-	14	-	-	14
Music - JH band	1,596	2,560	3,230	-	926
Music - HS band	-	3,176	3,005	-	171
Spanish fundraiser	314	926	768	-	472
June 30, 2003 accurals	1,755	(1,755)	-	-	-
Total	38,444	230,849	223,147	-	46,146

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,150,547	2,171,054	2,212,310	2,133,230
Tuition	186,058	162,075	167,364	145,692
Other	289,587	284,554	218,215	308,288
Intermediate sources	-	-	500	999
State sources	1,990,202	1,901,850	1,820,710	1,827,274
Federal sources	163,243	140,320	110,697	148,911
Total revenues	<u>4,779,637</u>	<u>4,659,853</u>	<u>4,529,796</u>	<u>4,564,394</u>
Expenditures:				
Instruction:				
Regular instruction	1,779,566	1,748,172	1,692,689	1,801,733
Special instruction	458,896	415,802	379,193	303,598
Other instruction	431,490	419,086	351,995	358,369
Support services:				
Student services	75,967	74,792	71,151	90,243
Instructional staff services	128,314	139,367	94,453	103,071
Administration services	430,690	431,508	419,846	430,200
Operation and maintenance of plant services	331,976	308,050	291,811	321,672
Transportation services	217,848	162,243	220,965	221,771
Non-instructional programs	-	616	-	-
Other expenditures:				
Facilities acquisition	75,222	68,423	149,307	77,317
Long-term debt:				
Principal	215,000	200,000	190,000	180,000
Interest and other charges	218,785	230,385	241,405	251,770
AEA flowthrough	161,837	165,991	164,840	172,585
Total expenditures	<u>4,525,591</u>	<u>4,364,435</u>	<u>4,267,655</u>	<u>4,312,329</u>

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Board of Education of the
[Galva-Holstein](#) Community School District:

We have audited the financial statements of the [Galva-Holstein](#) Community School District as of and for the year ended June 30, [2004](#), and have issued our report thereon dated [July 29, 2004](#). We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether [Galva-Holstein](#) 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 grants, noncompliance 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 noncompliance that are required to be reported under Government Auditing Standards. [However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.](#)

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, [2004](#) 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. Prior year statutory comments have all been resolved except for items [04-II-B](#) and [04-II-D](#).

Internal Control over Financial Reporting

In planning and performing our audit, we considered [Galva-Holstein](#) Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items [04-I-A](#) and [04-I-B](#) are material weaknesses. Prior year reportable conditions have all been resolved except for items [04-I-A](#) and [04-I-B](#).

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

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

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

[July 29, 2004](#)

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

04-I-B Supporting Documentation: We noted a credit card payment that was not supported by a invoice.

Recommendation: The District should receive sufficient documentation for all credit card charges and then reconcile the documentation to the invoices each month.

District Response: We will review our policies and make any necessary adjustments.

Conclusion: Response accepted.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

- 04-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- 04-II-B Certified Budget: Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the non-instructional programs and other expenditures functional areas.
- Recommendation: The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.
- District Response: We will amend our budget before disbursements exceed the budget in the future.
- Conclusion: Response accepted.
- 04-II-C Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 04-II-D Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. We did note that the travel allowance paid to the Superintendent was not included on his W-2.
- Recommendation: Travel should be documented with detailed records listing date, place, purpose and number of miles driven or dollars spent to avoid having it included in employees W-2 as taxable income.
- District Response: We will obtain more detailed accounting for travel allowances paid to employees.
- Conclusion: Response accepted.
- 04-II-E Business Transactions: We noted no transactions between the District and District officials, or employees.
- 04-II-F Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 04-II-G Board Minutes: We noted no transactions requiring board approval that had not been approved by the board.
- 04-II-H Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.
- 04-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 04-II-J Certified Annual Report (CAR): We reviewed a draft copy of the CAR and noted no significant deficiencies in the amounts to be reported.