

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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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, 2009, 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.

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

The financial statements of Galva-Holstein Community School District Foundation have not been audited, and we were not engaged to audit the Foundation financial statements as part of our audit of the Galva-Holstein Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Foundation's financial statements and because we did not apply any auditing procedures to the Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

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, 2009, 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 February 25, 2010 on our consideration of Galva-Holstein Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 11 and 35 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 five years ended June 30, 2008, (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

February 25, 2010

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,946,073 in fiscal 2008 to \$3,966,946 in fiscal 2009, while General Fund expenditures increased from \$3,974,907 in fiscal 2008 to \$4,060,114 in fiscal 2009. The District's General Fund balance decreased from \$1,282,085 in fiscal 2008 to \$1,190,651 in fiscal 2009, a 7% decrease.
- The increase in General Fund revenues was attributable to an increase in property tax and state grant revenue in fiscal 2009. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The General Fund balance decreased because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2009.

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 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.

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 District uses internal service funds, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District current has one internal service fund used to account for the District's employee flexible benefit plan. 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, 2009 compared to June 30, 2008.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,231,027	3,941,428	32,838	23,908	4,263,865	3,965,336	8%
Capital assets	5,684,142	5,567,925	29,840	41,427	5,713,982	5,609,352	2%
Total assets	9,915,169	9,509,353	62,678	65,335	9,977,847	9,574,688	4%
Long-term liabilities	2,670,128	3,058,935	-	-	2,670,128	3,058,935	-13%
Other liabilities	2,268,555	2,102,952	2,387	2,127	2,270,942	2,105,079	8%
Total liabilities	4,938,683	5,161,887	2,387	2,127	4,941,070	5,164,014	-4%
Net Assets:							
Invested in capital assets, net of related debt	3,109,142	2,642,925	29,846	41,427	3,138,982	2,684,352	17%
Restricted	729,188	453,941	-	-	729,188	453,941	61%
Unrestricted	1,138,156	1,250,600	30,451	21,781	1,168,607	1,272,381	-8%
TOTAL NET ASSETS	4,976,486	4,347,466	60,291	63,208	5,036,777	4,410,674	14%

The District's combined total net assets increased by nearly 14%, or approximately \$626,000, 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 \$275,247 or 61% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund, increase in Management Levy Fund assets and increase in Sales Tax Capital Project assets.

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 \$103,774, or 8%.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	
Revenues							
Program Revenues:							
Charges for services	533,866	476,500	124,304	108,015	658,170	584,515	-13%
Operating grants & contributions	631,892	637,331	98,900	94,579	730,792	731,910	-
General Revenues:							
Property taxes	2,072,870	1,910,082	-	-	2,072,870	1,910,082	9%
Income Surtax	104,174	84,590	-	-	104,174	84,590	23%
Local option sales tax	278,660	277,735	-	-	278,660	277,735	-
Unrestricted state grants	1,625,396	1,681,806	-	-	1,625,396	1,681,806	-3%
Unrestricted investment earnings	39,997	73,308	390	712	40,387	74,020	-45%
Other revenue	45,916	10	-	-	45,916	10	4591%
Total Revenues	5,332,771	5,141,362	223,594	203,306	5,556,365	5,344,668	4%
Expenses:							
Instruction	2,888,580	2,775,627	-	-	2,888,580	2,775,627	4%
Support services	1,347,505	1,395,543	-	-	1,347,505	1,395,543	-3%
Non-instructional programs	-	-	226,511	218,543	226,511	218,543	4%
Other expenditures	467,666	467,627	-	-	467,666	467,627	-
Total expenses	4,703,751	4,638,797	226,511	218,543	4,930,262	4,857,340	2%
Change in net assets	629,020	502,565	(2,917)	-15,237	626,103	487,328	29%
Net assets beginning of year	4,347,466	3,844,901	63,208	78,445	4,410,674	3,923,346	12%
Net assets end of year	4,976,486	4,347,466	60,291	63,208	5,036,777	4,410,674	14%

In fiscal year 2009 property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 3.7% increase in revenues and a 1.4% increase in expenses. Property tax increased \$162,788 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$5,332,771 and expenses were \$4,703,751. The District was fortunate to have a year where revenues exceed expenditures by \$629,020. Revenues increased from 2008 by \$191,409. This increase is due to increase in charges for services (open enrollment, special education tuition, private preschool tuition and revenue from services shared) and a \$162,788 increase in property tax revenue received by the District.

Expenditures increased by \$64,954 from the previous year. The increase is shown in the area of instruction. This is due to negotiated salaries and benefits with the District's Education Association.

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 Cost of Services			Net Cost of Services		
	2009 \$	2008 \$	Change 2008-2009	2009 \$	2008 \$	Change 2008-2009
Instruction	2,888,580	2,775,627	4%	1,923,861	1,849,107	4%
Support Services	1,347,505	1,395,543	-3%	1,317,052	1,374,222	-4%
Other Expenses	467,666	467,627	-	297,080	301,637	-2%
TOTAL	4,703,751	4,638,797	1%	3,537,993	3,524,966	-

For the year ended June 30, 2009

- The cost financed by users of the District's programs was \$533,866.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$631,331.
- The net cost of governmental activities was financed with \$2,072,870 in property tax, \$104,174 in income surtax and \$278,660 in Local Option Sales Tax. Governmental activities were also financed with \$1,625,396 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$223,204 and expenses were \$226,511. 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. The District is aware that expenditures exceed the revenues but feel that the School Nutrition Fund has a substantial cash balance to absorb the additional expenditures.

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 \$1,897,166, well above last year's ending fund balances of \$1,795,764. The primary reason for the increase in combined fund balances in fiscal 2009 is due to increase in property tax revenues both in the general fund and debt service fund. The General Fund additional revenues are attributed to increase in property valuation thus resulting in more property tax received. The Debt Service Fund additional revenues is attributed to additional property tax levied by the District because of the temporary elimination of property tax relief from the Local Options Sales Tax revenues while the Performing Arts Center construction project is in progress. The District anticipates this elimination of property tax relief to be incurred for the 2009-2010 funding year and then resume tax relief through Local Option Sales Tax revenues.

Governmental Fund Highlights

- The District's General Fund balance showed a decrease of \$91,434. The decrease is a result of increases in expenditures due to instruction. This directly relates to negotiated increases to salaries and benefits for employees of the district.
- The Physical Plant and Equipment Levy (PEEL) Fund balance showed a decreased of \$87,156. The decrease is a direct result of funds expensed toward the construction of the Performing Arts Center. The District was able to recoup some of the loss from the sale of the Galva bus barn and the

compensation of the loss of fixed assets relating to the roof of the Galva bus barn. The District received \$30,004 in other financing sources bringing the decrease in fund balance to \$56,252. The reduction in fund balance is no surprise to the District as they have been securing these funds prior to fiscal 2009 solely for the purpose of expenses related to the Performing Arts Center.

- The Capital Projects Fund balance increased by \$159,859. The District had ended fiscal 2008 with a substantial fund balance increase due to the commitment of these funds toward the Performing Arts Center. Fiscal 2009 continued with this commitment and began to show expenditures related to the construction of the Performing Arts Center as the project began in April, 2009.
- The Debt Service fund balance increased by \$1,324. This increase is due solely to more revenues than expenditures.
- The Management Fund balance increased by \$107,252. This increase is due to more revenues taken in that expenses paid out. The District is considering the offering of an Early Retirement incentive for the fiscal 2010 and is generating dollars to help fund these retirements.
- **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$60,208 at June 30, 2008 to \$60,291 at June 30, 2009. The District continues to administer a quality School Nutrition Program and yet maintain a sufficient fund balance of \$26,226.

BUDGETARY HIGHLIGHTS

The District's receipts were \$237,180 less than budgeted receipts, a variance of 4%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted by \$290,957 due to a continuing effort to certify not only what we intend to spend but also our reserves for all funds that are expenses on our budget forms. The District then manages or controls expenditures through its line-item budget. As a result, the District 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 expenditure area due to the timing of disbursements related to the construction project and expenses paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$5.7 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 2% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$285,399.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$355,240 at June 30, 2009 compared to \$62,877 reported at June 30, 2008. This significant increase resulted from the start of construction for the Performing Arts Center in April, 2009. The firm of HW Design of Sioux City, Iowa was awarded the contract for construction at a base bid price of \$1,674,900.00 with Alternate Bid for Vestibule awarded at \$162,000.00. Bids regarding seating, sound system and lighting will be advertised at a later date.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2008-2009
	Activities		Activities		School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Land	174,818	174,818	-	-	174,818	174,818	-
Construction in progress	355,240	62,877	-	-	355,240	62,877	465%
Buildings	3,797,224	3,902,372	-	-	3,797,224	3,902,372	-3%
Improvements	969,557	988,622	-	-	969,557	988,622	-2%
Equipment & furniture	387,303	439,236	29,840	41,427	417,143	480,663	-13%
TOTAL	5,681,442	5,567,925	29,840	41,427	5,713,982	5,609,352	2%

Long-Term Debt

At June 30, 2009 the District had \$2,670,128 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 13% 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 2008-2009
	2009	2008	
	\$	\$	
General obligation bonds	2,575,000	2,925,000	-12%
Early retirement	78,403	113,902	-31%
Compensated absences	16,725	20,033	-17%
	<u>2,670,128</u>	<u>3,058,935</u>	<u>-13%</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 October 2009 enrollment decreased by 22.5 students. This drop in enrollment will decrease the District's funding for fiscal year 2011.
- Although the District has experienced declining enrollment for the past four years, the District projects continued declining enrollment thru 2009-2010 school year.
- Fiscal year 2009 showed a settlement of 3.5% 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 balances.

- The District has entered into the construction phase of the Performing Arts Center. The District has worked very closely with the Galva-Holstein Foundation in this fundraising effort. The project will be funded from private donations, possible Vision Iowa Grant, possible interest free Northwest REC loan and funding from the District's Capital Project Fund (One Cent Sales Tax) and the Physical Plant and Equipment Fund.
- As per Board Goals for 2008-2009 academic year the District continues to develop and seek support for maintaining a sound financial base through sharing of local resources. Galva-Holstein School District began investigating sharing of academic and athletic sources with neighboring districts. The District has met with the Boards of Education from Schaller-Crestland and River Valley School District's. The District continues talks with Schaller-Crestland and will begin the sharing of football, cross country, basketball, wrestling, track, golf, baseball and softball for the 2009-2010 school year. The District is pursuing whole-grade sharing with Schaller-Crestland for the 2010-2011 schools.

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 East Maple Street, Holstein, Iowa, 51025.

BASIC FINANCIAL STATEMENTS

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total	Component Unit Galva-Holstein Community School District Foundation
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	1,814,593	26,226	1,840,819	956,057
Receivables:				
Property tax:				
Delinquent	18,967	-	18,967	-
Succeeding year	2,187,242	-	2,187,242	-
Accounts	-	104	104	-
Due from other governments	210,225	-	210,225	-
Inventories	-	6,508	6,508	-
Capital assets, net of accumulated depreciation	5,684,142	29,840	5,713,982	-
Total assets	9,915,169	62,678	9,977,847	956,057
Liabilities				
Accounts payable	10,277	-	10,277	-
Accrued interest payable	13,922	-	13,922	-
Deferred revenue:				
Succeeding year property tax	2,187,242	-	2,187,242	-
Other	57,114	2,387	59,501	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	355,000	-	355,000	-
Termination benefits	27,550	-	27,550	-
Compensated absences	16,725	-	16,725	-
Portion due after one year:				
General obligation bonds payable	2,220,000	-	2,220,000	-
Termination benefits	50,853	-	50,853	-
Total liabilities	4,938,683	2,387	4,941,070	-
Net assets				
Invested in capital assets, net of related debt	3,109,142	29,840	3,138,982	-
Restricted for:				
Categorical funding	27,043	-	27,043	-
Management levy	211,270	-	211,270	-
Physical plant and equipment levy	113,332	-	113,332	-
Other special revenue purposes	58,338	-	58,338	-
Sales tax capital projects	319,205	-	319,205	-
Unrestricted	1,138,156	30,451	1,168,607	956,057
Total net assets	4,976,486	60,291	5,036,777	956,057

See notes to financial statements.

GALVA-HOLSTEIN COMMUNITY SCHOOLDISTRICT

Statement of Activities

Year ended June 30, 2009

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,916,835	261,355	375,977	-
Special	320,362	24,420	24,764	-
Other	651,383	217,823	60,380	-
	<u>2,888,580</u>	<u>503,598</u>	<u>461,121</u>	<u>-</u>
Support services:				
Student	84,491	-	-	-
Instructional staff	115,560	-	-	-
Administration	544,532	30,058	-	-
Operation and maintenance of plant	403,759	210	-	-
Transportation	199,163	-	185	-
	<u>1,347,505</u>	<u>30,268</u>	<u>185</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	11,548	-	-	-
Long-term debt interest	90,934	-	380	-
AEA flowthrough	170,206	-	170,206	-
Depreciation (unallocated)*	194,978	-	-	-
	<u>467,666</u>	<u>-</u>	<u>170,586</u>	<u>-</u>
Total governmental activities	4,703,751	533,866	631,892	-
Business type activities:				
Non-instructional programs:				
Food service operations	226,511	124,304	98,900	-
Total primary government	4,930,262	658,170	730,792	-
Component Unit:				
Galva-Holstein Community School District Foundation	1,576	-	480,056	-
Total	<u>4,931,838</u>	<u>658,170</u>	<u>1,210,848</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales and services tax				
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 expense of the various programs.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(1,279,503)	-	(1,279,503)	-
(271,178)	-	(271,178)	-
(373,180)	-	(373,180)	-
<u>(1,923,861)</u>	<u>-</u>	<u>(1,923,861)</u>	<u>-</u>
(84,491)	-	(84,491)	-
(115,560)	-	(115,560)	-
(514,474)	-	(514,474)	-
(403,549)	-	(403,549)	-
(198,978)	-	(198,978)	-
<u>(1,317,052)</u>	<u>-</u>	<u>(1,317,052)</u>	<u>-</u>
(11,548)	-	(11,548)	-
(90,554)	-	(90,554)	-
-	-	-	-
(194,978)	-	(194,978)	-
<u>(297,080)</u>	<u>-</u>	<u>(297,080)</u>	<u>-</u>
(3,537,993)	-	(3,537,993)	-
-	(3,307)	(3,307)	-
(3,537,993)	(3,307)	(3,541,300)	-
-	-	-	478,480
<u>(3,537,993)</u>	<u>(3,307)</u>	<u>(3,541,300)</u>	<u>478,480</u>
1,550,413	-	1,550,413	-
442,962	-	442,962	-
79,495	-	79,495	-
104,174	-	104,174	-
278,660	-	278,660	-
1,625,396	-	1,625,396	-
39,997	390	40,387	19,754
45,916	-	45,916	-
<u>4,167,013</u>	<u>390</u>	<u>4,167,403</u>	<u>19,754</u>
629,020	(2,917)	626,103	498,234
<u>4,347,466</u>	<u>63,208</u>	<u>4,410,674</u>	<u>457,823</u>
<u>4,976,486</u>	<u>60,291</u>	<u>5,036,777</u>	<u>956,057</u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Debt Service Fund	Management Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,163,277	1,207	287,832	362,277	1,814,593
Receivables:					
Property tax:					
Delinquent	12,408	3,988	1,841	730	18,967
Succeeding year	1,470,887	439,035	190,000	87,320	2,187,242
Due from other governments	72,080	-	-	138,145	210,225
Total assets	2,718,652	444,230	479,673	588,472	4,231,027
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	-	-	-	10,277	10,277
Deferred revenue:					
Succeeding year property tax	1,470,887	439,035	190,000	87,320	2,187,242
Income surtax	-	-	-	79,228	79,228
Other	57,114	-	-	-	57,114
Total liabilities	1,528,001	439,035	190,000	176,825	2,333,861
Fund balances:					
Reserved for:					
Categorical funding	27,043	-	-	-	27,043
Debt service	-	5,195	-	-	5,195
Unreserved reported in:					
General fund	1,163,608	-	-	-	1,163,608
Special revenue funds	-	-	289,673	92,442	382,115
Capital projects funds	-	-	-	319,205	319,205
Total fund balances	1,190,651	5,195	289,673	411,647	1,897,166
Total liabilities and fund balances	2,718,652	444,230	479,673	588,472	4,231,027

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Assets

June 30, 2009

	\$
Total fund balances of governmental funds (Exhibit C)	1,897,166
 <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.	5,684,142
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	79,228
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.	(13,922)
Long-term liabilities, including bonds payable, compensated absences and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,670,128)</u>
Net assets of governmental activities (Exhibit A)	<u><u>4,976,486</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Debt Service Fund	Management Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,349,947	442,962	200,466	441,136	2,434,511
Tuition	257,073	-	-	-	257,073
Other	103,335	380	9,838	217,445	330,998
State sources	2,122,945	317	-	-	2,123,262
Federal sources	133,646	-	-	-	133,646
Total revenues	<u>3,966,946</u>	<u>443,659</u>	<u>210,304</u>	<u>658,581</u>	<u>5,279,490</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,878,446	-	34,324	-	1,912,770
Special	320,362	-	-	-	320,362
Other	428,160	-	-	230,507	658,667
	<u>2,626,968</u>	<u>-</u>	<u>34,324</u>	<u>230,507</u>	<u>2,891,799</u>
Support services:					
Student	84,491	-	-	-	84,491
Instructional staff	122,442	-	-	-	122,442
Administration	546,616	-	-	42	546,658
Operation and maintenance of plant	341,618	-	68,728	-	410,346
Transportation	167,803	-	-	-	167,803
	<u>1,262,970</u>	<u>-</u>	<u>68,728</u>	<u>42</u>	<u>1,331,740</u>
Other expenditures:					
Facilities acquisition	-	-	-	374,676	374,676
Long-term debt:					
Principal	-	350,000	-	-	350,000
Interest and fiscal charges	-	92,335	-	-	92,335
AEA flowthrough	170,206	-	-	-	170,206
	<u>170,206</u>	<u>442,335</u>	<u>-</u>	<u>374,676</u>	<u>987,217</u>
Total expenditures	<u>4,060,144</u>	<u>442,335</u>	<u>103,052</u>	<u>605,225</u>	<u>5,210,756</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(93,198)</u>	<u>1,324</u>	<u>107,252</u>	<u>53,356</u>	<u>68,734</u>
Other financing sources (uses):					
Compensation for loss of fixed assets	1,764	-	-	26,497	28,261
Sales of equipment and real property	-	-	-	4,407	4,407
Total other financing sources (uses)	<u>1,764</u>	<u>-</u>	<u>-</u>	<u>30,904</u>	<u>32,668</u>
Net change in fund balances	<u>(91,434)</u>	<u>1,324</u>	<u>107,252</u>	<u>84,260</u>	<u>101,402</u>
Fund balances beginning of year	<u>1,282,085</u>	<u>3,871</u>	<u>182,421</u>	<u>327,387</u>	<u>1,795,764</u>
Fund balances end of year	<u>1,190,651</u>	<u>5,195</u>	<u>289,673</u>	<u>411,647</u>	<u>1,897,166</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, 2009

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		101,402
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense and loss on disposal assets in the current year, as follows:		
Loss on disposal assets	(580)	
Expenditures for capital assets	390,609	
Depreciation expense	<u>(273,812)</u>	116,217
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.		21,193
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.		350,000
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.		1,401
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:		
Termination benefits	35,499	
Compensated absences	<u>3,308</u>	<u>38,807</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>629,020</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	26,226
Accounts receivable	104
Inventories	6,508
Capital assets, net of accumulated depreciation	<u>29,840</u>
Total assets	<u>62,678</u>
Liabilities	
Deferred revenue	<u>2,387</u>
Net assets	
Invested in capital assets	29,840
Unrestricted	<u>30,451</u>
Total net assets	<u><u>60,291</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>124,304</u>
Operating expenses:	
Non-instructional programs:	
Salaries	68,086
Benefits	15,010
Supplies	131,201
Depreciation	11,587
Other	627
Total operating expenses	<u>226,511</u>
Operating gain (loss)	<u>(102,207)</u>
Non-operating revenues:	
State sources	2,817
Federal sources	96,083
Interest income	390
Total non-operating revenues	<u>99,290</u>
Change in net assets	(2,917)
Net assets beginning of year	<u>63,208</u>
Net assets end of year	<u><u>60,291</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	124,833
Cash payments to employees for services	(83,096)
Cash payments to suppliers for goods or services	(113,507)
Net cash used by operating activities	<u>(71,770)</u>
Cash flows from non-capital financing activities:	
State grants received	2,818
Federal grants received	77,191
Net cash provided by non-capital financing activities	<u>80,009</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>390</u>
Net increase (decrease) in cash and cash equivalents	8,629
Cash and cash equivalents at beginning of year	<u>17,597</u>
Cash and cash equivalents at end of year	<u><u>26,226</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(102,207)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	18,892
Depreciation	11,587
Decrease (increase) in inventories	(572)
Decrease (increase) in accounts receivable	270
(Decrease) increase in deferred revenue	<u>260</u>
Net cash used by operating activities	<u><u>(71,770)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$18,892 of federal commodities.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	24,593
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>24,593</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trust Scholarship <u> </u> \$
Additions	-
Deductions:	
Support services:	
Scholarships awarded	<u>1,804</u>
Change in net assets	(1,804)
Net assets beginning of year	<u>26,397</u>
Net assets end of year	<u><u>24,593</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

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 Foundation is included in the financial statements as a discretely presented component unit, because of the nature and significance of its relationship with the Galva-Holstein Community School District.

The Galva-Holstein Community School District Foundation was established to maintain, develop, increase and extend the facilities and services of the Galva-Holstein Community School District, and to provide broader educational service opportunities to its students, staff, faculty and the residents of the geographical area which it serves. The Foundation has a December 31 year-end.

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, 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 not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

The Management Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

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 the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the

current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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 hours for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for vacation time used before year-end. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or 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 are 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, 2009, expenditures in the other expenditures function exceeded the amount budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 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.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	56,671

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

3. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	174,818	-	-	174,818
Construction in Progress	62,877	292,363	-	355,240
Total capital assets not being deprec.	<u>237,695</u>	<u>292,363</u>	<u>-</u>	<u>530,058</u>
Capital assets being depreciated:				
Buildings	6,763,695	37,350	35,278	6,765,767
Improvements other than buildings	1,521,537	33,415	-	1,554,952
Furniture and equipment	2,646,498	27,481	11,450	2,662,529
Total capital assets being deprec.	<u>10,931,730</u>	<u>98,246</u>	<u>46,728</u>	<u>10,983,248</u>
Less accumulated depreciation for:				
Buildings	2,861,323	142,498	35,278	2,968,543
Improvements other than buildings	532,915	52,480	-	585,395
Furniture and equipment	2,207,262	78,834	10,870	2,275,226
Total accumulated depreciation	<u>5,601,500</u>	<u>273,812</u>	<u>46,148</u>	<u>5,829,164</u>
Total capital assets being depreciated, net	<u>5,330,230</u>	<u>(175,566)</u>	<u>580</u>	<u>5,154,084</u>
Governmental activities capital assets, net	<u>5,567,925</u>	<u>116,797</u>	<u>580</u>	<u>5,684,142</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	142,130	-	-	142,130
Less accumulated depreciation	100,703	11,587	-	112,290
Business type activities capital assets, net	41,427	(11,587)	-	29,840

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	39,564
Other	1,315
Support services:	
Administration services	1,182
Operation and maintenance of plant services	5,413
Transportation	31,360
	78,834
Unallocated depreciation	194,978
Total depreciation expense – governmental activities	273,812
Business type activities:	
Food services	11,587

4. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	2,925,000	-	350,000	2,575,000	355,000
Termination benefits	113,902	-	35,499	78,403	27,550
Compensated absences	20,033	16,725	20,033	16,725	16,725
Total	3,058,935	16,725	405,532	2,670,128	399,275

Termination Benefits

The District offered a voluntary early retirement plan to its employees in previous years. 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, 2009, the District has obligations to seven participants with a total liability of \$78,403. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$35,499.

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 29, 2004			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	2.70	355,000	83,534	438,534
2011	2.95	370,000	73,950	443,950
2012	3.15	380,000	63,035	443,035
2013	3.30	390,000	51,065	441,065
2014	3.45	405,000	38,195	443,195
2015-2016	3.55-3.65	675,000	33,713	708,713
		<u>2,575,000</u>	<u>343,492</u>	<u>2,918,492</u>

6. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$171,334, \$154,222 and \$139,300 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 \$170,206 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

9. Construction Commitments

The District has contract commitments totaling \$2,009,500 for the design and construction of an auditorium. As of June 30, 2009 costs of \$300,904 had been incurred against the contracts. The balances remaining at June 30, 2009 will be paid as work on the project progresses. The Galva-Holstein Community School District Foundation has pledged to finance the remaining construction costs.

10. Lease Commitment

The District entered into a five year contract to lease copiers. The payments the District will make over the next four years are as follows:

<u>Year Ended June 30</u>	<u>Lease Payment</u>
	\$
2010	14,280
2011	14,280
2012	14,280
2013	1,190

REQUIRED SUPPLEMENTARY INFORMATION

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,022,582	124,694	3,147,276	3,287,442	3,287,442	(140,166)
State sources	2,123,262	2,817	2,126,079	2,194,822	2,194,822	(68,743)
Federal sources	133,646	96,083	229,729	258,000	258,000	(28,271)
Total revenues	<u>5,279,490</u>	<u>223,594</u>	<u>5,503,084</u>	<u>5,740,264</u>	<u>5,740,264</u>	<u>(237,180)</u>
Expenditures/Expenses:						
Instruction	2,891,799	-	2,891,799	2,965,000	2,965,000	73,201
Support services	1,331,740	-	1,331,740	1,600,000	1,600,000	268,260
Non-instructional programs	-	226,511	226,511	283,000	283,000	56,489
Other expenditures	987,217	-	987,217	880,224	880,224	(106,993)
Total expenditures/expenses	<u>5,210,756</u>	<u>226,511</u>	<u>5,437,267</u>	<u>5,728,224</u>	<u>5,728,224</u>	<u>290,957</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	68,734	(2,917)	65,817	12,040	12,040	53,777
Other financing sources (uses) net	<u>32,668</u>	<u>-</u>	<u>32,668</u>	<u>-</u>	<u>-</u>	<u>32,668</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	101,402	(2,917)	98,485	12,040	12,040	86,445
Balance beginning of year	<u>1,795,764</u>	<u>63,208</u>	<u>1,858,972</u>	<u>1,874,476</u>	<u>1,874,476</u>	<u>(15,504)</u>
Balance end of year	<u><u>1,897,166</u></u>	<u><u>60,291</u></u>	<u><u>1,957,457</u></u>	<u><u>1,886,516</u></u>	<u><u>1,886,516</u></u>	<u><u>70,941</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

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

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

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

During the year ended June 30, 2009, expenditures 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, 2009

Assets	Special Revenue Funds			Total
	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects Fund	
	\$	\$	\$	\$
Cash and pooled investments	58,338	33,374	270,565	362,277
Receivables:				
Property tax:				
Delinquent	-	730	-	730
Succeeding year	-	87,320	-	87,320
Due from other governments	-	79,228	58,917	138,145
Total assets	58,338	200,652	329,482	588,472
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	-	10,277	10,277
Deferred revenue:				
Succeeding year property tax	-	87,320	-	87,320
Income surtax	-	79,228	-	79,228
Total liabilities	-	166,548	10,277	176,825
Fund balances:				
Unreserved reported in:				
Special revenue funds	58,338	34,104	-	92,442
Capital projects funds	-	-	319,205	319,205
Total fund balances	58,338	34,104	319,205	411,647
Total liabilities and fund balances	58,338	200,652	329,482	588,472

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Special Revenue Funds			Total
	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects Fund	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	162,476	278,660	441,136
Other	211,202	171	6,072	217,445
Total revenues	<u>211,202</u>	<u>162,647</u>	<u>284,732</u>	<u>658,581</u>
Expenditures:				
Current:				
Instruction:				
Other	230,507	-	-	230,507
Support services:				
Administration	42	-	-	42
Other expenditures:				
Facilities acquisition	-	249,803	124,873	374,676
Total expenditures	<u>230,549</u>	<u>249,803</u>	<u>124,873</u>	<u>605,225</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,347)</u>	<u>(87,156)</u>	<u>159,859</u>	<u>53,356</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	-	26,497	-	26,497
Sales of equipment and real property	-	4,407	-	4,407
Total other financing sources (uses)	<u>-</u>	<u>30,904</u>	<u>-</u>	<u>30,904</u>
Net change in fund balance	(19,347)	(56,252)	159,859	84,260
Fund balances beginning of year	<u>77,685</u>	<u>90,356</u>	<u>159,346</u>	<u>327,387</u>
Fund balances end of year	<u><u>58,338</u></u>	<u><u>34,104</u></u>	<u><u>319,205</u></u>	<u><u>411,647</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Dramatics	3,668	1,343	1,501	250	3,760
Speech	913	1,727	4,026	1,635	249
Quiz bowl	483	1,589	2,517	1,138	693
Model UN	539	120	570	652	741
Music - vocal	1,407	957	929	250	1,685
Drill team	975	4,729	7,010	1,706	400
Band instrument rent	1,211	-	42	-	1,169
Fund raiser	15,234	20,192	27,280	(5,861)	2,285
Cheerleaders	4,256	3,955	3,757	-	4,454
Basketball	1,216	12,800	14,917	1,902	1,001
Volleyball	1,185	9,529	13,528	3,000	186
Girls basketball camp	1,280	3,695	3,620	95	1,450
Football	2,503	14,872	20,747	4,372	1,000
Baseball	1,724	10,317	9,720	500	2,821
Softball	1,996	5,931	12,591	6,318	1,654
Track	4,603	12,750	15,220	500	2,633
Cross country	1,529	7,248	7,638	-	1,139
Golf	501	330	663	1,000	1,168
Wrestling	2,173	6,459	6,465	228	2,395
Freshman	-	-	236	236	-
Sophomores	2,193	3,826	1,967	(2,193)	1,859
Juniors	1,273	4,678	5,234	2,642	3,359
Seniors	85	896	1,646	1,757	1,092
Yearbook	952	11,036	12,067	228	149
Student council	7,421	8,977	9,141	-	7,257
Elementary classes	2,115	5,270	6,114	-	1,271
RIF	2,202	3,214	1,136	-	4,280
NHS	193	-	325	232	100
Activity participation fee	(1)	13,377	(1)	(13,377)	-
Student fundraiser	13,936	36,056	34,409	(8,662)	6,921
Undistributed interest	(1,361)	1,335	-	26	-
Music - JH band	139	2,148	2,971	784	100
Music - HS band	560	1,846	2,563	642	485
Spanish fundraiser	582	-	-	-	582
Total	77,685	211,202	230,549	-	58,338

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	2,434,511	2,265,873	2,283,899	2,170,027	2,133,755	2,150,547
Tuition	257,073	218,413	144,288	175,126	130,640	186,058
Other	330,998	331,396	453,142	457,661	431,884	289,587
Intermediate sources	-	-	-	-	499	-
State sources	2,123,262	2,117,741	2,053,387	2,031,122	2,096,409	1,990,202
Federal sources	133,646	202,715	185,249	165,583	172,245	163,243
Total revenues	<u>5,279,490</u>	<u>5,136,138</u>	<u>5,119,965</u>	<u>4,999,519</u>	<u>4,965,432</u>	<u>4,779,637</u>
Expenditures:						
Instruction:						
Regular	1,912,770	1,874,020	1,804,737	1,767,699	1,829,608	1,779,566
Special	320,362	499,964	373,395	435,810	462,686	458,896
Other	658,667	420,560	522,296	405,822	418,649	431,490
Support services:						
Student	84,491	82,599	82,318	76,115	75,837	75,967
Instructional staff	122,442	126,266	116,769	105,292	155,357	128,314
Administration	546,658	536,469	518,908	510,418	466,871	430,690
Operation and maintenance	410,346	407,347	403,686	374,690	347,033	331,976
Transportation	167,803	174,764	230,846	272,397	141,171	217,848
Non-instructional programs	-	-	-	-	15,338	-
Other expenditures:						
Facilities acquisition	374,676	94,455	385,445	755,792	165,677	75,222
Long-term debt:						
Principal	350,000	340,000	3,360,000	245,000	230,000	215,000
Interest and other charges	92,335	99,875	280,376	292,550	306,840	218,785
AEA flowthrough	170,206	165,990	162,330	157,218	159,033	161,837
Total expenditures	<u>5,210,756</u>	<u>4,822,309</u>	<u>8,241,106</u>	<u>5,398,803</u>	<u>4,774,100</u>	<u>4,525,591</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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 25, 2010. We did not issue an opinion on the Galva-Holstein Community School District Foundation, which is included as a discretely presented component unit, because we were not engaged to and did not audit the Foundation. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Galva-Holstein Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Galva-Holstein Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Galva-Holstein Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Galva-Holstein Community School District's financial statements that is more than inconsequential will not be prevented or detected by Galva-Holstein Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Galva-Holstein Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 09-I-A and 09-I-B are material weaknesses.

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 and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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

February 25, 2010

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

09-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, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009, exceeded the amount budgeted in the other expenditures function.

Recommendation: The certified 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: Year end construction expenditures were more than anticipated. Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

09-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.

09-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.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Stephanie Egger, board member	Substitute teacher	945

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

09-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.

09-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board. We did note one months board minutes were not signed.

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

09-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.

09-II-I Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.

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

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

09-II-K Statewide Sales and Services Tax: The District has a revenue purpose statement, which dictates how the sales tax revenues from Ida County may be spent. This covers approximately 94% of the District's sales tax proceeds. The District does not have revenue purpose statements for the other three counties from which it receives sales tax. It appears that the sales tax proceeds from these three counties should be spent in the order specified by the Code of Iowa. The first item is property tax reduction for debt service. Fiscal year 2009 was the first year that the District did not use a portion of the sales tax revenues for debt service property tax reduction.

Recommendation: The District should contact it's attorney for legal guidance on how it's sales tax revenues may be spent.

Response: We will contact our attorney.

Conclusion: Response accepted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

	\$	
Beginning balance		-
Statewide sales and services tax revenue		278,660
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements		124,872
Ending balance		153,788

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

09-II-L Sale of Equipment: We noted that the \$2,756 from the sale of equipment was deposited in the Physical Plant and Equipment Levy (PPEL) fund.

Recommendation: The proceeds from equipment sales should be deposited in the General Fund.

District Response: We will correct this error and record equipment proceeds in the General Fund.

Conclusion: Response accepted.