

GLAVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

## Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-10
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	12
Statement of Activities	B	13-14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses, and Changes in Net Assets	H	20
Statement of Cash Flows	I	21
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	22
Statement of Changes in Fiduciary Net Assets	K	23
Notes to Financial Statements		24-32
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		34
Budget to GAAP Reconciliation		35
Notes to Required Supplementary Information - Budgetary Reporting		36
	<u>Schedule</u>	
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	38
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	39
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	40
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	41
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		42-43
Schedule of Findings		44-46



Gary E. Horton CPA

PO Box 384

Clarion, IA 50525-0384

(515)532-6681 Phone

(515) 532-2405 Fax

[BETCO@mchsi.com](mailto:BETCO@mchsi.com) E-mail

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, 2005, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Galva-Holstein Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated July 27, 2005, 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, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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, 2004, (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 27, 2005

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Galva-Holstein 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2005 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,835,706 in fiscal 2004 to \$3,785,372 in fiscal 2005, while General Fund expenditures increased from \$3,621,404 in fiscal 2004 to \$3,758,182 in fiscal 2005. The District's General Fund balance increased from \$1,303,171 in fiscal 2004 to \$1,330,361 in fiscal 2005.

The decrease in General Fund revenues was attributable to a decrease in property tax. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.

### USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Galva-Holstein 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 Galva-Holstein 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 Galva-Holstein Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary 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.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Current and other assets	6,934,928	6,653,071	17,799	7,266	6,952,727	6,660,337	4%
Capital assets	5,406,141	5,651,715	67,739	78,321	5,473,880	5,730,036	-4%
<b>Total assets</b>	<b>12,341,069</b>	<b>12,304,786</b>	<b>85,538</b>	<b>85,587</b>	<b>12,426,607</b>	<b>12,390,373</b>	<b>0%</b>
Long-term liabilities	6,991,487	7,224,357	-	-	6,991,487	7,224,357	-3%
Other liabilities	1,964,794	1,903,125	2,474	2,392	1,967,268	1,905,517	3%
<b>Total liabilities</b>	<b>8,956,281</b>	<b>9,127,482</b>	<b>2,474</b>	<b>2,392</b>	<b>8,958,755</b>	<b>9,129,874</b>	<b>-2%</b>
Net Assets:							
Invested in capital assets, net of related debt	1,801,141	1,816,715	67,739	78,321	1,868,880	1,895,036	-1%
Restricted	401,012	164,707	-	-	401,012	164,707	143%
Unrestricted	1,182,635	1,195,882	15,325	4,874	1,197,960	1,200,756	0%
<b>TOTAL NET ASSETS</b>	<b>3,384,788</b>	<b>3,177,304</b>	<b>83,064</b>	<b>83,195</b>	<b>3,467,852</b>	<b>3,260,499</b>	<b>6%</b>

The District's combined net assets increased by nearly 6%, or approximately \$207,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$236,305 or 143% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund and Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$2,796, or 0%. This reduction in unrestricted net assets was a result of the District reduction of invested capital assets.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-4

	Change in Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	
Revenues							
Program Revenues:							
Charges for services	423,270	612,830	110,524	111,142	533,794	723,972	-26%
Operating grants & contributions	486,790	322,411	96,977	94,761	583,767	417,172	40%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							0%
Property taxes	1,875,958	2,107,001	-	-	1,875,958	2,107,001	-11%
Income Surtax	52,962	43,240	-	-	52,962	43,240	22%
Local option sales tax	-	1,975	-	-	-	1,975	-100%
Unrestricted state grants	1,986,865	1,669,197	-	-	1,986,865	1,669,197	19%
Unrestricted investment earnings	107,358	23,919	-	244	107,358	24,163	344%
Other revenue	58,771	3,112	-	-	58,771	3,112	1789%
<b>Total Revenues</b>	<b>4,991,974</b>	<b>4,783,685</b>	<b>207,501</b>	<b>206,147</b>	<b>5,199,475</b>	<b>4,989,832</b>	<b>4%</b>
Expenses:							
Instruction	2,689,888	2,698,755	-	-	2,689,888	2,698,755	0%
Support services	1,229,607	1,156,025	-	-	1,229,607	1,156,025	6%
Non-instructional programs	15,338	-	207,632	225,350	222,970	225,350	-1%
Other expenditures	849,657	749,793	-	-	849,657	749,793	13%
<b>Total expenses</b>	<b>4,784,490</b>	<b>4,604,573</b>	<b>207,632</b>	<b>225,350</b>	<b>4,992,122</b>	<b>4,829,923</b>	<b>3%</b>
<b>Change in net assets before transfers</b>	<b>207,484</b>	<b>179,112</b>	<b>(131)</b>	<b>(19,203)</b>	<b>207,353</b>	<b>159,909</b>	<b>30%</b>
Transfers	-	-	-	-	-	-	0%
<b>CHANGE IN NET ASSETS</b>	<b>207,484</b>	<b>179,112</b>	<b>(131)</b>	<b>(19,203)</b>	<b>207,353</b>	<b>159,909</b>	<b>30%</b>
Net assets beginning of year	3,177,304	2,998,192	83,195	102,398	3,260,499	3,100,590	5%
Net assets end of year	3,384,788	3,177,304	83,064	83,195	3,467,852	3,260,499	6%

Property tax and unrestricted state grants account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 79% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$4,991,974 and expenses were \$4,784,490. Revenues increased by \$207,484. This was primarily a result of increases in state aid and unrestricted investment earnings due to increase on rate of return for investments held by the district. Expenditures increased by \$179,112. This is primarily due to increases in facilities acquisition and negotiated salary and benefits settlements.

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

Figure A-5

**Total and Net Cost of Governmental Activities**

	<b>Total Cost of Services 2005 \$</b>	<b>Total Cost of Services 2004 \$</b>	<b>Net Cost of Services 2005 \$</b>	<b>Net Cost of Services 2004 \$</b>
Instruction	2,689,888	2,698,755	1,939,499	1,926,216
Support Services	1,229,607	1,156,025	1,228,969	1,155,160
Non-instructional Programs	15,338	-	15,338	-
Other Expenses	849,657	749,793	615,002	587,956
<b>TOTAL</b>	<b>4,784,490</b>	<b>4,604,573</b>	<b>3,798,808</b>	<b>3,669,332</b>

- The cost financed by users of the District's programs was \$423,270.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$562,412.
- The net cost of governmental activities was financed with \$1,928,920 in property and other taxes and \$1,986,865 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$207,501 and expenses were \$207,632. 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, Galva-Holstein Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,965,465, well above last year's ending fund balances of \$4,747,258. However, the primary reason for the increase in combined fund balances in fiscal 2005 is due to increase in the district's unspent balance

**Governmental Fund Highlights**

The District's growth in the General Fund financial position is the result of many factors. Decline during the year in tax and grants resulted in a decline in revenues. However, the decline in revenues was more than offset by the District's decrease in General Fund expenditures allowing the District to increase it's general fund balance by \$27,190.

- The General Fund balance increased from \$1,303,171 to \$1,330,361

- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$116,586 in fiscal 2004 to \$133,018 in fiscal 2005. While revenues remained approximately the same, the District reduced spending from the PPEL Fund during the year.
- The Capital Projects Fund balance increased from \$1,975 in 2004 to \$207,824 in 2005 due to lack of spending in this fund during the year.

**Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$83,195 at June 30, 2004 to \$83,064 at June 30, 2005,

**BUDGETARY HIGHLIGHTS**

Over the course of the year, Galva-Holstein Community School District did not amend its annual budget.

The District's receipts were \$417,984 less than budgeted receipts. The most significant variance resulted from the District receiving less in local taxes and revenues than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2005, the District had invested \$5.47 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6). More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$297,973.

The original cost of the District's capital assets was \$9.06 million. Governmental funds account for \$8.9 million, with the remainder of \$0.7 million accounted for in the Proprietary, School Nutrition Fund.

*Figure A-6*

*Capital Assets (net of depreciation)*

	Governmental		Business type		Total		Percentage
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	2004-2005
	\$	\$	\$	\$	\$	\$	
Land	109,317	109,317	-	-	109,317	109,317	0%
Construction in progress	-	-	-	-	-	-	0%

Buildings	4,723,765	4,857,711	-	-	4,723,765	4,857,711	-3%
Improvements	288,914	341,619	-	-	288,914	341,619	-15%
Equipment & Furniture	284,145	343,068	67,739	78,321	351,884	421,389	-16%
<b>TOTAL</b>	<b>5,406,141</b>	<b>5,651,715</b>	<b>67,739</b>	<b>78,321</b>	<b>5,473,880</b>	<b>5,730,036</b>	<b>-4%</b>

### Long-Term Debt

At June 30, 2005, the District had \$6,991,487 in general obligation, revenue and other long-term debt outstanding. This represents an decrease from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

**Figure A-7  
Outstanding Long-Term Obligations**

	<b>Total School District</b>		<b>Percentage</b>
	<b>2005</b>	<b>2004</b>	<b>2004-2005</b>
	\$	\$	
General Obligation Bonds	3,605,000	3,835,000	-6%
Crossover Refunding Bonds	3,265,000	3,265,000	0%
Early Retirement	121,487	124,357	-2%
	<b>6,991,487</b>	<b>7,224,357</b>	<b>-3%</b>

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's September 2005 enrollment decreased by twenty students. This drop in enrollment will decrease the District's funding for fiscal year 2007.
- The District has experienced declining enrollment for the past three years and projects continued decline through the 2008-2009 school year.
- The District has made a commitment to save for future building projects by designating \$25,000 per year out of the Physical Plant and Equipment Levy. The district is in its third year of saving and is indicated in the ending fund balance.
- The District negotiated a new agreement with the teacher's association (GHEA) during fiscal 2005. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The District has begun receiving a one (1) cent local option sales tax for Buena Vista, Cherokee, Ida and Sac counties during fiscal year 2005. The Board of Director's has determined that 51% of the local option sales tax collected from Ida County will be used for debt reduction. The remaining revenue from the one cent sales tax will be designated for future building projects.

## **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 Cynthia Dittmer, District Secretary/Treasurer and Business Manager, 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, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
Cash with fiscal agent	3,151,105	-	3,151,105
Other	1,725,287	8,926	1,734,213
Receivables:			
Property tax:			
Delinquent	26,149	-	26,149
Succeeding year	1,875,173	-	1,875,173
Accounts	553	347	900
Accrued interest	1,252	-	1,252
Due from other governments	155,409	-	155,409
Inventories	-	8,526	8,526
Capital assets, net of accumulated depreciation	5,406,141	67,739	5,473,880
	<u>12,341,069</u>	<u>85,538</u>	<u>12,426,607</u>
<b>Liabilities</b>			
Accounts payable	40,996	-	40,996
Accrued interest payable	48,625	-	48,625
Deferred revenue:			
Succeeding year property tax	1,875,173	-	1,875,173
Other	-	2,474	2,474
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	245,000	-	245,000
Early retirement	26,951	-	26,951
Portion due after one year:			
General obligation bonds payable	6,625,000	-	6,625,000
Early retirement	94,536	-	94,536
	<u>8,956,281</u>	<u>2,474</u>	<u>8,958,755</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,801,141	67,739	1,868,880
Restricted for:			
Local option sales tax capital projects	207,824	-	207,824
Physical plant and equipment levy	133,018	-	133,018
Other special revenue purposes	60,170	-	60,170
Unrestricted	1,182,635	15,325	1,197,960

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
<b>Total net assets</b>	<u>\$</u> <u>3,384,788</u>	<u>\$</u> <u>83,064</u>	<u>\$</u> <u>3,467,852</u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	1,808,553	184,342	226,190	-
Special instruction	462,686	4,817	101,567	-
Other instruction	418,649	233,473	-	-
	<u>2,689,888</u>	<u>422,632</u>	<u>327,757</u>	<u>-</u>
Support services:				
Student services	75,837	-	-	-
Instructional staff services	155,357	-	-	-
Administration services	471,882	-	-	-
Operation and maintenance of plant services	346,149	638	-	-
Transportation services	180,382	-	-	-
	<u>1,229,607</u>	<u>638</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>15,338</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	165,677	-	-	-
Long-term debt interest	304,526	-	75,622	-
AEA flowthrough	159,033	-	159,033	-
Depreciation (unallocated)*	220,421	-	-	-
	<u>849,657</u>	<u>-</u>	<u>234,655</u>	<u>-</u>
Total governmental activities	<u>4,784,490</u>	<u>423,270</u>	<u>562,412</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>207,632</u>	<u>110,524</u>	<u>96,946</u>	<u>-</u>
Total	<u>4,992,122</u>	<u>533,794</u>	<u>659,358</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

<u>Net (Expense) Revenue and Changes in Net Asset</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(1,398,021)	-	(1,398,021)
(356,302)	-	(356,302)
(185,176)	-	(185,176)
<u>(1,939,499)</u>	<u>-</u>	<u>(1,939,499)</u>
(75,837)	-	(75,837)
(155,357)	-	(155,357)
(471,882)	-	(471,882)
(345,511)	-	(345,511)
(180,382)	-	(180,382)
<u>(1,228,969)</u>	<u>-</u>	<u>(1,228,969)</u>
(15,338)	-	(15,338)
(165,677)	-	(165,677)
(228,904)	-	(228,904)
-	-	-
(220,421)	-	(220,421)
<u>(615,002)</u>	<u>-</u>	<u>(615,002)</u>
(3,798,808)	-	(3,798,808)
-	(162)	(162)
<u>(3,798,808)</u>	<u>(162)</u>	<u>(3,798,970)</u>
1,343,484	-	1,343,484
439,396	-	439,396
93,078	-	93,078
52,962	-	52,962
1,986,865	-	1,986,865
31,736	31	31,767
58,771	-	58,771
<u>4,006,292</u>	<u>31</u>	<u>4,006,323</u>
207,484	(131)	207,353
<u>3,177,304</u>	<u>83,195</u>	<u>3,260,499</u>
<u>3,384,788</u>	<u>83,064</u>	<u>3,467,852</u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2005

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments:				
Cash with fiscal agent	-	3,151,105	-	3,151,105
Other	1,308,313	28,647	388,327	1,725,287
Receivables:				
Property tax:				
Delinquent	17,622	6,103	2,424	26,149
Succeeding year	1,311,888	378,984	184,301	1,875,173
Accounts	553	-	-	553
Accrued interest	1,252	-	-	1,252
Due from other governments	43,617	-	111,792	155,409
<b>Total assets</b>	<b><u>2,683,245</u></b>	<b><u>3,564,839</u></b>	<b><u>686,844</u></b>	<b><u>6,934,928</u></b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	40,996	-	-	40,996
Deferred revenue:				
Succeeding year property tax	1,311,888	378,984	184,301	1,875,173
Other	-	-	53,294	53,294
Total liabilities	<u>1,352,884</u>	<u>378,984</u>	<u>237,595</u>	<u>1,969,463</u>
Fund balances:				
Reserved for:				
Debt service	-	3,185,855	-	3,185,855
Unreserved reported in:				
General fund	1,330,361	-	-	1,330,361
Special revenue funds	-	-	241,425	241,425
Capital projects funds	-	-	207,824	207,824
Total fund balances	<u>1,330,361</u>	<u>3,185,855</u>	<u>449,249</u>	<u>4,965,465</u>
<b>Total liabilities and fund balances</b>	<b><u>2,683,245</u></b>	<b><u>3,564,839</u></b>	<b><u>686,844</u></b>	<b><u>6,934,928</u></b>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	4,965,465
<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.	5,406,141
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	53,294
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	(48,625)
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>(6,991,487)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>3,384,788</u></u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund \$	Debt Service Fund \$	Nonmajor Governmental Funds \$	Total \$
Revenues:				
Local sources:				
Local tax	1,262,900	439,396	431,459	2,133,755
Tuition	130,640	-	-	130,640
Other	123,219	75,622	233,043	431,884
Intermediate sources	499	-	-	499
State sources	2,095,869	387	153	2,096,409
Federal sources	172,245	-	-	172,245
Total revenues	<u>3,785,372</u>	<u>515,405</u>	<u>664,655</u>	<u>4,965,432</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,798,371	-	31,237	1,829,608
Special instruction	462,686	-	-	462,686
Other instruction	209,844	-	208,805	418,649
	<u>2,470,901</u>	<u>-</u>	<u>240,042</u>	<u>2,710,943</u>
Support services:				
Student services	75,837	-	-	75,837
Instructional staff services	150,674	-	4,683	155,357
Administration services	466,871	-	-	466,871
Operation and maintenance of plant services	278,357	-	68,676	347,033
Transportation services	141,171	-	-	141,171
	<u>1,112,910</u>	<u>-</u>	<u>73,359</u>	<u>1,186,269</u>
Non-instructional programs	<u>15,338</u>	<u>-</u>	<u>-</u>	<u>15,338</u>
Other expenditures:				
Facilities acquisition	-	-	165,677	165,677
Long-term debt:				
Principal	-	230,000	-	230,000
Interest and fiscal charges	-	306,840	-	306,840
AEA flowthrough	159,033	-	-	159,033
	<u>159,033</u>	<u>536,840</u>	<u>165,677</u>	<u>861,550</u>
Total expenditures	<u>3,758,182</u>	<u>536,840</u>	<u>479,078</u>	<u>4,774,100</u>
Excess (deficiency) of revenues over (under) expenditures	27,190	(21,435)	185,577	191,332
Other financing sources (uses):				
Compensation for loss of fixed assets	-	-	26,875	26,875
Net change in fund balances	27,190	(21,435)	212,452	218,207
Fund balances beginning of year	<u>1,303,171</u>	<u>3,207,290</u>	<u>236,797</u>	<u>4,747,258</u>
Fund balances end of year	<u><u>1,330,361</u></u>	<u><u>3,185,855</u></u>	<u><u>449,249</u></u>	<u><u>4,965,465</u></u>

See notes to financial statements.

## 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, 2005

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		218,207
<b><i>Amounts reported for governmental activities in the Statement of Activities are different because:</i></b>		
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	41,817	
Depreciation expense	<u>(287,391)</u>	(245,574)
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.		(333)
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.		230,000
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.		2,314
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		<u>2,870</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>207,484</u></u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Fund

June 30, 2005

	Nonmajor School Nutrition
	<u>          </u>
	\$
<b>Assets</b>	
Cash and cash equivalents	8,926
Accounts receivable	347
Inventories	8,526
Capital assets, net of accumulated depreciation	<u>67,739</u>
<b>Total assets</b>	85,538
<b>Liabilities</b>	
Deferred revenue	<u>2,474</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	67,739
Unrestricted	<u>15,325</u>
<b>Total net assets</b>	<u><u>83,064</u></u>

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

Year ended June 30, 2005

	Nonmajor School Nutrition <u>          </u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>110,524</u>
Operating expenses:	
Non-instructional programs:	
Salaries	61,053
Benefits	12,158
Purchased services	5,493
Supplies	117,582
Depreciation	10,582
Other	764
	<u>207,632</u>
Operating gain (loss)	<u>(97,108)</u>
Non-operating revenue:	
State sources	3,120
Federal sources	93,826
Interest income	31
Total non-operating revenue	<u>96,977</u>
Change in net assets	(131)
Net assets beginning of year	<u>83,195</u>
Net assets end of year	<u><u>83,064</u></u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	110,675
Cash payments to employees for services	(73,211)
Cash payments to suppliers for goods or services	(99,939)
Net cash used by operating activities	<u>(62,475)</u>
Cash flows from non-capital financing activities:	
State grants received	3,120
Federal grants received	67,447
Net cash provided by non-capital financing activities	<u>70,567</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>31</u>
Net increase (decrease) in cash and cash equivalents	8,123
Cash and cash equivalents at beginning of year	<u>803</u>
Cash and cash equivalents at end of year	<u>8,926</u>
<b>Reconciliation of operating gain (loss) to net cash used</b>	
<b>operating activities:</b>	
Operating gain (loss)	(97,108)
Adjustments to reconcile operating gain (loss)	
to net cash used by operating activities:	
Commodities used	26,379
Depreciation	10,582
Decrease (increase) in inventories	(2,479)
Decrease (increase) in accounts receivable	69
(Decrease) increase in deferred revenue	<u>82</u>
Net cash used in operating activities	<u>(62,475)</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2005, the District received \$26,379 of federal commodities.

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2005

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	20,922
Accrued interest receivable	<u>216</u>
<b>Total Assets</b>	21,138
<b>Liabilities</b>	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	<u><u>21,138</u></u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	418
Deductions:	
Support services:	
Scholarships awarded	<u>500</u>
Change in net assets	(82)
Net assets beginning of year	<u>21,220</u>
Net assets end of year	<u><u>21,138</u></u>

# GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2005

### 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004, through June 30, 2005, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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, 2005, disbursements in the other expenditures function exceeded the amount budgeted.

## 2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 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.

At June 30, 2005, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
	\$	
US Treasury Note	12,608	November 2005
US Treasury Note	12,706	May 2006
US Treasury Note	12,825	November 2006
US Treasury Note	3,112,960	May 2007

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

### 3. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
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	1,053,243	41,817	-	1,095,060
Total capital assets being deprec.	8,775,400	41,817	-	8,817,217
Less accumulated depreciation for:				
Buildings	1,999,202	133,946	-	2,133,148
Improvements other than buildings	523,625	52,705	-	576,330
Furniture and equipment	710,175	100,740	-	810,915
Total accumulated depreciation	3,233,002	287,391	-	3,520,393
Total capital assets being depreciated, net	5,542,398	(245,574)	-	5,296,824
Governmental activities capital assets, net	5,651,715	(245,574)	-	5,406,141
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	133,796	-	-	133,796
Less accumulated depreciation	55,475	10,582	-	66,057
Business type activities capital assets, net	78,321	(10,582)	-	67,739

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	16,733
Support Services:	
Administration services	8,183
Operation and maintenance of plant services	2,843
Transportation	39,211
Unallocated depreciation	220,421
Total depreciation expense – governmental activities	287,391
Business type activities:	
Food services	10,582

#### 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	7,100,000	-	230,000	6,870,000	245,000
Early retirement	124,357	33,613	36,483	121,487	26,951
Total	7,224,357	33,613	266,483	6,991,487	271,951

##### 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, 2005 totaled \$36,483.

##### General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May, 1998			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	5.30	305,000	138,320	443,620
2011-2015	5.30-5.50	1,805,000	424,485	2,229,485
2016	5.50	425,000	23,375	448,375
		3,605,000	1,280,105	4,885,405

## 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
	%	\$	\$	\$
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	2.70	355,000	83,534	438,534
2011-2015	2.95-3.55	1,960,000	250,468	2,210,468
2016	3.65	260,000	9,490	269,490
		<u>3,265,000</u>	<u>732,652</u>	<u>3,997,652</u>

- \$3,151,105 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.

## **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, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$127,939, \$129,743, and \$129,841 respectively, equal to the required contributions for each year.

## **6. Risk Management**

The District was a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$3.9 million. The District's share of this assessment was \$40,997 which is recorded as a liability as of June 30, 2005.

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.

#### **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 \$159,033 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2005

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	2,678,982	110,706	2,789,688	2,451,949	2,451,949	337,739
Intermediate sources	499	-	499	-	-	499
State sources	2,096,409	3,120	2,099,529	2,054,866	2,054,866	44,663
Federal sources	154,257	93,826	248,083	213,000	213,000	35,083
Total receipts	<u>4,930,147</u>	<u>207,652</u>	<u>5,137,799</u>	<u>4,719,815</u>	<u>4,719,815</u>	<u>417,984</u>
Disbursements:						
Instruction	2,670,478	-	2,670,478	2,927,967	2,927,967	257,489
Support services	1,186,274	-	1,186,274	1,633,200	1,633,200	446,926
Non-instructional programs	15,339	199,529	214,868	230,000	230,000	15,132
Other expenditures	863,414	-	863,414	609,080	609,080	(254,334)
Total disbursements	<u>4,735,505</u>	<u>199,529</u>	<u>4,935,034</u>	<u>5,400,247</u>	<u>5,400,247</u>	<u>465,213</u>
Excess (deficiency) of receipts over (under) disbursements	194,642	8,123	202,765	(680,432)	(680,432)	883,197
Other financing sources (uses) net	<u>26,875</u>	<u>-</u>	<u>26,875</u>	<u>-</u>	<u>-</u>	<u>26,875</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	221,517	8,123	229,640	(680,432)	(680,432)	910,072
Balance beginning of year	<u>4,654,875</u>	<u>803</u>	<u>4,655,678</u>	<u>995,989</u>	<u>995,989</u>	<u>3,659,689</u>
Balance end of year	<u><u>4,876,392</u></u>	<u><u>8,926</u></u>	<u><u>4,885,318</u></u>	<u><u>315,557</u></u>	<u><u>315,557</u></u>	<u><u>4,569,761</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	4,930,147	35,285	4,965,432
Expenditures	4,735,505	38,595	4,774,100
Net	194,642	(3,310)	191,332
Other financing sources (uses) net	26,875	-	26,875
Beginning fund balances	4,654,875	92,383	4,747,258
Ending fund balances	<u>4,876,392</u>	<u>89,073</u>	<u>4,965,465</u>
	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	207,652	(151)	207,501
Expenditures	199,529	8,103	207,632
Net	8,123	(8,254)	(131)
Beginning fund balances	803	82,392	83,195
Ending fund balances	<u>8,926</u>	<u>74,138</u>	<u>83,064</u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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 the 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. During the year, the District did not amend the budget.

During the year ended June 30, 2005, disbursements in the other expenditures function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2005

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	47,112	60,170	131,719	149,326	388,327
Receivables:					
Property tax:					
Delinquent	1,125	-	1,299	-	2,424
Succeeding year	90,000	-	94,301	-	184,301
Due from other governments	-	-	53,294	58,498	111,792
<b>Total assets</b>	<b>138,237</b>	<b>60,170</b>	<b>280,613</b>	<b>207,824</b>	<b>686,844</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	90,000	-	94,301	-	184,301
Other	-	-	53,294	-	53,294
Total liabilities	90,000	-	147,595	-	237,595
Fund balances:					
Unreserved reported in:					
Special revenue funds	48,237	60,170	133,018	-	241,425
Capital projects funds	-	-	-	207,824	207,824
Total fund balances	48,237	60,170	133,018	207,824	449,249
<b>Total liabilities and fund balances</b>	<b>138,237</b>	<b>60,170</b>	<b>280,613</b>	<b>207,824</b>	<b>686,844</b>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	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	80,584	-	146,373	204,502	431,459
Other	88	222,829	8,779	1,347	233,043
State sources	71	-	82	-	153
Total revenues	<u>80,743</u>	<u>222,829</u>	<u>155,234</u>	<u>205,849</u>	<u>664,655</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	31,237	-	-	-	31,237
Other instruction	-	208,805	-	-	208,805
Support services:					
Instructional staff services	4,683	-	-	-	4,683
Operation and maintenance of plant services	68,676	-	-	-	68,676
Other expenditures:					
Facilities acquisition	-	-	165,677	-	165,677
Total expenditures	<u>104,596</u>	<u>208,805</u>	<u>165,677</u>	<u>-</u>	<u>479,078</u>
Excess (deficiency) of revenues over (under) expenditures	(23,853)	14,024	(10,443)	205,849	185,577
Other financing sources (uses):					
Compensation for loss of fixed assets	-	-	26,875	-	26,875
Net change in fund balance	(23,853)	14,024	16,432	205,849	212,452
Fund balances beginning of year	<u>72,090</u>	<u>46,146</u>	<u>116,586</u>	<u>1,975</u>	<u>236,797</u>
Fund balances end of year	<u><u>48,237</u></u>	<u><u>60,170</u></u>	<u><u>133,018</u></u>	<u><u>207,824</u></u>	<u><u>449,249</u></u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
Dramatics	1,684	1,691	1,603	250	2,022
Speech	452	-	264	466	654
Quiz bowl	184	1,606	1,955	415	250
Model UN	314	112	661	516	281
Mock trial	-	-	160	160	-
Music - vocal	774	406	269	250	1,161
Music - musical	655	-	238	-	417
Drill team	(580)	2,552	3,962	2,268	278
Band instrument rent	612	-	-	-	612
JH fund raiser	1,359	1,501	472	(252)	2,136
Fund raiser	4,450	26,161	13,959	(4,942)	11,710
Cheerleaders	2,591	4,829	4,174	81	3,327
Basketball	1,269	8,565	11,583	4,336	2,587
Volleyball	566	5,208	5,880	1,500	1,394
Football	2,009	34,666	40,356	5,481	1,800
Baseball	5	8,308	10,154	1,901	60
Softball	70	4,823	5,377	607	123
Track	1,837	18,874	21,873	3,000	1,838
Cross country	1,609	4,534	4,132	250	2,261
Golf	324	251	1,095	1,320	800
Wrestling	580	5,872	6,465	2,526	2,513
Freshman	(144)	-	273	144	(273)
Sophomores	3,353	4,544	2,640	(3,497)	1,760
Juniors	566	1,911	4,075	1,691	93
Seniors	31	1,621	2,115	586	123
Yearbook	5,117	8,699	14,787	1,076	105
Student council	5,057	12,645	10,742	(1,712)	5,248
Elementary classes	3,989	4,024	3,207	84	4,890
Library	-	4,473	4,491	18	-
RIF	3,075	937	251	(18)	3,743
NHS	584	-	328	-	256
Pop fund	5	-	-	-	5
Textbooks	10	-	-	-	10
Activity participation fee	6	15,552	-	(15,558)	-
Concessions	2,150	30,025	24,137	(3,492)	4,546
Interest	14	291	-	(305)	-
Music - JH band	926	3,776	3,543	(120)	1,039
Music - HS band	171	4,210	3,370	970	1,981
Spanish fundraiser	472	162	214	-	420
<b>Total</b>	<b>46,146</b>	<b>222,829</b>	<b>208,805</b>	<b>-</b>	<b>60,170</b>

## 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			
	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,133,755	2,150,547	2,171,054	2,212,310
Tuition	130,640	186,058	162,075	167,364
Other	431,884	289,587	284,554	218,215
Intermediate sources	499	-	-	500
State sources	2,096,409	1,990,202	1,901,850	1,820,710
Federal sources	172,245	163,243	140,320	110,697
<b>Total revenues</b>	<b>4,965,432</b>	<b>4,779,637</b>	<b>4,659,853</b>	<b>4,529,796</b>
Expenditures:				
Instruction:				
Regular instruction	1,829,608	1,779,566	1,748,172	1,692,689
Special instruction	462,686	458,896	415,802	379,193
Other instruction	418,649	431,490	419,086	351,995
Support services:				
Student services	75,837	75,967	74,792	71,151
Instructional staff services	155,357	128,314	139,367	94,453
Administration services	466,871	430,690	431,508	419,846
Operation and maintenance of plant services	347,033	331,976	308,050	291,811
Transportation services	141,171	217,848	162,243	220,965
Non-instructional programs	15,338	-	616	-
Other expenditures:				
Facilities acquisition	165,677	75,222	68,423	149,307
Long-term debt:				
Principal	230,000	215,000	200,000	190,000
Interest and other charges	306,840	218,785	230,385	241,405
AEA flowthrough	159,033	161,837	165,991	164,840
<b>Total expenditures</b>	<b>4,774,100</b>	<b>4,525,591</b>	<b>4,364,435</b>	<b>4,267,655</b>

Gary E. Horton CPA

PO Box 384  
Clarion, IA 50525-0384  
(515)532-6681 Phone  
(515) 532-2405 Fax

[BETCO@mchsi.com](mailto:BETCO@mchsi.com) E-mail

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

To the Board of Education of  
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 as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated July 27, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Galva-Holstein Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 judgment, 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 reportable 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 caused by error or fraud 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 item 05-I-A is a material weakness.

## Compliance and Other Matters

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 grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Galva-Holstein Community School District and other parties to whom Galva-Holstein Community School 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 27, 2005

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

05-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.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

05-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, 2005.

05-II-B Certified Budget: Disbursements for the year ended June 30, 2005, exceeded the amount budgeted in the other expenditures functional area.

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.

05-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.

05-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.

05-II-E Business Transactions: We noted no transactions between the District and District officials, or employees.

05-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.

05-II-G Board Minutes: We noted no transactions requiring board approval that had not been approved by the board.

05-II-H Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

05-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.

05-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.

05-II-K Deficit Balances: The Student Activity Fund has an account with a deficit balance at June 30, 2005.

Recommendation: The District should continue to monitor this account and investigate alternatives to eliminate this deficit.

District Response: We are working on ways to eliminate this deficit.

Conclusion: Response accepted.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting (Continued):

05-II-L      Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for the District's extracurricular student activity program. We noted accounts in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.