

GLAVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

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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, 2006, 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 at June 30, 2006, 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 August 1, 2006 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 35 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, 2005, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary 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

August 1, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Galva-Holstein Community Schools 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, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,758,182 in fiscal 2005 to \$3,836,755 in fiscal 2006, while General Fund expenditures increased from \$3,758,182 in fiscal 2005 to \$3,796,526 in fiscal 2006. The District's General Fund balance increased from \$1,330,361 in fiscal 2005 to \$1,370,590 in fiscal 2006.
- The increase in General Fund revenues was attributable to an increase in property tax and tuition paid by private sources (preschool, open enrollment, special education). The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and the purchase of two school buses funded by the general fund.

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 Schools 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 Schools 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 Schools Community School District acts solely as an agent or custodian for the benefit of those outside of District 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 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 net assets, 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 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, 2006 compared to June 30, 2005.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2005	2006	2005	2006	2005	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	6,934,928	6,726,274	17,799	33,422	6,952,727	6,759,696	3
Capital assets	5,406,141	5,564,410	67,739	62,146	5,473,880	5,626,556	-3
Total assets	12,341,069	12,290,684	85,538	95,568	12,426,607	12,386,252	0
Long-term liabilities	6,991,487	6,740,015	-	-	6,991,487	6,740,015	-3
Other liabilities	1,964,794	2,120,160	2,474	2,265	1,967,268	2,122,425	7
Total liabilities	8,956,281	8,860,175	2,474	2,265	8,958,755	8,862,440	-1
Net Assets:							
Invested in capital assets,							
net of related debt	1,801,141	2,204,410	67,739	62,146	1,868,880	2,266,556	21
Restricted	401,012	197,663	-	-	401,012	197,663	-51
Unrestricted	1,182,635	1,028,436	15,325	31,157	1,197,960	1,059,593	-12
TOTAL NET ASSETS	3,384,788	3,430,509	83,064	93,303	3,467,852	3,523,812	2

The District's combined net assets remained equal to or slightly above (\$55,960) 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 decreased approximately \$202,149 or 51% over the prior year. The decrease was primarily a result of reduction of debt within the Debt Service 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 \$139,367, or 12%. This reduction in unrestricted net assets was a result of the District's expenditures relating to our building project and purchase of two school busses out of the general fund thus lowering the fund balance.

Figure A-4

	Change in Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	
Revenues							
Program Revenues:							
Charges for services	423,270	484,252	110,524	114,547	533,794	598,799	12
Operating grants, contributions & restricted interest	486,790	509,026	96,977	95,100	583,767	604,126	3
Capital grants & contributions	-	-	-	-	-	-	-
General Revenues:							
Property taxes	1,875,958	1,871,264	-	-	1,875,958	1,871,264	0
Income Surtax	52,962	63,122	-	-	52,962	63,122	19
Local option sales tax	-	240,548	-	-	-	240,548	240
Unrestricted state grants	1,986,865	1,774,492	-	-	1,986,865	1,774,492	-11
Unrestricted investment earnings	107,358	60,653	-	389	107,358	61,042	-43
Other revenue	58,771	29,384	-	-	58,771	29,384	-50
Total Revenues	4,991,974	5,032,741	207,501	210,036	5,199,475	5,242,777	0
Expenses:							
Instruction	2,689,888	2,604,503	-	-	2,689,888	2,604,503	-3
Support services	1,229,607	1,269,550	-	-	1,229,607	1,269,550	3
Non-instructional programs	15,338	-	207,632	199,797	222,970	199,797	-10
Other expenditures	849,657	786,562	-	-	849,657	786,562	-7
Total expenses	4,784,490	4,660,615	207,632	199,797	4,992,122	4,860,412	-3
Change in net assets before transfers	207,484	372,126	(131)	10,239	207,353	382,365	84
Transfers	-	-	-	-	-	-	-
CHANGE IN NET ASSETS	207,484	372,126	(131)	10,239	207,353	382,365	84
Net assets beginning of year	3,177,304	3,058,383	83,195	83,064	3,260,499	3,141,447	-4
Net assets end of year	3,384,788	3,430,509	83,064	93,303	3,467,852	3,523,812	1

Property tax and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 83% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,032,741 and expenses were \$4,660,615. Revenues increased \$40,767 and are due primarily to increase in charges for services, investment earnings due to higher interest rate and longer investment term and the availability of local option sales tax for a complete year cycle. Expenditures decreased by \$123,875 with savings seen in areas of instruction and other expenditures. There was savings to the district due to staff replacements as a result of early retirement, interest reduction due to pay down of debt and less expenditures in the area of technology.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2005 \$	Total Cost of Services 2006 \$	Net Cost of Services 2005 \$	Net Cost of Services 2006 \$
Instruction	2,689,888	2,604,503	1,939,499	1,945,429
Support Services	1,229,607	1,269,550	1,228,969	1,179,377
Non-instructional Programs	15,338	-	15,338	-
Other Expenses	849,657	786,562	690,624	542,531
TOTAL	4,784,490	4,660,615	3,874,430	3,667,337

- The cost financed by users of the District’s programs was \$484,252.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$422,213.
- The net cost of governmental activities was financed with \$1,871,264 in property taxes, \$240,548 in local option sales tax and \$1,774,492 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$210,036 and expenses were \$199,797. 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 the District completed the year, its governmental funds reported a combined fund balance of \$4,594,496, a decrease of \$370,969 from last year’s ending fund balances of \$4,965,465. The primary reason for the decrease is the addition to facilities acquisition of \$590,115 due to our locker room project and the purchase of two school busses out of the general fund.

Governmental Fund Highlights

- The District’s General Fund showed an increase in fund balance of \$40,229. The increase is a combination of additional revenues from property tax, tuition received and interest from investments. The district also showed a reduction in expenditures by \$123,875. This reduction is a result of staff replacement occurring from early retirement, reduction in long term debt interest and fiscal charges and reduction in dollars spent toward technology equipment. .
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$133,018 to \$60,772. While revenues remained approximately the same, the District expenditures were \$77,019 more that the previous year. This was due to the expenses incurred as a result of the building project.
- The Capital Projects Fund balance decreased from \$207,824 to a deficit of \$111,035. The District ended fiscal 2006 with a deficit fund balance as a result of the building project.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$83,064 at June 30, 2005 to \$93,303 at June 30, 2006, representing an increase of approximately 12%. The increase in net assets is due to increase in charges for service (food sales) \$4,023 and decrease in expenditures, primarily supplies, of \$7,835.

BUDGETARY HIGHLIGHTS

The District's receipts were \$345,659 more than budgeted receipts, a variance of 6%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were more than budgeted by \$25,373 due primarily to the District's budget for the Capital Projects 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 non-instruction and other expenditures functional areas due to the timing of disbursements paid at year-end, construction in progress locker room building and remodeling project and the purchase of two school busses out of the general fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$5.6 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) This represents a net increase of 9.98% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$276,993.

The original cost of the District's capital assets was \$9.98 million. Governmental funds account for \$9.78 million, with the remainder of \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2005-2006
	2005	2006	2005	2006	2005	2006	
	\$	\$	\$	\$	\$	\$	
Land	109,317	109,317	-	-	109,317	109,317	0
Construction in progress	-	590,615	-	-	-	590,615	590
Buildings	4,723,765	4,159,351	-	-	4,723,765	4,159,351	-11.9
Improvements	288,914	223,278	-	-	288,914	223,278	-22.7
Equipment & Furniture	284,145	481,849	67,739	62,146	351,884	543,995	54.6
TOTAL	5,406,141	5,564,410	67,739	62,146	5,473,880	5,626,556	2.7

Long-Term Debt

At June 30, 2006, the District had \$6,740,015 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 3.6% 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**

	Total School District		Percentage Change
	2005	2006	2005-2006
	\$	\$	
General Obligation Bonds	6,870,000	6,625,000,	-3.57
Local Option Sales and Services			
Tax Revenue Bonds			
Capital Loan Notes			
Capital Leases			
Early Retirement	121,487,	115,015	-5.32
Compensated Absences			
	<u>6,991,487</u>	<u>6,740,015</u>	<u>-3.6</u>

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 2006 enrollment decreased by 15.2 students. This drop in enrollment will decrease the District's funding for fiscal year 2008.
- The District has experienced declining enrollment for the past three years, the District projects continued declining enrollment thru 2008-2009 school year.
- The district has always made safety to our children a top priority. The district purchased two new school busses out of the general fund for a total cost of \$124,060.
- Fiscal 2006 was the first year of a two-year contract with the Galva-Holstein Community Schools Education Teacher Association (GHEA). 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 been in a three year plan of designating \$25,000 per year of Physical Plant and Equipment monies for remodeling and construction of locker rooms at the Holstein Center. In the spring of 2006 the District began construction on the above mentioned facility. The cost of the project will be approximately \$885,261 with architect's fees of \$95,972 for a total cost of \$981,233. The funding for this project will be generated from Local Option Sales Tax and Physical Plant and Equipment revenues.

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 Schools Community School District, 519 East Maple Street, Holstein IA 51025.

BASIC FINANCIAL STATEMENTS

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
Cash with fiscal agent	3,125,791	-	3,125,791
Other	1,553,355	28,187	1,581,542
Receivables:			
Property tax:			
Delinquent	24,873	-	24,873
Succeeding year	1,874,852	-	1,874,852
Accounts	999	293	1,292
Due from other governments	146,404	-	146,404
Inventories	-	4,942	4,942
Capital assets, net of accumulated depreciation	5,564,410	62,146	5,626,556
Total assets	12,290,684	95,568	12,386,252
Liabilities			
Accounts payable	187,639	-	187,639
Accrued interest payable	46,583	-	46,583
Deferred revenue:			
Succeeding year property tax	1,874,852	-	1,874,852
Other	11,086	2,265	13,351
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	260,000	-	260,000
Early retirement	35,768	-	35,768
Portion due after one year:			
General obligation bonds payable	6,365,000	-	6,365,000
Early retirement	79,247	-	79,247
Total liabilities	8,860,175	2,265	8,862,440
Net assets			
Invested in capital assets, net of related debt	2,204,410	62,146	2,266,556
Restricted for:			
Physical plant and equipment levy	118,973	-	118,973
Other special revenue purposes	78,690	-	78,690
Unrestricted	1,028,436	31,157	1,059,593
Total net assets	3,430,509	93,303	3,523,812

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

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	1,760,571	178,540	106,654	-
Special instruction	435,810	29,969	80,487	-
Other instruction	408,122	230,843	32,581	-
	<u>2,604,503</u>	<u>439,352</u>	<u>219,722</u>	<u>-</u>
Support services:				
Student services	76,115	-	-	-
Instructional staff services	105,292	-	45,273	-
Administration services	519,434	43,491	-	-
Operation and maintenance of plant services	376,754	1,409	-	-
Transportation services	191,955	-	-	-
	<u>1,269,550</u>	<u>44,900</u>	<u>45,273</u>	<u>-</u>
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	165,177	-	-	-
Long-term debt interest	290,508	-	86,813	-
AEA flowthrough	157,218	-	157,218	-
Depreciation (unallocated)*	173,659	-	-	-
	<u>786,562</u>	<u>-</u>	<u>244,031</u>	<u>-</u>
Total governmental activities	4,660,615	484,252	509,026	-
Business type activities:				
Non-instructional programs:				
Food service operations	199,797	114,547	95,100	-
Total	<u>4,860,412</u>	<u>598,799</u>	<u>604,126</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, 2006

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,475,377)	-	(1,475,377)
(325,354)	-	(325,354)
(144,698)	-	(144,698)
<u>(1,945,429)</u>	<u>-</u>	<u>(1,945,429)</u>
(76,115)	-	(76,115)
(60,019)	-	(60,019)
(475,943)	-	(475,943)
(375,345)	-	(375,345)
(191,955)	-	(191,955)
<u>(1,179,377)</u>	<u>-</u>	<u>(1,179,377)</u>
-	-	-
(165,177)	-	(165,177)
(203,695)	-	(203,695)
-	-	-
<u>(173,659)</u>	<u>-</u>	<u>(173,659)</u>
<u>(542,531)</u>	<u>-</u>	<u>(542,531)</u>
(3,667,337)	-	(3,667,337)
-	9,850	9,850
<u>(3,667,337)</u>	<u>9,850</u>	<u>(3,657,487)</u>
1,408,738	-	1,408,738
380,108	-	380,108
82,418	-	82,418
63,122	-	63,122
240,548	-	240,548
1,774,492	-	1,774,492
60,653	389	61,042
29,384	-	29,384
<u>4,039,463</u>	<u>389</u>	<u>4,039,852</u>
372,126	10,239	382,365
<u>3,058,383</u>	<u>83,064</u>	<u>3,141,447</u>
<u>3,430,509</u>	<u>93,303</u>	<u>3,523,812</u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
Cash with fiscal agent	-	3,125,791	-	3,125,791
Other	1,306,429	31,003	215,923	1,553,355
Receivables:				
Property tax:				
Delinquent	17,533	5,040	2,300	24,873
Succeeding year	1,290,281	350,107	234,464	1,874,852
Accounts	999	-	-	999
Due from other governments	56,715	-	89,689	146,404
Total assets	<u>2,671,957</u>	<u>3,511,941</u>	<u>542,376</u>	<u>6,726,274</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	-	-	187,639	187,639
Deferred revenue:				
Succeeding year property tax	1,290,281	350,107	234,464	1,874,852
Other	11,086	-	58,201	69,287
Total liabilities	<u>1,301,367</u>	<u>350,107</u>	<u>480,304</u>	<u>2,131,778</u>
Fund balances:				
Reserved for:				
Debt service	-	3,161,834	-	3,161,834
Unreserved reported in:				
General fund	1,370,590	-	-	1,370,590
Special revenue funds	-	-	173,107	173,107
Capital projects funds	-	-	(111,035)	(111,035)
Total fund balances	<u>1,370,590</u>	<u>3,161,834</u>	<u>62,072</u>	<u>4,594,496</u>
Total liabilities and fund balances	<u>2,671,957</u>	<u>3,511,941</u>	<u>542,376</u>	<u>6,726,274</u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

	\$
Total fund balances of governmental funds (Exhibit C)	4,594,496
<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.	5,564,410
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	58,201
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.	(46,583)
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>(6,740,015)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,430,509</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,318,379	380,108	471,540	2,170,027
Tuition	175,126	-	-	175,126
Other	146,842	74,133	236,686	457,661
State sources	2,030,825	297	-	2,031,122
Federal sources	165,583	-	-	165,583
Total revenues	<u>3,836,755</u>	<u>454,538</u>	<u>708,226</u>	<u>4,999,519</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,739,734	-	27,965	1,767,699
Special instruction	435,810	-	-	435,810
Other instruction	201,838	-	203,984	405,822
	<u>2,377,382</u>	<u>-</u>	<u>231,949</u>	<u>2,609,331</u>
Support services:				
Student services	76,115	-	-	76,115
Instructional staff services	105,292	-	-	105,292
Administration services	504,922	-	5,496	510,418
Operation and maintenance of plant services	303,200	-	71,490	374,690
Transportation services	272,397	-	-	272,397
	<u>1,261,926</u>	<u>-</u>	<u>76,986</u>	<u>1,338,912</u>
Other expenditures:				
Facilities acquisition	-	-	755,792	755,792
Long-term debt:				
Principal	-	245,000	-	245,000
Interest and fiscal charges	-	292,550	-	292,550
AEA flowthrough	157,218	-	-	157,218
	<u>157,218</u>	<u>537,550</u>	<u>755,792</u>	<u>1,450,560</u>
Total expenditures	<u>3,796,526</u>	<u>537,550</u>	<u>1,064,727</u>	<u>5,398,803</u>
Excess (deficiency) of revenues over (under) expenditures	<u>40,229</u>	<u>(83,012)</u>	<u>(356,501)</u>	<u>(399,284)</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	-	-	28,315	28,315
Operating transfers in	-	58,991	-	58,991
Operating transfers out	-	-	(58,991)	(58,991)
Total other financing sources (uses)	<u>-</u>	<u>58,991</u>	<u>(30,676)</u>	<u>28,315</u>
Net change in fund balances	40,229	(24,021)	(387,177)	(370,969)
Fund balances beginning of year	<u>1,330,361</u>	<u>3,185,855</u>	<u>449,249</u>	<u>4,965,465</u>
Fund balances end of year	<u><u>1,370,590</u></u>	<u><u>3,161,834</u></u>	<u><u>62,072</u></u>	<u><u>4,594,496</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, 2006

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(370,969)
<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. Capital outlay expenditures exceeded depreciation expense in the year as follows:		
Expenditures for capital assets	750,543	
Depreciation expense	<u>(265,869)</u>	484,674
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.		4,907
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.		245,000
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.		2,042
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>6,472</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>372,126</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	28,187
Accounts receivable	293
Inventories	4,942
Capital assets, net of accumulated depreciation	<u>62,146</u>
Total assets	95,568
Liabilities	
Deferred revenue	<u>2,265</u>
Net assets	
Invested in capital assets, net of related debt	62,146
Unrestricted	<u>31,157</u>
Total net assets	<u><u>93,303</u></u>

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

Year ended June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>114,547</u>
Operating expenses:	
Non-instructional programs:	
Salaries	57,372
Benefits	12,097
Purchased services	6,216
Supplies	112,505
Depreciation	11,424
Other	183
	<u>199,797</u>
Operating gain (loss)	<u>(85,250)</u>
Non-operating revenue:	
State sources	3,101
Federal sources	91,999
Interest income	389
Total non-operating revenue	<u>95,489</u>
Change in net assets	10,239
Net assets beginning of year	<u>83,064</u>
Net assets end of year	<u><u>93,303</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	114,392
Cash payments to employees for services	(69,469)
Cash payments to suppliers for goods or services	<u>(93,950)</u>
Net cash used by operating activities	<u>(49,027)</u>
Cash flows from non-capital financing activities:	
State grants received	3,101
Federal grants received	<u>70,629</u>
Net cash provided by non-capital financing activities	<u>73,730</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(5,831)</u>
Cash flows from investing activities:	
Interest on investments	<u>389</u>
Net increase (decrease) in cash and cash equivalents	19,261
Cash and cash equivalents at beginning of year	<u>8,926</u>
Cash and cash equivalents at end of year	<u><u>28,187</u></u>
Reconciliation of operating gain (loss) to net cash used operating activities:	
Operating gain (loss)	(85,250)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	21,370
Depreciation	11,424
Decrease (increase) in inventories	3,584
Decrease (increase) in accounts receivable	54
(Decrease) increase in deferred revenue	<u>(209)</u>
Net cash used in operating activities	<u><u>(49,027)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$21,370 of federal commodities.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2006

	Private Purpose Trust Scholarship <u> </u> \$
Assets	
Cash and pooled investments	21,396
Accrued interest receivable	<u>449</u>
Total Assets	21,845
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>21,845</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2006

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	1,207
Deductions:	
Support services:	
Scholarships awarded	<u>500</u>
Change in net assets	707
Net assets beginning of year	<u>21,138</u>
Net assets end of year	<u><u>21,845</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005, through June 30, 2006, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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, 2006, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 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, 2006, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
	\$	
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, 2006 is as follows:

	<u>Balance Beginning of Year, as Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	109,317	-	-	109,317
Construction in Progress	-	590,615	-	590,615
Total capital assets not being deprec.	<u>109,317</u>	<u>590,615</u>	<u>-</u>	<u>699,932</u>
Capital assets being depreciated:				
Buildings	6,742,752	-	-	6,742,752
Improvements other than buildings	655,664	-	-	655,664
Furniture and equipment	<u>2,273,268</u>	<u>159,928</u>	<u>-</u>	<u>2,433,196</u>
Total capital assets being deprec.	<u>9,671,684</u>	<u>159,928</u>	<u>-</u>	<u>9,831,612</u>
Less accumulated depreciation for:				
Buildings	2,444,440	138,961	-	2,583,401
Improvements other than buildings	398,085	34,301	-	432,386
Furniture and equipment	<u>1,858,740</u>	<u>92,607</u>	<u>-</u>	<u>1,951,347</u>
Total accumulated depreciation	<u>4,701,265</u>	<u>265,869</u>	<u>-</u>	<u>4,967,134</u>
Total capital assets being depreciated, net	<u>4,970,419</u>	<u>(105,941)</u>	<u>-</u>	<u>4,864,478</u>
Governmental activities capital assets, net	<u>5,079,736</u>	<u>484,674</u>	<u>-</u>	<u>5,564,410</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	133,796	5,831	-	139,627
Less accumulated depreciation	<u>66,057</u>	<u>11,424</u>	<u>-</u>	<u>77,481</u>
Business type activities capital assets, net	<u>67,739</u>	<u>(5,593)</u>	<u>-</u>	<u>62,146</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	28,740
Other	2,300
Support Services:	
Administration services	15,488
Operation and maintenance of plant services	2,064
Transportation	43,618
	<u>92,210</u>
Unallocated depreciation	<u>173,659</u>
Total depreciation expense – governmental activities	<u>265,869</u>
Business type activities:	
Food services	<u>11,124</u>

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
		\$
Debt Service Fund	Capital Projects Fund	58,991

This transfer moved revenues from the fund statutorily required to collect the resources to the Debt Service Fund.

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	6,870,000		245,000	6,625,000	260,000
Termination Benefits	121,487	25,000	31,472	115,015	35,768
Total	<u>6,991,487</u>	<u>25,000</u>	<u>276,472</u>	<u>6,740,015</u>	<u>295,768</u>

Termination Benefits

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

At June 30, 2006, the District has obligations to eight participants with a total liability of \$115,015. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$31,472.

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Bond Issue of May, 1998</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
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	443,320
2011	5.40	325,000	122,125	447,125
2012-2016	5.45-5.50	<u>1,905,000</u>	<u>325,705</u>	<u>2,230,705</u>
		<u>3,360,000</u>	<u>1,087,400</u>	<u>4,447,400</u>

Refunding Bonds

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

<u>Year Ending June 30,</u>	<u>Bond Issue of April 29, 2004</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
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	2.95	370,000	73,950	443,950
2012-2016	3.15-3.65	<u>1,850,000</u>	<u>186,008</u>	<u>2,036,008</u>
		<u>3,265,000</u>	<u>633,577</u>	<u>3,898,577</u>

- \$3,125,791 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.

6. Pension and Retirement Benefits

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

Plan members are required to contribute 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, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$134,370, \$127,939 and \$129,743 respectively, equal to the required contributions for each year.

7. Risk Management

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

8. 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 \$157,218 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

9. Construction Commitment

The District has entered into construction contracts totaling \$885,261. As of June 30, 2006 costs of \$590,615 had been incurred against the contracts. The unearned balance of \$294,646 remaining at June 30, 2006 will be paid as work on the project progresses.

10. Deficit Fund Balances

At June 30, 2006 the District had a deficit fund balance of \$111,035 in the Capital Projects, Local Option Sales Tax Fund.

11. Statement of Activities – Restatement of Beginning Net Assets

The beginning net assets for the Statement of Activities was decreased by \$326,405 for errors on the June 30, 2005 depreciation schedule.

REQUIRED SUPPLEMENTARY INFORMATION

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,802,814	114,936	2,917,750	2,654,304	2,654,304	263,446
State sources	2,031,122	3,101	2,034,223	1,989,592	1,989,592	44,631
Federal sources	165,583	91,999	257,582	220,000	220,000	37,582
Total revenues	<u>4,999,519</u>	<u>210,036</u>	<u>5,209,555</u>	<u>4,863,896</u>	<u>4,863,896</u>	<u>345,659</u>
Expenditures:						
Instruction	2,609,331	-	2,609,331	3,025,500	3,025,500	416,169
Support services	1,338,912	-	1,338,912	1,505,800	1,505,800	166,888
Non-instructional programs	-	199,797	199,797	198,000	198,000	(1,797)
Other expenditures	1,450,560	-	1,450,560	843,925	843,925	(606,635)
Total expenditures	<u>5,398,803</u>	<u>199,797</u>	<u>5,598,600</u>	<u>5,573,225</u>	<u>5,573,225</u>	<u>(25,375)</u>
Excess (deficiency) of revenues over (under) expenditures	(399,284)	10,239	(389,045)	(709,329)	(709,329)	320,284
Other financing sources (uses) net	<u>28,315</u>	<u>-</u>	<u>28,315</u>	<u>2,000</u>	<u>2,000</u>	<u>26,315</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(370,969)	10,239	(360,730)	(707,329)	(707,329)	346,599
Balance beginning of year	<u>4,965,465</u>	<u>83,064</u>	<u>5,048,529</u>	<u>1,255,761</u>	<u>1,255,761</u>	<u>3,792,768</u>
Balance end of year	<u><u>4,594,496</u></u>	<u><u>93,303</u></u>	<u><u>4,687,799</u></u>	<u><u>548,432</u></u>	<u><u>548,432</u></u>	<u><u>4,139,367</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated 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. During the year, the District did not amend the budget.

During the year ended June 30, 2006, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

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	32,442	78,690	59,675	45,116	215,923
Receivables:					
Property tax:					
Delinquent	1,203	-	1,097	-	2,300
Succeeding year	150,000	-	84,464	-	234,464
Due from other governments	-	-	58,201	31,488	89,689
Total assets	183,645	78,690	203,437	76,604	542,376
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	-	-	187,639	187,639
Deferred revenue:					
Succeeding year property tax	150,000	-	84,464	-	234,464
Other	-	-	58,201	-	58,201
Total liabilities	<u>150,000</u>	<u>-</u>	<u>142,665</u>	<u>187,639</u>	<u>480,304</u>
Fund balances:					
Unreserved reported in:					
Special revenue funds	33,645	78,690	60,772	-	173,107
Capital projects funds	-	-	-	(111,035)	(111,035)
Total fund balances	<u>33,645</u>	<u>78,690</u>	<u>60,772</u>	<u>(111,035)</u>	<u>62,072</u>
Total liabilities and fund balances	183,645	78,690	203,437	76,604	542,376

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	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	90,359	-	140,633	240,548	471,540
Other	-	222,504	1,502	12,680	236,686
Total revenues	<u>90,359</u>	<u>222,504</u>	<u>142,135</u>	<u>253,228</u>	<u>708,226</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	27,965	-	-	-	27,965
Other instruction	-	203,984	-	-	203,984
Support services:					
Administration services	5,496	-	-	-	5,496
Operation and maintenance of plant services	71,490	-	-	-	71,490
Other expenditures:					
Facilities acquisition	-	-	242,696	513,096	755,792
Total expenditures	<u>104,951</u>	<u>203,984</u>	<u>242,696</u>	<u>513,096</u>	<u>1,064,727</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,592)</u>	<u>18,520</u>	<u>(100,561)</u>	<u>(259,868)</u>	<u>(356,501)</u>
Other financing sources (uses):					
Compensation for loss of fixed assets	-	-	28,315	-	28,315
Operating transfers out	-	-	-	(58,991)	(58,991)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>28,315</u>	<u>(58,991)</u>	<u>(30,676)</u>
Net change in fund balance	(14,592)	18,520	(72,246)	(318,859)	(387,177)
Fund balances beginning of year	<u>48,237</u>	<u>60,170</u>	<u>133,018</u>	<u>207,824</u>	<u>449,249</u>
Fund balances end of year	<u><u>33,645</u></u>	<u><u>78,690</u></u>	<u><u>60,772</u></u>	<u><u>(111,035)</u></u>	<u><u>62,072</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Dramatics	2,022	2,175	1,975	-	2,222
Speech	654	384	624	-	414
Quiz bowl	250	1,046	1,920	624	-
Model UN	281	400	620	-	61
Mock trial	-	-	300	300	-
Music - vocal	1,161	430	213	400	1,778
Music - musical	417	-	16	240	641
Drill team	278	6,169	4,735	500	2,212
Band instrument rent	612	-	-	-	612
JH fund raiser	2,136	3,886	921	(645)	4,456
Fund raiser	11,710	15,867	14,142	(3,366)	10,069
Cheerleaders	3,327	2,910	2,066	100	4,271
Basketball	2,587	17,631	14,618	200	5,800
Volleyball	1,394	15,311	17,149	2,500	2,056
Football	1,800	25,366	24,205	1,750	4,711
Baseball	60	6,990	7,457	1,750	1,343
Softball	123	3,177	4,460	1,500	340
Track	1,838	12,445	16,138	4,500	2,645
Cross country	2,261	5,445	4,600	200	3,306
Golf	800	734	2,032	1,500	1,002
Wrestling	2,513	8,617	7,586	250	3,794
Freshman	(273)	-	47	320	-
Sophomores	1,760	7,134	3,902	(2,034)	2,958
Juniors	93	4,427	4,666	541	395
Seniors	123	989	1,040	(30)	42
Yearbook	105	11,694	16,712	4,913	-
Student council	5,248	13,121	12,425	(44)	5,900
Elementary classes	4,890	5,958	6,454	-	4,394
RIF	3,743	695	2,634	10	1,814
NHS	256	281	247	-	290
Pop fund	5	-	-	(5)	-
Textbooks	10	-	-	(10)	-
Activity participation fee	-	14,070	-	(14,070)	-
Concessions	4,546	30,782	25,355	(1,526)	8,447
Interest	-	1,113	-	(1,113)	-
Towel account	-	-	-	-	-
Music - JH band	1,039	1,890	3,274	345	-
Music - HS band	1,981	1,255	1,401	400	2,235
Spanish fundraiser	420	112	50	-	482
Total	60,170	222,504	203,984	-	78,690

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			
	2006	2005	2004	2003
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,170,027	2,133,755	2,150,547	2,171,054
Tuition	175,126	130,640	186,058	162,075
Other	457,661	431,884	289,587	284,554
Intermediate sources	-	499	-	-
State sources	2,031,122	2,096,409	1,990,202	1,901,850
Federal sources	165,583	172,245	163,243	140,320
Total revenues	<u>4,999,519</u>	<u>4,965,432</u>	<u>4,779,637</u>	<u>4,659,853</u>
Expenditures:				
Instruction:				
Regular instruction	1,767,699	1,829,608	1,779,566	1,748,172
Special instruction	435,810	462,686	458,896	415,802
Other instruction	405,822	418,649	431,490	419,086
Support services:				
Student services	76,115	75,837	75,967	74,792
Instructional staff services	105,292	155,357	128,314	139,367
Administration services	510,418	466,871	430,690	431,508
Operation and maintenance of plant services	374,690	347,033	331,976	308,050
Transportation services	272,397	141,171	217,848	162,243
Non-instructional programs	-	15,338	-	616
Other expenditures:				
Facilities acquisition	755,792	165,677	75,222	68,423
Long-term debt:				
Principal	245,000	230,000	215,000	200,000
Interest and other charges	292,550	306,840	218,785	230,385
AEA flowthrough	157,218	159,033	161,837	165,991
Total expenditures	<u>5,398,803</u>	<u>4,774,100</u>	<u>4,525,591</u>	<u>4,364,435</u>

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

To the Board of Education of
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, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 1, 2006. 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 06-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, 2006 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

August 1, 2006

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

06-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, 2006

Part II: Other Findings Related to Statutory Reporting:

06-II-A Certified Budget: Expenditures for the year ended June 30, 2006, exceeded the amounts 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 expenditures were allowed to exceed the budget.

District Response: We will amend our budget before expenditures exceed the budget in the future.

Conclusion: Response accepted.

06-II-B 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.

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

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

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

06-II-F Board Minutes: We noted a few manual checks which were not included in the board minutes.

Recommendation: All checks should be included in the minutes for documentation of board approval.

District Response: We will begin to document the above items.

Conclusion: Response accepted.

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

06-II-H 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.

06-II-I Certified Annual Report (CAR): The audit field work was performed prior to the time the Certified Annual Report was certified to the Iowa Department of Education.

06-II-J Deficit Balances: The Capital Projects Fund has a deficit balance at June 30, 2006.

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

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

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

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

Conclusion: Response accepted.

06-II-K Signature on Checks: We noted that some of the Nutrition Fund checks had only one signature. All District checks are to be signed by the Board President and Board Secretary. The Board may designate another individual to sign when the Board President is unavailable.

Recommendation: The District should revise its check signing procedures.

District Response: We will review our procedures and make any necessary changes to be in compliance with the Code of Iowa.

Conclusion: Response accepted.

06-II-L Allocation of Interest: We noted that interest from a pooled bank account is not being allocated to the Management Fund.

Recommendation: The District should allocate interest revenue to each fund within a pooled bank account.

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

Conclusion: Response accepted.