

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

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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, 2011, which collectively comprise the District's basic financial statements 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's 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, 2011, 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 27, 2012 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, Budgetary Comparison Information and the Schedule of Funding Progress for the retiree Health Plan on pages 4 through 11 and 40 through 42 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 seven years ended June 30, 2010, (which are not presented herein). For 2010 and 2009 we did not express an opinion on the discretely presented component unit and expressed unqualified opinions on the governmental activities, business type activities, each major fund and the aggregate remaining fund information. We expressed unqualified opinions on the 2004 to 2008 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 27, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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 and Agency Funds.

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

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2010-2011 %
	Governmental Activities		Business-type Activities		Total School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,274,604	4,793,939	16,600	39,134	4,291,204	4,833,073	-11
Capital assets	7,780,522	6,993,023	22,107	18,421	7,802,629	7,011,444	11
<b>Total assets</b>	<b>12,055,126</b>	<b>11,786,962</b>	<b>38,707</b>	<b>57,555</b>	<b>12,093,833</b>	<b>11,844,517</b>	<b>2</b>
Long-term liabilities	2,253,259	2,768,949	516	257	2,253,775	2,769,206	-19
Other liabilities	2,571,640	2,649,076	4,431	3,201	2,576,071	2,652,277	-3
<b>Total liabilities</b>	<b>4,824,899</b>	<b>5,418,025</b>	<b>4,947</b>	<b>3,458</b>	<b>4,829,846</b>	<b>5,421,483</b>	<b>-11</b>
Net Assets:							
Invested in capital assets, net of related debt	5,645,522	4,473,023	22,107	18,421	5,667,629	4,491,444	26
Restricted	1,044,259	1,103,062			1,044,259	1,103,062	-5
Unrestricted	540,446	792,852	11,653	35,676	552,099	828,528	-33
<b>TOTAL NET ASSETS</b>	<b>7,230,227</b>	<b>6,368,937</b>	<b>33,760</b>	<b>54,097</b>	<b>7,263,987</b>	<b>6,423,034</b>	<b>13</b>

The District's combined total net assets increased by nearly 13%, or approximately \$841,000, 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 decreased approximately \$57,803 or 5% over the prior year. This reduction in restricted net assets was a result of increased expenditures in the Physical Plant and Equipment Levy and School Infrastructure (SAVE) funds.

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 \$276,429, or 33%. The decrease was due primarily to increased expenditures beyond the norm due to the start up cost relating to a new whole grade sharing agreement with the Schaller-Crestland School District.

The reduction in other liabilities is the result of the District spending previous years deferred revenues, primarily AARA funds, due to federal regulations which state these funds were to be expended by September 30, 2011 or remaining funds returned to federal government.

Figure A-4 shows the change in net assets for the years ended June 30, 2011 and 2010.

Figure A-4

	Change in Net Assets						Percentage Change 2010-2011 %
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	1,159,229	580,001	113,173	118,817	1,272,402	698,818	82
Operating grants & contributions	932,040	816,663	101,778	103,549	1,033,818	920,212	12
Capital grants & contributions	551,591	1,069,244			551,591	1,069,244	-48
General Revenues:							
Property taxes	2,155,803	2,203,544			2,155,803	2,203,544	-2
Income surtax	103,956	90,589			103,956	90,589	15
Sales tax	226,935	331,865			226,935	331,865	-32
Unrestricted state grants	1,340,630	1,169,291			1,340,630	1,169,291	15
Unrestricted investment earnings	1,903	4,939	53	113	1,956	5,052	-61
Other revenue	29,301	31,494			29,301	31,494	-7
<b>Total Revenues</b>	<b>6,501,388</b>	<b>6,297,630</b>	<b>215,004</b>	<b>222,479</b>	<b>6,716,392</b>	<b>6,520,109</b>	<b>3</b>
Expenses:							
Instruction	3,574,406	3,082,436			3,574,406	3,082,436	16
Support services	1,451,147	1,375,026			1,451,147	1,375,026	6
Non-instructional programs	1,034	1,068	235,341	228,673	236,375	229,741	3
Other expenditures	613,511	446,649			613,511	446,649	37
<b>Total expenses</b>	<b>5,640,098</b>	<b>4,905,179</b>	<b>235,341</b>	<b>228,673</b>	<b>5,875,439</b>	<b>5,133,852</b>	<b>14</b>
<b>CHANGE IN NET ASSETS</b>	<b>861,290</b>	<b>1,392,451</b>	<b>-20,337</b>	<b>-6,194</b>	<b>840,953</b>	<b>1,386,257</b>	<b>-39</b>
Net assets beginning of year	<b>6,368,937</b>	<b>4,976,486</b>	<b>54,097</b>	<b>60,291</b>	<b>6,423,034</b>	<b>5,036,777</b>	<b>28</b>
Net assets end of year	<b>7,230,227</b>	<b>6,368,937</b>	<b>33,760</b>	<b>54,097</b>	<b>7,263,987</b>	<b>6,423,034</b>	<b>13</b>

In fiscal year 2011 property tax and unrestricted state grants account for 52% 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% increase in revenues and a 14% increase in expenses. Charges for services increased \$573,584 due to implementation of whole grade sharing and unrestricted state grants increased by \$171,339 to fund increases in expenses. The increases in expenses related to additional startup costs for implementing whole grade sharing, transportation costs for our middle school students not educated in our district due to whole grade sharing and increases in negotiated salaries and benefits.

### Governmental Activities

Revenues for governmental activities were \$6,501,388 and expenses were \$5,640,098.

### Business Type Activities

Revenues for business type activities were \$215,004 and expenses were \$235,341 representing a loss of \$20,337. 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.

As previously stated the District entered into a whole grade sharing agreement with uncertainty about the effects upon the School Nutrition Fund. It became evident that the District will need to increase lunch prices in the future to keep pace with several issues: increase cost of food products, difference of quantity of food consumed by high school versus middle school students and increases due to negotiated salaries and benefits.

## **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 \$1,626,455, a decrease of \$447,834, from last years \$2,074,289. There are two primary areas affecting the decrease in combined fund balances of fiscal 2011; one area is the General Fund with a decrease in fund balance of \$194,122, due primarily to increases in salaries and benefits and transportation costs and area two would be Capital Projects fund (SAVE and PPEL) which shows a decrease of \$318,273 as a result of several site improvement projects that were completed within the 2011 fiscal year.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$893,918 to \$699,796. The District's reduction in General Fund balance is a result of many factors. Increase in revenues was seen in the primarily two areas: tuition due to whole grade sharing billings and state sources involving increased state aid and the beginning of a new funding stream for Preschool. However, the increase in revenues was not enough to offset the District's increase in General Fund expenditures of \$655,693. Areas representing increases were: instruction, which would represent the whole grade sharing billing for our students being educated outside of our district, increases due to the initial year of whole grade sharing, and increases due to negotiated salaries and benefits and support services, which would include increase due to negotiated salaries and benefits and additional transportation cost due to high fuel prices beyond the district control and cost related to the transportation of whole grade students to their point of education.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting.
  - The Physical Plant and Equipment Levy (PPEL) account balance decreased by \$103,361 in fiscal 2011. While revenues remained approximately the same, the District substantially increased spending due to site projects that were completed in the fiscal year 2011.
  - The Sales Tax (SAVE) account balance decreased by \$214,912 in fiscal year 2011. Revenues showed a decrease of \$622,529, but were expected as donations toward Performing Arts Center came to a close upon its completion. Expenditures showed a decreased of \$676,313 from prior year but this would be expected as expenses related to the Performing Arts Center came to and end. Even with the reduction of revenues and expenditures the Capital Projects Fund still saw expenditures exceed revenues by \$54,912 due to cost related to site improvements for fiscal year 2011. The District ended fiscal 2011 with a fund balance of \$295,597.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$54,097 on June 30, 2010 to \$33,760 at June 30, 2011, representing a decrease of approximately 37%. For fiscal 2011, the District Nutrition Fund experienced many changes as a result of a new whole grade sharing agreement. Our middle school students were educated in another district and our District educated additional high school students. As the year progressed we began to see the difference in consumption of food due to the age of the students being served. Consequently, this

resulted in higher food costs versus the amount of revenue in sales of service. The District was able to restructure its labor force to accommodate the change at no additional cost other than negotiated costs related to salaries and benefits.

**BUDGETARY HIGHLIGHTS**

The District’s receipts were \$184,834 less than budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving less in local sources than originally anticipated. Total expenditures were less than the total budgeted by \$521,748.

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 instruction area. This overage was due to anticipated cost related to the new whole grade sharing program and negotiated salaries and benefits.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2011, the District had invested \$7.8 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 11% from last year. More detailed information about the District’s capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$338,776.

The largest change in capital asset activity during the year occurred in the building category. The District’s buildings totaled \$6,688,019 at June 30, 2011 compared to \$3,656,162 reported at June 30, 2010. This significant increase resulted from the completion of the Performing Arts Center.

*Figure A-6*

*Capital Assets (net of depreciation)*

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2010	2011	2010	2011	2010	2011	2010-2011
	\$	\$	\$	\$	\$	\$	%
Land	174,818	254,818			174,818	254,818	45
Construction in progress	1,840,312	-			1,840,312	-	-100
Buildings	3,656,162	6,688,019			3,656,162	6,688,019	83
Improvements	933,059	338,858			933,059	338,858	-63
Equipment & furniture	388,672	498,827	18,421	22,107	407,093	520,934	28
<b>TOTAL</b>	<b>6,993,023</b>	<b>7,780,522</b>	<b>29,840</b>	<b>22,107</b>	<b>7,011,444</b>	<b>7,802,629</b>	<b>11</b>

**Long-Term Debt**

At June 30, 2011 the District had \$2,253,775 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 19% from last year. (See Figure A-7) Additional information about the District’s long-term debt is presented in Note 6 to the financial statements.

The District had total outstanding bonded indebtedness at June 30, 2011 of \$1,850,000.

The District bonds are not rated.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$10 million.

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

	<b>Total School District</b>		<b>Percentage</b>
	<b>2010</b>	<b>2011</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>2010-2011</b>
			<b>%</b>
General obligation bonds	2,220,000	1,850,000	-16
Capital loan notes	300,000	285,000	-5
Early retirement	223,637	83,290	-62
Compensated absences	12,983	10,217	-21
Net OPEB liability	12,586	25,268	101
	<u>2,769,206</u>	<u>2,253,775</u>	<u>-19*</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:

- The outlook for our District, in reference to rising property valuations, will result in a 4% increase for the 2011-2012 school year.
- School financing is highly dependent upon student enrollment. The District's October 2011 enrollment decreased by twelve students. The loss in revenue due to the drop in enrollment will be offset by the 2% allowable growth that was assigned by the State legislature for the 2012-2013 school year and increase in land valuations.
- The District will enter into a two year negotiated settlement with teachers in year 2012 representing a 4.46% package and year 2013 representing a 3.8% package.
- The District continues to be proactive regarding projects to maintain our buildings and grounds. The District continues to be aggressive with technology needs by equipping classrooms with promethean boards, establishing a new high school computer lab and updating computers within the district. We will be purchasing additional computer software to target core curriculum goals for our district.
- The District will be purchasing two new busses in 2012 fiscal year with one to be paid out of PPEL funds and the second to be paid out of the general fund.
- The District will explore the benefits of refinancing of government bonds currently being held.
- The Board of Education will be asking our patrons to vote on two very important funding sources – the first will be to renew our Physical Plant and Equipment Levy and the second will be to approve wording in reference to a system wide Revenue Purpose Statement encompassing allowable expenditures for our SAVE (previously know as One Cent Sales Tax) revenues.

- The District will begin the second year (2011-2012) of a whole grade sharing agreement involving grades 5-12 with the Schaller-Crestland School District. We will also continue the sharing of their superintendent. The District will see savings in salary and benefits from shared positions and state incentives (dollars) for the sharing of students and administrative services.

- **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, IA 51025.

## BASIC FINANCIAL STATEMENTS

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total	Component Unit Galva- Holstein Community School District Foundation
	\$	\$	\$	\$
<b>Assets</b>				
Cash and cash equivalents	1,612,752	6,491	1,619,243	607,339
Receivables:				
Property tax:				
Delinquent	18,470	-	18,470	-
Succeeding year	2,274,850	-	2,274,850	-
Accounts	995	284	1,279	-
Due from other governments	367,537	-	367,537	-
Inventories	-	9,825	9,825	-
Capital assets, net of accumulated depreciation	7,780,522	22,107	7,802,629	-
<b>Total assets</b>	<b>12,055,126</b>	<b>38,707</b>	<b>12,093,833</b>	<b>607,339</b>
<b>Liabilities</b>				
Accounts payable	184,449	692	185,141	-
Accrued interest payable	10,506	-	10,506	-
Deferred revenue:				
Succeeding year property tax	2,274,850	-	2,274,850	-
Other	101,835	3,739	105,574	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	380,000	-	380,000	-
Notes payable	60,000	-	60,000	-
Termination benefits	53,290	-	53,290	-
Compensated absences	10,217	-	10,217	-
Portion due after one year:				
General obligation bonds payable	1,470,000	-	1,470,000	-
Notes payable	225,000	-	225,000	-
Termination benefits	30,000	-	30,000	-
Net OPEB liability	24,752	516	25,268	-
<b>Total liabilities</b>	<b>4,824,899</b>	<b>4,947</b>	<b>4,829,846</b>	<b>-</b>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total	Component Unit Galva- Holstein Community School District Foundation
	\$	\$	\$	\$
<b>Net assets</b>				
Invested in capital assets, net of related debt	5,645,522	22,107	5,667,629	-
Restricted for:				
Categorical funding	124,381	-	124,381	-
Management levy	340,036	-	340,036	-
Physical plant and equipment levy	186,334	-	186,334	-
Student activities	57,918	-	57,918	-
School infrastructure	295,597	-	295,597	-
Debt service	39,993	-	39,993	-
Unrestricted	540,446	11,653	552,099	607,339
<b>Total net assets</b>	<u>7,230,227</u>	<u>33,760</u>	<u>7,263,987</u>	<u>607,339</u>

GALVA-HOLSTEIN COMMUNITY SCHOOLDISTRICT

Statement of Activities

Year ended June 30, 2011

<b>Functions/Programs</b>	<u>Program Revenues</u>			
	<u>Expenses</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	2,413,942	741,028	629,197	-
Special	463,800	147,277	53,218	-
Other	696,664	269,138	66,962	-
	<u>3,574,406</u>	<u>1,157,443</u>	<u>749,377</u>	<u>-</u>
Support services:				
Student	118,794	-	-	-
Instructional staff	105,391	-	-	-
Administration	517,518	-	-	-
Operation and maintenance of plant	412,711	1,786	-	-
Transportation	296,733	-	469	-
	<u>1,451,147</u>	<u>1,786</u>	<u>469</u>	<u>-</u>
Non-instructional programs	<u>1,034</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	106,087	-	-	551,591
Long-term debt interest	72,581	-	232	-
AEA flowthrough	181,962	-	181,962	-
Depreciation (unallocated)*	252,881	-	-	-
	<u>613,511</u>	<u>-</u>	<u>182,194</u>	<u>551,591</u>
Total governmental activities	5,640,098	1,159,229	932,040	551,591
Business type activities:				
Non-instructional programs:				
Food service operations	235,341	113,173	101,778	-
Total primary government	5,875,439	1,272,402	1,033,818	551,591
Component Unit:				
Galva-Holstein Community School District	1,174,585	80,132	123,308	-
Total	<u>7,050,024</u>	<u>1,352,534</u>	<u>1,157,126</u>	<u>551,591</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use 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
\$	\$	\$	\$
(1,043,717)	-	(1,043,717)	-
(263,305)	-	(263,305)	-
(360,564)	-	(360,564)	-
<u>(1,667,586)</u>	<u>-</u>	<u>(1,667,586)</u>	<u>-</u>
(118,794)	-	(118,794)	-
(105,391)	-	(105,391)	-
(517,518)	-	(517,518)	-
(410,925)	-	(410,925)	-
(296,264)	-	(296,264)	-
<u>(1,448,892)</u>	<u>-</u>	<u>(1,448,892)</u>	<u>-</u>
(1,034)	-	(1,034)	-
445,504	-	445,504	-
(72,349)	-	(72,349)	-
-	-	-	-
(252,881)	-	(252,881)	-
<u>120,274</u>	<u>-</u>	<u>120,274</u>	<u>-</u>
(2,997,238)	-	(2,997,238)	-
-	(20,390)	(20,390)	-
(2,997,238)	(20,390)	(3,017,628)	-
-	-	-	(971,145)
<u>(2,997,238)</u>	<u>(20,390)</u>	<u>(3,017,628)</u>	<u>(971,145)</u>
1,733,813	-	1,733,813	-
341,475	-	341,475	-
80,515	-	80,515	-
103,956	-	103,956	-
226,935	-	226,935	-
1,340,630	-	1,340,630	-
1,903	53	1,956	14,758
29,301	-	29,301	-
<u>3,858,528</u>	<u>53</u>	<u>3,858,581</u>	<u>14,758</u>
861,290	(20,337)	840,953	(956,387)
<u>6,368,937</u>	<u>54,097</u>	<u>6,423,034</u>	<u>1,563,726</u>
<u><u>7,230,227</u></u>	<u><u>33,760</u></u>	<u><u>7,263,987</u></u>	<u><u>607,339</u></u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2011

	General Fund	Capital Projects	Debt Service	Management Levy	Nonmajor Student Activity	Total
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Cash and pooled investments	745,349	348,967	47,601	421,197	49,638	1,612,752
Receivables:						
Property tax:						
Delinquent	12,760	683	2,898	2,129	-	18,470
Succeeding year	1,695,246	86,069	343,535	150,000	-	2,274,850
Accounts receivable	995	-	-	-	-	995
Interfund receivable	-	2,587	-	-	-	2,587
Due from other governments	203,348	146,078	-	-	18,111	367,537
<b>Total assets</b>	<b>2,657,698</b>	<b>584,384</b>	<b>394,034</b>	<b>573,326</b>	<b>67,749</b>	<b>4,277,191</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	158,234	16,384	-	-	9,831	184,449
Interfund payable	2,587	-	-	-	-	2,587
Deferred revenue:						
Succeeding year property tax	1,695,246	86,069	343,535	150,000	-	2,274,850
Income surtax	-	87,015	-	-	-	87,015
Other	101,835	-	-	-	-	101,835
Total liabilities	1,957,902	189,468	343,535	150,000	9,831	2,650,736
Fund balances:						
Restricted for:						
Categorical funding	124,381	-	-	-	-	124,381
Debt service	-	-	50,499	-	-	50,499
Management levy	-	-	-	423,326	-	423,326
Student activities	-	-	-	-	57,918	57,918
School infrastructure	-	295,597	-	-	-	295,597
Physical plant and equipment	-	99,319	-	-	-	99,319
Unassigned	575,415	-	-	-	-	575,415
Total fund balances	699,796	394,916	50,499	423,326	57,918	1,626,455
<b>Total liabilities and fund balances</b>	<b>2,657,698</b>	<b>584,384</b>	<b>394,034</b>	<b>573,326</b>	<b>67,749</b>	<b>4,277,191</b>

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

June 30, 2011

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	1,626,455
 <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.	7,780,522
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	87,015
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.	(10,506)
Long-term liabilities, including bonds payable, notes payable, compensated absences, termination benefits, and other post employment benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,253,259)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>7,230,227</u></u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General Fund	Capital Projects	Debt Service	Management Levy	Nonmajor Student Activity	Total
	\$	\$	\$	\$	\$	\$
<b>Revenues:</b>						
Local sources:						
Local tax	1,485,798	407,290	341,475	248,015	-	2,482,578
Tuition	634,586	-	-	-	-	634,586
Construction donations	-	370,954	-	-	-	370,954
Other	346,859	870	232	6,863	259,825	614,649
State sources	1,898,484	180,637	204	-	-	2,079,325
Federal sources	303,666	-	-	-	-	303,666
Total revenues	<u>4,669,393</u>	<u>959,751</u>	<u>341,911</u>	<u>254,878</u>	<u>259,825</u>	<u>6,485,758</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,444,898	-	-	133,530	-	2,578,428
Special	462,765	-	-	-	-	462,765
Other	442,842	-	-	-	266,382	709,224
	<u>3,350,505</u>	<u>-</u>	<u>-</u>	<u>133,530</u>	<u>266,382</u>	<u>3,750,417</u>
Support services:						
Student	118,535	-	-	-	-	118,535
Instructional staff	104,615	-	-	-	-	104,615
Administration	497,374	-	-	24,006	-	521,380
Operation and maintenance of plant	355,999	-	-	60,405	-	416,404
Transportation	253,491	53,707	-	8,330	-	315,528
	<u>1,330,014</u>	<u>53,707</u>	<u>-</u>	<u>92,741</u>	<u>-</u>	<u>1,476,462</u>
Non-instructional programs	<u>1,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,034</u>
Other expenditures:						
Facilities acquisition	-	1,075,831	-	-	-	1,075,831
Long-term debt:						
Principal	-	-	385,000	-	-	385,000
Interest and fiscal charges	-	-	74,400	-	-	74,400
AEA flowthrough	181,962	-	-	-	-	181,962
	<u>181,962</u>	<u>1,075,831</u>	<u>459,400</u>	<u>-</u>	<u>-</u>	<u>1,717,193</u>
Total expenditures	<u>4,863,515</u>	<u>1,129,538</u>	<u>459,400</u>	<u>226,271</u>	<u>266,382</u>	<u>6,945,106</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(194,122)</u>	<u>(169,787)</u>	<u>(117,489)</u>	<u>28,607</u>	<u>(6,557)</u>	<u>(459,348)</u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General Fund	Capital Projects	Debt Service	Management Levy	Nonmajor Student Activity	Total
	\$	\$	\$	\$	\$	\$
Other financing sources (uses):						
Compensation for loss of fixed assets	-	11,514	-	-	-	11,514
Operating transfers in	-	-	160,000	-	-	160,000
Operating transfers out	-	(160,000)	-	-	-	(160,000)
Total other financing sources (uses)	-	(148,486)	160,000	-	-	11,514
Net change in fund balances	(194,122)	(318,273)	42,511	28,607	(6,557)	(447,834)
Fund balances beginning of year, as restated	893,918	713,189	7,988	394,719	64,475	2,074,289
Fund balances end of year	699,796	394,916	50,499	423,326	57,918	1,626,455

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, 2011

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(447,834)

*Amounts reported for governmental activities in the  
Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	1,116,394	
Depreciation expense	<u>(328,895)</u>	787,499

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.

4,116

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.

385,000

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.

1,819

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	140,347	
Compensated absences	(12,423)	
Other postemployment benefits	<u>2,766</u>	<u>130,690</u>

<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>861,290</u></u>
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## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Fund

June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	6,491
Accounts receivable	284
Inventories	9,825
Capital assets, net of accumulated depreciation	<u>22,107</u>
<b>Total assets</b>	<u>38,707</u>
<b>Liabilities</b>	
Accounts payable	692
Deferred revenue	3,739
Net OPEB liability	<u>516</u>
<b>Total liabilities</b>	<u>4,947</u>
<b>Net assets</b>	
Invested in capital assets	22,107
Unrestricted	<u>11,653</u>
<b>Total net assets</b>	<u><u>33,760</u></u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>113,173</u>
Operating expenses:	
Non-instructional programs:	
Salaries	75,437
Benefits	11,189
Purchased services	1,189
Supplies	137,214
Depreciation	6,195
Other	4,117
Total operating expenses	<u>235,341</u>
Operating income (loss)	<u>(122,168)</u>
Non-operating revenues:	
State sources	1,935
Federal sources	99,843
Interest income	53
Total non-operating revenues	<u>101,831</u>
Change in net assets	(20,337)
Net assets beginning of year	<u>54,097</u>
Net assets end of year	<u><u>33,760</u></u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	113,918
Cash payments to employees for services	(86,367)
Cash payments to suppliers for goods or services	(120,502)
Net cash used by operating activities	<u>(92,951)</u>
Cash flows from non-capital financing activities:	
State grants received	1,935
Federal grants received	77,743
Net cash provided by non-capital financing activities	<u>79,678</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(9,881)</u>
Cash flows from investing activities:	
Interest on investments	<u>53</u>
Net increase (decrease) in cash and cash equivalents	(23,101)
Cash and cash equivalents at beginning of year	<u>29,592</u>
Cash and cash equivalents at end of year	<u><u>6,491</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	(122,168)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	22,100
Depreciation	6,195
Decrease (increase) in inventories	(774)
Decrease (increase) in accounts receivable	207
(Decrease) increase in accounts payable	692
(Decrease) increase in deferred revenue	538
(Decrease) increase in other post employment benefits	259
Net cash used by operating activities	<u><u>(92,951)</u></u>

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

During the year ended June 30, 2011, the District received \$22,100 of federal commodities.

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2011

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	25,488
Accrued interest receivable	<u>129</u>
<b>Total assets</b>	25,617
<b>Liabilities</b>	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	<u><u>25,617</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trust Scholarship <u>\$</u>
Additions	
Local sources:	
Interest	336
Deductions:	
Support services:	
Scholarships awarded	<u>-</u>
Change in net assets	336
Net assets beginning of year	<u>25,281</u>
Net assets end of year	<u><u>25,617</u></u>

# GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2011

### 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. During the calendar year 2010 the Foundation reported \$1,120,750 of donations to the Galva Community School District. During the fiscal year July 1, 2010 through June 30, 2011 Galva Holstein Community School District reported \$276,668 of donation revenue from the Foundation.

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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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 and intangibles, 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	30,000
Improvements other than buildings	30,000
Intangibles	30,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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
Intangibles	3-20 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, 2011. 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 fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

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, 2011, expenditures in the instruction function exceeded the amount budgeted.

**2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$584,069 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. Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 2,587

The Interfund balances represent an expense reclassification at year-end.

**4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service Fund	Capital Projects Fund	\$ 160,000

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**5. Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	174,818	80,000	-	254,818
Construction in Progress	<u>1,840,312</u>	<u>-</u>	<u>1,840,312</u>	<u>-</u>
Total capital assets not being deprec.	<u>2,015,130</u>	<u>80,000</u>	<u>1,840,312</u>	<u>254,818</u>
Capital assets being depreciated:				
Buildings	7,651,428	2,446,511	-	10,097,939
Improvements other than buildings	669,291	252,033	-	921,324
Furniture and equipment	<u>2,717,559</u>	<u>178,162</u>	<u>-</u>	<u>2,895,721</u>
Total capital assets being deprec.	<u>11,038,278</u>	<u>2,876,706</u>	<u>-</u>	<u>13,914,984</u>
Less accumulated depreciation for:				
Buildings	3,188,434	221,486	-	3,409,920
Improvements other than buildings	551,071	31,395	-	582,466
Furniture and equipment	<u>2,320,880</u>	<u>76,014</u>	<u>-</u>	<u>2,396,894</u>
Total accumulated depreciation	<u>6,060,385</u>	<u>328,895</u>	<u>-</u>	<u>6,389,280</u>
Total capital assets being depreciated, net	<u>4,977,893</u>	<u>2,547,811</u>	<u>-</u>	<u>7,525,704</u>
Governmental activities capital assets, net	<u>6,993,023</u>	<u>2,627,811</u>	<u>1,840,312</u>	<u>7,780,522</u>
<b>Business type activities:</b>				
Furniture and equipment	142,130	9,881	-	152,011
Less accumulated depreciation	<u>123,709</u>	<u>6,195</u>	<u>-</u>	<u>129,904</u>
Business type activities capital assets, net	<u>18,421</u>	<u>3,686</u>	<u>-</u>	<u>22,107</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	26,731
Other	8,624
Support services:	
Administration services	826
Operation and maintenance of plant services	5,181
Transportation	<u>34,652</u>
	76,014
Unallocated depreciation	<u>252,881</u>
Total depreciation expense – governmental activities	<u>328,895</u>
Business type activities:	
Food services	<u>9,881</u>

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	2,220,000	-	370,000	1,850,000	380,000
Capital loan notes	300,000	-	15,000	285,000	60,000
Termination benefits	223,637	-	140,347	83,290	53,290
Compensated absences	12,983	10,217	12,983	10,217	10,217
Net OPEB liability	12,329	12,423	-	24,752	-
<b>Total</b>	<b>2,768,949</b>	<b>22,640</b>	<b>538,330</b>	<b>2,253,259</b>	<b>503,507</b>
Business type activities:					
Net OPEB liability	257	259	-	516	-

#### Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal years 2010, and 2003-2007. Eligible employees must have completed at least twenty years of continuous full 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.

Under the 2010 plan retirees may receive up to \$30,000 for benefits. The benefits will be paid in three equal payments on July 1 of each year.

At June 30, 2011, the District has obligations to seven participants with a total liability of \$83,290. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$140,347.

#### General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 29, 2004			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	3.55	415,000	24,223	439,223
2016	3.65	260,000	9,490	269,490
		<u>1,850,000</u>	<u>186,008</u>	<u>2,036,008</u>

#### Capital Loan Notes

The District issued \$300,000 of capital loan notes during the year ended June 30, 2010. These notes are interest free and are secured by the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30,	Principal
	\$
2012	60,000
2013	60,000
2014	60,000
2015	60,000
2016	45,000
	<u>285,000</u>

During the year ended June 30, 2011 the District made \$15,000 of principal payments.

## 7. Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$169,615, \$177,003 and \$171,334 respectively, equal to the required contributions for each year.

## 8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 49 active and 7 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Seabury & Smith. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	21,882
Interest on net OPEB obligation	315
Adjustment to annual required contribution	<u>(1,548)</u>
Annual OPEB cost	20,649
Contributions made	<u>7,967</u>
Increase in net OPEB obligation	12,682
Net OPEB obligation beginning of year	<u>12,586</u>
Net OPEB obligation end of year	<u>25,268</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$7,967 to the medical plan. Plan members eligible for benefits contributed \$4,123, or 34% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u> \$
2010	20,614	39%	12,586
2011	20,649	39%	25,268

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$200,423, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$200,423. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,700,000, and the ratio of the UAAL to covered payroll was 11.8%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

**9. Risk Management**

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

**10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$181,962 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**11. Lease Commitment**

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

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

**12. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Home school assistance	3,548
Core curriculum	20,631
Mentoring	4,649
Teacher salary supplement	50,232
Preschool	22,963
Professional development	22,232
Other	126
	<u>124,381</u>

**13. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, was implemented during the year ended 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 510,509	\$ 202,680
Change in fund type classification per implementation of GASB Statement No. 54	<u>202,680</u>	<u>(202,680)</u>
Balances July 1, 2010, as restated	<u>713,189</u>	<u>-</u>

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, 2011

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,102,767	113,226	4,215,993	4,560,612	4,560,612	(344,619)
State sources	2,079,325	1,935	2,081,260	2,062,984	2,062,984	18,276
Federal sources	303,666	99,843	403,509	262,000	262,000	141,509
Total revenues	<u>6,485,758</u>	<u>215,004</u>	<u>6,700,762</u>	<u>6,885,596</u>	<u>6,885,596</u>	<u>(184,834)</u>
Expenditures/Expenses:						
Instruction	3,750,417	-	3,750,417	3,445,000	3,445,000	(305,417)
Support services	1,476,462	-	1,476,462	1,728,000	1,728,000	251,538
Non-instructional programs	1,034	235,341	236,375	250,000	250,000	13,625
Other expenditures	1,717,193	-	1,717,193	2,279,195	2,279,195	562,002
Total expenditures/expenses	<u>6,945,106</u>	<u>235,341</u>	<u>7,180,447</u>	<u>7,702,195</u>	<u>7,702,195</u>	<u>521,748</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(459,348)	(20,337)	(479,685)	(816,599)	(816,599)	336,914
Other financing sources (uses) net	<u>11,514</u>	<u>-</u>	<u>11,514</u>	<u>-</u>	<u>-</u>	<u>11,514</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(447,834)	(20,337)	(468,171)	(816,599)	(816,599)	348,428
Balance beginning of year	<u>2,074,289</u>	<u>54,097</u>	<u>2,128,386</u>	<u>1,643,984</u>	<u>1,643,984</u>	<u>484,402</u>
Balance end of year	<u><u>1,626,455</u></u>	<u><u>33,760</u></u>	<u><u>1,660,215</u></u>	<u><u>827,385</u></u>	<u><u>827,385</u></u>	<u><u>832,830</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

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, 2011, expenditures in the instruction function exceeded the amount budgeted.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a ) \$	Actuarial Accrued Liability ( AAL ) ( b ) \$	Unfunded AAL (UAAL) ( b-a ) \$	Funded Ratio ( a/b ) %	Covered Payroll ( c ) \$	UAAL as a Percentage of Covered Payroll ( (b-a)/c ) %
2010	July 1, 2009	-	206,427	206,427	0.0%	1,800,000	11.5%
2011	July 1, 2009	-	200,423	200,423	0.0%	1,700,000	11.8%

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

OTHER SUPPLEMENTARY INFORMATION

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>	\$	\$	\$
Cash and pooled investments	233,947	115,020	348,967
Receivables:			
Property tax:			
Delinquent	-	683	683
Succeeding year	-	86,069	86,069
Interfund receivable	2,587	-	2,587
Due from other governments	59,063	87,015	146,078
<b>Total assets</b>	<u>295,597</u>	<u>288,787</u>	<u>584,384</u>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	-	16,384	16,384
Deferred revenue:			
Succeeding year property tax	-	86,069	86,069
Income surtax	-	87,015	87,015
Total liabilities	<u>-</u>	<u>189,468</u>	<u>189,468</u>
Fund balances:			
Restricted for:			
School infrastructure	295,597	-	295,597
Physical plant and equipment	-	99,319	99,319
Total fund balances	<u>295,597</u>	<u>99,319</u>	<u>394,916</u>
<b>Total liabilities and fund balances</b>	<u>295,597</u>	<u>288,787</u>	<u>584,384</u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Combininb Schedule of Revneues, Expenditures and Changes in Fund Balances  
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	226,935	180,355	407,290
Construction donations	370,954	-	370,954
Other	197	673	870
State sources	180,637	-	180,637
Total revenues	<u>778,723</u>	<u>181,028</u>	<u>959,751</u>
Expenditures:			
Current:			
Support services:			
Transportation services	-	53,707	53,707
Other expenditures:			
Facilities acquisition	833,635	242,196	1,075,831
Total expenditures	<u>833,635</u>	<u>295,903</u>	<u>1,129,538</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(54,912)</u>	<u>(114,875)</u>	<u>(169,787)</u>
Other financing sources (uses):			
Compensation for loss of fixed assets	-	11,514	11,514
Operating transfers out	(160,000)	-	(160,000)
Total other financing sources (uses)	<u>(160,000)</u>	<u>11,514</u>	<u>(148,486)</u>
Net change in fund balance	(214,912)	(103,361)	(318,273)
Fund balances beginning of year, as restated	<u>510,509</u>	<u>202,680</u>	<u>713,189</u>
Fund balance end of year	<u><u>295,597</u></u>	<u><u>99,319</u></u>	<u><u>394,916</u></u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

<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	3,409	2,105	2,405	(3,109)	-
Speech	-	281	1,226	945	-
Quiz bowl	-	1,478	2,621	1,163	20
Model UN	451	55	391	(55)	60
Mock trial	-	-	205	205	-
Music - vocal	656	2,673	3,168	(161)	-
Drill team	(86)	8,672	11,668	3,082	-
Band instrument rent	1,169	-	-	(1,169)	-
Fund raiser	4,647	38,814	20,288	(5,061)	18,112
Cheerleaders	4,892	4,861	8,969	(784)	-
Basketball	1,797	8,286	23,241	13,158	-
Volleyball	2,115	26,093	28,117	(91)	-
Girls basketball camp	1,423	4,292	586	(4,164)	965
Football	-	28,351	23,780	103	4,674
Baseball	836	6,724	6,725	(835)	-
Softball	-	3,995	8,676	4,681	-
Track	149	26,890	37,269	10,230	-
Cross country	2,944	6,075	8,287	(732)	-
Golf	813	1,349	2,029	(133)	-
Wrestling	-	10,007	15,156	5,375	226
General athletics	-	-	-	15,531	15,531
Freshman	-	-	374	374	-
Sophomores	3,548	7,344	4,558	(3,548)	2,786
Juniors	1,023	2,268	7,301	4,010	-
Seniors	617	-	1,676	1,165	106
Yearbook	7	12,833	6,176	(8)	6,656
Student council	2,146	4,598	4,275	(2,147)	322
Elementary classes	3,523	2,366	2,680	-	3,209
RIF	4,281	-	95	-	4,186
NHS	100	-	81	(19)	-
Pop fund raiser	-	-	79	79	-
Activity participation fee	8,027	12,901	12	(20,433)	483
Student fundraiser	15,264	32,529	29,137	(18,656)	-
Undistributed interest	142	82	-	(224)	-
Music - HS band	-	3,903	5,131	1,228	-
Spanish fundraiser	582	-	-	-	582
<b>Total</b>	<b>64,475</b>	<b>259,825</b>	<b>266,382</b>	<b>-</b>	<b>57,918</b>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	2,482,578	2,622,327	2,434,511	2,265,873	2,283,899	2,170,027	2,133,755	2,150,547
Tuition	634,586	299,454	257,073	218,413	144,288	175,126	130,640	186,058
Construction donations	370,954	899,917	-	-	-	-	-	-
Other	614,649	297,442	330,998	331,396	453,142	457,661	431,884	289,587
Intermediate sources	-	-	-	-	-	-	499	-
State sources	2,079,325	1,827,233	2,123,262	2,117,741	2,053,387	2,031,122	2,096,409	1,990,202
Federal sources	303,666	328,017	133,646	202,715	185,249	165,583	172,245	163,243
Total revenues	<u>6,485,758</u>	<u>6,274,390</u>	<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	2,578,428	1,935,608	1,912,770	1,874,020	1,804,737	1,767,699	1,829,608	1,779,566
Special	462,765	520,317	320,362	499,964	373,395	435,810	462,686	458,896
Other	709,224	491,466	658,667	420,560	522,296	405,822	418,649	431,490
Support services:								
Student	118,535	75,070	84,491	82,599	82,318	76,115	75,837	75,967
Instructional staff	104,615	165,667	122,442	126,266	116,769	105,292	155,357	128,314
Administration	521,380	473,205	546,658	536,469	518,908	510,418	466,871	430,690
Operation and maintenance	416,404	440,495	410,346	407,347	403,686	374,690	347,033	331,976
Transportation	315,528	178,306	167,803	174,764	230,846	272,397	141,171	217,848
Non-instructional programs	1,034	1,068	-	-	-	-	15,338	-
Other expenditures:								
Facilities acquisition	1,075,831	1,514,620	374,676	94,455	385,445	755,792	165,677	75,222
Long-term debt:								
Principal	385,000	355,000	350,000	340,000	3,360,000	245,000	230,000	215,000
Interest and other charges	74,400	83,935	92,335	99,875	280,376	292,550	306,840	218,785
AEA flowthrough	181,962	182,079	170,206	165,990	162,330	157,218	159,033	161,837
Total expenditures	<u>6,945,106</u>	<u>6,416,836</u>	<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>

See accompanying independent auditor's report.

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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 27, 2012. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 11-I-A, 11-I-B, 11-I-C and 11-I-D to be 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, 2011 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 and Responses. 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, and 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 27, 2012

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

11-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, payroll processing, 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.

11-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.

11-I-C Financial Reporting: During the audit, we identified material amounts of receivables that were overstated, payables that were not recorded and capital assets that were not added to the depreciation schedule. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements (continued):

Recommendation: The District should implement procedures review the receivables and payable balances recorded on the financial statements and match those amounts to a separate list of receivables and payables. The District should also implement procedures to review the expenditure transactions for all capital asset purchases to ensure that all items are included on the depreciation schedule.

District Response: We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion: Response accepted.

11-I-D School Expenditure Supporting Documentation and Board Approval: As part of our audit procedures, we tested 23 Student Activity Fund expenditures. One of the expenditures tested was a \$420 check to cash. There was a note explaining that the cash was for meals at the state wrestling tournament, but there was no detailed supporting documentation showing how the money was actually spent.

Recommendation: There should be no checks to cash and all District payments should be supported by detailed invoices, receipts, contracts or other documents prepared by or signed by entities outside of the District. Meals for students and coaches attending tournaments requiring overnight travel, should turn in receipts for amounts spent and be reimbursed by the school.

District Response: We are in the process of reviewing and changing our current procedures for the payment of student meals at tournaments.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

11-II-A Certified Budget: Expenditures for the year ended June 30, 2011, exceeded the amount budgeted in the instruction 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: 2011 was the first year of a whole-grade sharing agreement and year-end payments for that agreement were more than anticipated. Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

11-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

11-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.

11-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	500
Jamie Whitmer, board member	Physicals	160
Randy Hustead, board member	Athletic official	729

These transactions do not appear to represent conflicts of interest since the dollar amounts were less than \$2,500.

11-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.

11-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

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

11-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

11-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

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

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

According to 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 preschool 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.

District 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.

11-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit:

	\$	\$
Beginning balance		510,509
Revenues/transfers in:		
Statewide sales, services and use tax revenue	226,935	
Interest	197	
Donations	370,954	
State revenues	180,637	778,723
Expenditures/transfers out:		
School infrastructure construction	665,414	
Equipment	168,221	
Transfers to debt service fund	160,000	993,635
Ending balance		295,597

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E of 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ .56703	\$ 100,000