

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-10
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	12-13
Statement of Activities	B	14-15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	20
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	22
Statement of Cash Flows	I	23
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	24
Statement of Changes in Fiduciary Net Assets	K	25
Notes to Financial Statements		26-37
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund Proprietary Fund		39
Notes to Required Supplementary Information - Budgetary Reporting		40
Schedule of Funding Progress for the Retiree Health Plan		41
	<u>Schedule</u>	
Supplementary Information:		
Capital Project Accounts:		
Combining Balance Sheet	1	43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	44
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	45
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	46
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 <u>Government Auditing Standards</u>		47-48
Schedule of Findings and Responses		49-55

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Galva-Holstein Community School District, Holstein, Iowa, as of and for the year ended June 30, 2012 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, 2012 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 28, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 eight years ended June 30, 2011, (which are not presented herein). For 2009 to 2011 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. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information 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 28, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Galva-Holstein Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. 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 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, 2012 compared to June 30, 2011.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2011-2012 %
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	
Current and other assets	4,274,604	4,293,343	16,600	12,778	4,291,204	4,306,121	.35
Capital assets	7,780,522	7,923,108	22,107	16,625	7,802,629	7,939,733	2
Total assets	12,055,126	12,216,451	38,707	29,403	12,093,833	12,245,854	1
Long-term liabilities	2,253,259	1,804,183	516	937	2,253,775	1,805,120	-20
Other liabilities	2,571,640	2,701,364	4,431	3,534	2,576,071	2,704,898	5
Total liabilities	4,824,899	4,505,547	4,947	4,471	4,829,846	4,510,018	-7
Net Assets:							
Invested in capital assets, net of related debt	5,645,522	6,198,108	22,107	16,625	5,667,629	6,214,733	10
Restricted	1,044,259	1,106,562			1,044,259	1,106,562	6
Unrestricted	540,446	406,234	11,653	8,307	552,099	414,541	-25
TOTAL NET ASSETS	7,230,227	7,710,904	33,760	24,932	7,263,987	7,735,836	6

The District's combined total net assets increased by nearly 6.5%, or approximately \$471,849, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$62,303 or 6% over the prior year. The increase was primarily a result of decreased expenditures in the School Infrastructure 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 \$134,212, or 25%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2012 and 2011.

Figure A-4

	Change in Net Assets						Percentage Change 2011-2012 %
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	
Revenues							
Program Revenues:							
Charges for services	1,159,229	1,215,057	113,173	132,740	1,272,402	1,347,797	6
Operating grants & contributions	932,040	809,889	101,778	108,092	1,033,818	917,981	-11
Capital grants & contributions	551,591	61,510			551,591	61,510	-89
General Revenues:							
Property taxes	2,155,803	2,274,863			2,155,803	2,274,863	6
Income surtax	103,956	96,333			103,956	96,333	-7
Sales tax	226,935	332,464			226,935	332,464	46
Unrestricted state grants	1,340,630	1,616,173			1,340,630	1,616,173	21
Unrestricted investment earnings	1,903	1,591	53	48	1,956	1,639	-16
Other revenue	29,301	7,540			29,301	7,540	-74
Total Revenues	6,501,388	6,415,420	215,004	240,880	6,716,392	6,656,300	-1
Expenses:							
Instruction	3,574,406	3,784,567			3,574,406	3,784,567	6
Support services	1,451,147	1,596,480			1,451,147	1,596,480	10
Non-instructional programs	1,034		235,341	249,708	236,375	249,708	6
Other expenditures	613,511	553,696			613,511	553,696	-10
Total expenses	5,640,098	5,934,743	235,341	249,708	5,875,439	6,184,451	5
CHANGE IN NET ASSETS	861,290	480,677	-20,337	(8,828)	840,953	471,849	44
Net assets beginning of year	6,368,937	7,230,227	54,097	33,760	6,423,034	7,263,987	13
Net assets end of year	7,230,227	7,710,904	33,760	24,932	7,263,987	7,735,836	6

In fiscal year 2012 property tax and unrestricted state grants account for 58% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 1.0% decrease in revenues and a 5.0% increase in expenses. Property tax increased \$118,060 and sales tax increased by \$105,529 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits, technology purchases, transportation cost including a bus purchased out of general fund and increase in tuition out cost related to special education.

Governmental Activities

Revenues for governmental activities were \$6,415,420 and expenses were \$5,934,743. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

Business Type Activities

Revenues for business type activities were \$240,832 and expenses were \$248,708. 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.

During the year ended June 30, 2012, the District increased meal prices per state lunch guidelines but the additional revenues was not enough to offset the expenditures therefore forcing the District to use beginning year reserves.

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 \$1,494,039, well below last year's ending fund balances of \$1,626,455. The primary reason for the decrease in combined fund balances in fiscal 2012 is due to a combination of less income surtax and other revenue received and increased expenses in both instruction and support services.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$699,796 to \$580,163, due in part to the negotiated salary and benefits settlement, a bus being purchased out of the General Fund, increased tuition costs and substantial costs related to technology purchases.
- The Capital Projects Fund balance decreased by \$28,124. The decrease is due to more expenditures than revenues as a result of a purchase of a bus out of the Capital Projects fund and the beginning of a band room remodel project.
- The balance in the Debt Service Fund increased from \$50,499 last year to \$54,036 at June 30, 2012. During fiscal year 2012 the District refinanced its general obligation bonds at a lower interest rate which will save the District \$67,683 over the next four years.
- The Management Fund balance increased by \$35,549 during the year. The Management Fund may be used to pay for property and liability insurance premiums, legal settlements, unemployment benefits and early retirement benefits.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$33,760 at June 30, 2011 to \$24,932 at June 30, 2012, representing an decrease of approximately 26%. The decrease is due primarily to negotiated salary and benefits increases and increase in cost of food products.

BUDGETARY HIGHLIGHTS

The District's receipts were \$266,539 less than budgeted receipts, a variance of 4%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were more than budgeted, due primarily to the District's budget for the Debt Service Fund due to refinancing of governmental bonds. 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 and other expenses due to the timing of disbursements and refinancing of bonds without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$7.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$365,070.

The largest change in capital asset activity during the year occurred in the equipment and furniture where two buses and substantial technology equipment was purchased during the year. The District's also began a construction in progress totaling \$56,672 for a band room remodeling project. The District has committed approximately \$172,000 to complete the project.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2011-2012 %
	Activities		Activities		School District		
	2011	2012	2011	2012	2011	2012	
	\$	\$	\$	\$	\$	\$	
Land	254,818	254,818			254,818	254,818	0
Construction in progress	-	56,762			-	56,762	
Buildings	6,688,019	6,520,216			6,688,019	6,520,216	-3
Improvements	338,858	379,962			338,858	379,962	12
Equipment & furniture	498,827	711,350	22,107	16,625	520,934	727,975	40
TOTAL	7,780,522	7,923,108	22,107	16,625	7,802,629	7,939,733	2

Long-Term Debt

At June 30, 2012 the District had \$1,805,120 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 20% 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 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

	Total School District		Percentage Change 2011-2012 %
	2011	2012	
	\$	\$	
General obligation bonds	1,850,000	1,500,000	-19
Capital loan notes	285,000	225,000	-21
Early retirement	83,290	30,000	-64
Compensated absences	10,217	12,170	19
Net OPEB liability	25,268	37,950	50
	2,253,775	1,805,120	-20

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 2012-2013 school year.
- School financing is highly dependent upon student enrollment. The District's October 2012 enrollment increased by eleven students. The increase in revenue due to the enrollment will be supplemented 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 is yet to be notified on allowable growth for 2013-2014.
- The District is in the final year of 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, new CAD lab and new software, document cameras, and updating computers within the district.
- The District entered into a remodeling project with the current high school band room. Approximate cost will be \$200,000.00.
- The District completed refinancing of government bonds currently being held. These bonds will be paid in full at the conclusion of the 2015-2016 school year.
- The Board of Education was pleased that the patrons of our district successfully passed 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 third year (2012-2013) 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. This will be the final year for supplemental weightings for the District in administrative sharing. This will represent a substantial impact on our funding for 2013-2014 school.

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, 2012

	Governmental Activities	Business Type Activities	Total	Component Unit Galva- Holstein Community School District Foundation
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	1,534,518	5,480	1,539,998	565,818
Receivables:				
Property tax:				
Delinquent	19,966	-	19,966	-
Succeeding year	2,421,909	-	2,421,909	-
Accounts	996	274	1,270	-
Accrued interest	5	-	5	-
Due from other governments	317,810	-	317,810	-
Internal balances	(1,861)	1,861	-	-
Inventories	-	5,163	5,163	-
Capital assets, net of accumulated depreciation	7,923,108	16,625	7,939,733	-
Total assets	12,216,451	29,403	12,245,854	565,818
Liabilities				
Accounts payable	244,439	522	244,961	-
Salaries and benefits payable	21,262	-	21,262	-
Accrued interest payable	1,894	-	1,894	-
Deferred revenue:				
Succeeding year property tax	2,421,909	-	2,421,909	-
Other	11,860	3,012	14,872	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	415,000	-	415,000	-
Notes payable	60,000	-	60,000	-
Termination benefits	30,000	-	30,000	-
Compensated absences	12,170	-	12,170	-
Portion due after one year:				
General obligation bonds payable	1,085,000	-	1,085,000	-
Notes payable	165,000	-	165,000	-
Net OPEB liability	37,013	937	37,950	-
Total liabilities	4,505,547	4,471	4,510,018	-

See notes to financial statements.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total	Component Unit Galva- Holstein Community School District Foundation
	\$	\$	\$	\$
Net assets				
Invested in capital assets, net of related debt	6,198,108	16,625	6,214,733	-
Restricted for:				
Categorical funding	124,746	-	124,746	-
Management levy	428,875	-	428,875	-
Physical plant and equipment levy	124,053	-	124,053	-
Student activities	34,173	-	34,173	-
School infrastructure	342,573	-	342,573	-
Debt service	52,142	-	52,142	-
Unrestricted	406,234	8,307	414,541	565,818
Total net assets	<u>7,710,904</u>	<u>24,932</u>	<u>7,735,836</u>	<u>565,818</u>

GALVA-HOLSTEIN COMMUNITY SCHOOLDISTRICT

Statement of Activities

Year ended June 30, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,519,600	823,916	554,988	-
Special	577,302	153,630	21,465	-
Other	687,665	236,893	68,091	-
	3,784,567	1,214,439	644,544	-
Support services:				
Student	115,338	-	-	-
Instructional staff	111,143	-	-	-
Administration	621,160	-	-	-
Operation and maintenance of plant	377,148	618	-	-
Transportation	371,691	-	1,637	-
	1,596,480	618	1,637	-
Other expenditures:				
Facilities acquisition	53,130	-	-	61,510
Long-term debt interest	82,107	-	351	-
AEA flowthrough	163,357	-	163,357	-
Depreciation (unallocated)*	255,102	-	-	-
	553,696	-	163,708	61,510
Total governmental activities	5,934,743	1,215,057	809,889	61,510
Business type activities:				
Non-instructional programs:				
Food service operations	249,708	132,740	108,092	-
Total primary government	6,184,451	1,347,797	917,981	61,510
Component Unit:				
Galva-Holstein Community School District	147,928	64,972	37,029	-
Total	6,332,379	1,412,769	955,010	61,510
General Revenues:				
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
\$	\$	\$	\$
(1,140,696)	-	(1,140,696)	-
(402,207)	-	(402,207)	-
(382,681)	-	(382,681)	-
<u>(1,925,584)</u>	<u>-</u>	<u>(1,925,584)</u>	<u>-</u>
(115,338)	-	(115,338)	-
(111,143)	-	(111,143)	-
(621,160)	-	(621,160)	-
(376,530)	-	(376,530)	-
(370,054)	-	(370,054)	-
<u>(1,594,225)</u>	<u>-</u>	<u>(1,594,225)</u>	<u>-</u>
8,380	-	8,380	-
(81,756)	-	(81,756)	-
-	-	-	-
(255,102)	-	(255,102)	-
<u>(328,478)</u>	<u>-</u>	<u>(328,478)</u>	<u>-</u>
(3,848,287)	-	(3,848,287)	-
-	(8,876)	(8,876)	-
(3,848,287)	(8,876)	(3,857,163)	-
-	-	-	(45,927)
<u>(3,848,287)</u>	<u>(8,876)</u>	<u>(3,857,163)</u>	<u>(45,927)</u>
1,845,235	-	1,845,235	-
343,517	-	343,517	-
86,111	-	86,111	-
96,333	-	96,333	-
332,464	-	332,464	-
1,616,173	-	1,616,173	-
1,591	48	1,639	4,406
7,540	-	7,540	-
<u>4,328,964</u>	<u>48</u>	<u>4,329,012</u>	<u>4,406</u>
480,677	(8,828)	471,849	(41,521)
<u>7,230,227</u>	<u>33,760</u>	<u>7,263,987</u>	<u>607,339</u>
<u>7,710,904</u>	<u>24,932</u>	<u>7,735,836</u>	<u>565,818</u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	General Fund	Capital Projects	Debt Service	Management Levy	Nonmajor Student Activity	Total
	\$	\$	\$	\$	\$	\$
Assets						
Cash and pooled investments	719,426	325,530	51,081	394,290	44,191	1,534,518
Receivables:						
Property tax:						
Delinquent	14,948	740	2,955	1,323	-	19,966
Succeeding year	1,816,355	114,549	326,005	165,000	-	2,421,909
Accrued interest	5	-	-	-	-	5
Interfund receivable	3,051	2,587	-	64,514	-	70,152
Due from other governments	133,415	184,395	-	-	-	317,810
Total assets	2,687,200	627,801	380,041	625,127	44,191	4,364,360
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	191,455	44,690	-	1,252	7,042	244,439
Salaries and benefits payable	21,262	-	-	-	-	21,262
Interfund payable	66,105	1,936	-	-	2,976	71,017
Deferred revenue:						
Succeeding year property tax	1,816,355	114,549	326,005	165,000	-	2,421,909
Income surtax	-	99,834	-	-	-	99,834
Other	11,860	-	-	-	-	11,860
Total liabilities	2,107,037	261,009	326,005	166,252	10,018	2,870,321
Fund balances:						
Restricted for:						
Categorical funding	124,746	-	-	-	-	124,746
Debt service	-	-	54,036	-	-	54,036
Management levy	-	-	-	458,875	-	458,875
Student activities	-	-	-	-	34,173	34,173
School infrastructure	-	342,573	-	-	-	342,573
Physical plant and equipment	-	24,219	-	-	-	24,219
Unassigned	455,417	-	-	-	-	455,417
Total fund balances	580,163	366,792	54,036	458,875	34,173	1,494,039
Total liabilities and fund balances	2,687,200	627,801	380,041	625,127	44,191	4,364,360

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

	\$
Total fund balances of governmental funds (Exhibit C)	1,494,039
<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.	7,923,108
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	99,834
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.	(1,894)
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>(1,804,183)</u>
Net assets of governmental activities (Exhibit A)	<u><u>7,710,904</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General Fund	Capital Projects	Debt Service	Management Levy	Nonmajor Student Activity	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	1,695,159	502,089	343,517	150,076	-	2,690,841
Tuition	706,735	-	-	-	-	706,735
Other	314,645	1,681	60,551	7,247	224,987	609,111
State sources	2,150,025	-	188	-	-	2,150,213
Federal sources	245,701	-	-	-	-	245,701
Total revenues	<u>5,112,265</u>	<u>503,770</u>	<u>404,256</u>	<u>157,323</u>	<u>224,987</u>	<u>6,402,601</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,503,256	-	-	49,950	-	2,553,206
Special	576,280	-	-	-	-	576,280
Other	430,155	-	-	-	248,732	678,887
	<u>3,509,691</u>	<u>-</u>	<u>-</u>	<u>49,950</u>	<u>248,732</u>	<u>3,808,373</u>
Support services:						
Student	115,083	-	-	-	-	115,083
Instructional staff	131,169	-	-	-	-	131,169
Administration	616,847	-	-	-	-	616,847
Operation and maintenance of plant	300,126	9,080	-	61,816	-	371,022
Transportation	395,625	81,538	-	10,008	-	487,171
	<u>1,558,850</u>	<u>90,618</u>	<u>-</u>	<u>71,824</u>	<u>-</u>	<u>1,721,292</u>
Other expenditures:						
Facilities acquisition	-	341,276	-	-	-	341,276
Long-term debt:						
Principal	-	-	1,910,000	-	-	1,910,000
Interest and fiscal charges	-	-	90,719	-	-	90,719
AEA flowthrough	163,357	-	-	-	-	163,357
	<u>163,357</u>	<u>341,276</u>	<u>2,000,719</u>	<u>-</u>	<u>-</u>	<u>2,505,352</u>
Total expenditures	<u>5,231,898</u>	<u>431,894</u>	<u>2,000,719</u>	<u>121,774</u>	<u>248,732</u>	<u>8,035,017</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(119,633)</u>	<u>71,876</u>	<u>(1,596,463)</u>	<u>35,549</u>	<u>(23,745)</u>	<u>(1,632,416)</u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General Fund	Capital Projects	Debt Service	Management Levy	Nonmajor Student Activity	Total
	\$	\$	\$	\$	\$	\$
Other financing sources (uses):						
Bonds issued	-	-	1,500,000	-	-	1,500,000
Operating transfers in	-	-	100,000	-	-	100,000
Operating transfers out	-	(100,000)	-	-	-	(100,000)
Total other financing sources (uses)	-	(100,000)	1,600,000	-	-	1,500,000
Net change in fund balances	(119,633)	(28,124)	3,537	35,549	(23,745)	(132,416)
Fund balances beginning of year	699,796	394,916	50,499	423,326	57,918	1,626,455
Fund balances end of year	580,163	366,792	54,036	458,875	34,173	1,494,039

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, 2012

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(132,416)
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 and depreciation expense in the current year are as follows:		
Expenditures for capital assets	502,174	
Depreciation expense	<u>(359,588)</u>	142,586
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.		12,819
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.		1,910,000
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.		8,612
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	53,290	
Compensated absences	(1,953)	
Other postemployment benefits	<u>(12,261)</u>	39,076
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(1,500,000)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>480,677</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	5,480
Accounts receivable	274
Interfund receivable	1,936
Inventories	5,163
Capital assets, net of accumulated depreciation	<u>16,625</u>
Total assets	<u>29,478</u>
Liabilities	
Accounts payable	522
Interfund payable	75
Deferred revenue	3,012
Net OPEB liability	<u>937</u>
Total liabilities	<u>4,546</u>
Net assets	
Invested in capital assets	16,625
Unrestricted	<u>8,307</u>
Total net assets	<u><u>24,932</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>132,740</u>
Operating expenses:	
Non-instructional programs:	
Salaries	78,831
Benefits	12,337
Supplies	150,462
Depreciation	5,482
Other	2,596
Total operating expenses	<u>249,708</u>
Operating income (loss)	<u>(116,968)</u>
Non-operating revenues:	
State sources	2,277
Federal sources	105,815
Interest income	48
Total non-operating revenues	<u>108,140</u>
Change in net assets	(8,828)
Net assets beginning of year	<u>33,760</u>
Net assets end of year	<u><u>24,932</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	132,023
Cash payments to employees for services	(90,747)
Cash payments to suppliers for goods or services	(128,229)
Net cash used by operating activities	<u>(86,953)</u>
Cash flows from non-capital financing activities:	
Loan from (to) other funds	(1,861)
State grants received	2,277
Federal grants received	85,478
Net cash provided by non-capital financing activities	<u>85,894</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>48</u>
Net increase (decrease) in cash and cash equivalents	(1,011)
Cash and cash equivalents at beginning of year	<u>6,491</u>
Cash and cash equivalents at end of year	<u><u>5,480</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(116,968)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	20,337
Depreciation	5,482
Decrease (increase) in inventories	4,662
Decrease (increase) in accounts receivable	10
(Decrease) increase in accounts payable	(170)
(Decrease) increase in deferred revenue	(727)
(Decrease) increase in other post employment benefits	421
Net cash used by operating activities	<u><u>(86,953)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$20,337 of federal commodities.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	25,769
Accrued interest receivable	<u>94</u>
Total assets	25,863
Liabilities	
Interfund payable	<u>996</u>
Net Assets	
Reserved for scholarships	<u><u>24,867</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2012

	Private Purpose Trust Scholarship <u>\$</u>
Additions	
Local sources:	
Interest	250
Deductions:	
Support services:	
Scholarships awarded	<u>1,000</u>
Change in net assets	(750)
Net assets beginning of year	<u>25,617</u>
Net assets end of year	<u><u>24,867</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

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 2011 the Foundation reported \$72,500 of donations to the Galva Community School District. During the fiscal year July 1, 2011 through June 30, 2012 Galva Holstein Community School District reported \$70,000 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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, 2012. 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.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the instruction and other expenditures functions exceeded the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$700,549 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Capital Projects Fund	General Fund	2,587
School Nutrition Fund	Capital Projects Fund	1,936
Management Fund	General Fund	63,518
Management Fund	Private Purpose Trust Fund	996
General Fund	Student Activity Fund	2,976
General Fund	School Nutrition Fund	75

The Interfund balances represent expense reclassifications at year-end.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer To	Transfer From	Amount
		\$
Debt Service Fund	Capital Projects Fund	100,000

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, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	254,818	-	-	254,818
Construction in Progress	-	56,762	-	56,762
Total capital assets not being deprec.	<u>254,818</u>	<u>56,762</u>	<u>-</u>	<u>311,580</u>
Capital assets being depreciated:				
Buildings	10,097,939	52,091	-	10,150,030
Improvements other than buildings	921,324	76,312	-	997,636
Furniture and equipment	2,895,721	317,009	-	3,212,730
Total capital assets being deprec.	<u>13,914,984</u>	<u>445,412</u>	<u>-</u>	<u>14,360,396</u>
Less accumulated depreciation for:				
Buildings	3,409,920	219,894	-	3,629,814
Improvements other than buildings	582,466	35,208	-	617,674
Furniture and equipment	2,396,894	104,486	-	2,501,380
Total accumulated depreciation	<u>6,389,280</u>	<u>359,588</u>	<u>-</u>	<u>6,748,868</u>
Total capital assets being depreciated, net	<u>7,525,704</u>	<u>85,824</u>	<u>-</u>	<u>7,611,528</u>
Governmental activities capital assets, net	<u>7,780,522</u>	<u>142,586</u>	<u>-</u>	<u>7,923,108</u>
Business type activities:				
Furniture and equipment	152,011	-	-	152,011
Less accumulated depreciation	<u>129,904</u>	<u>5,482</u>	<u>-</u>	<u>135,386</u>
Business type activities capital assets, net	<u>22,107</u>	<u>(5,482)</u>	<u>-</u>	<u>16,625</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	36,929
Other	8,523
Support services:	
Instructional staff support	1,879
Administration services	827
Operation and maintenance of plant services	5,104
Transportation	51,224
	<u>104,486</u>
Unallocated depreciation	255,102
Total depreciation expense – governmental activities	<u>359,588</u>
Business type activities:	
Food services	5,482

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	1,850,000	1,500,000	1,850,000	1,500,000	415,000
Capital loan notes	285,000	-	60,000	225,000	60,000
Termination benefits	83,290	-	53,290	30,000	30,000
Compensated absences	10,217	12,170	10,217	12,170	12,170
Net OPEB liability	24,752	12,261	-	37,013	-
Total	2,253,259	1,524,431	1,973,507	1,804,183	517,170
Business type activities:					
Net OPEB liability	516	421	-	937	-

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal year 2010. 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, 2012, the District has obligations to three participants with a total liability of \$30,000. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$53,290.

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Refunding Issue of May 2012			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	0.45	415,000	10,505	425,505
2014	0.60	420,000	8,465	428,465
2015	0.80	415,000	5,945	420,945
2016	1.05	250,000	2,625	252,625
		<u>1,500,000</u>	<u>27,540</u>	<u>1,527,540</u>

Bond Refunding

On May 1, 2012, the District issued \$1,500,000 of general obligation refunding bonds with interest rates ranging between 0.45% to 1.05%. The District issued the bonds to refund \$1,470,000 of the outstanding April 2004 general obligation bonds with interest rates of 3.3% to 3.65%. The District used the net proceeds to call and pay the balance of the April 2004 issue.

The refunding reduced total debt service payments over the next four years by \$67,683. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$66,570.

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:

<u>Year Ending June 30,</u>	<u>Principal</u>
	\$
2013	60,000
2014	60,000
2015	60,000
2016	<u>45,000</u>
	<u>225,000</u>

During the year ended June 30, 2012 the District made \$60,000 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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$198,940, \$169,615 and \$177,003 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. 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, 2012, 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>25,268</u>
 Net OPEB obligation end of year	 <u>37,950</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, 2012.

For the year ended June 30, 2012, the District contributed \$7,967 to the medical plan. Plan members eligible for benefits contributed \$9,591, or 55% 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, 2012 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
2012	20,649	39%	37,950

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$1,900,000, and the ratio of the UAAL to covered payroll was 10.5%. As of June 30, 2012, 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 \$163,357 for the year ended June 30, 2012 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 contract to lease copiers. The payments the District will make over the next five years are as follows:

Year Ended June 30	Lease Payment \$
2013	14,640
2014	14,640
2015	14,640
2016	14,640
2017	14,640

The District paid \$14,280 of lease payments during the fiscal year.

12. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount \$
Home school assistance	606
Core curriculum	20,440
Mentoring	4,419
Teacher salary supplement	63,178
Preschool	18,127
Professional development	17,976
	<u>124,746</u>

13. Construction Commitment

The District has entered into a \$197,542 contract for classroom remodeling. As of June 30, 2012 costs of \$26,643 had been incurred against the contract. The balance remaining at June 30, 2012 will be paid as work on the project progresses.

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, 2012

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,006,687	132,788	4,139,475	4,091,815	4,091,815	47,660
State sources	2,150,213	2,277	2,152,490	2,513,205	2,513,205	(360,715)
Federal sources	245,701	105,815	351,516	305,000	305,000	46,516
Total revenues	<u>6,402,601</u>	<u>240,880</u>	<u>6,643,481</u>	<u>6,910,020</u>	<u>6,910,020</u>	<u>(266,539)</u>
Expenditures/Expenses:						
Instruction	3,808,373	-	3,808,373	3,730,000	3,730,000	(78,373)
Support services	1,721,292	-	1,721,292	1,765,000	1,765,000	43,708
Non-instructional programs	-	249,708	249,708	300,000	300,000	50,292
Other expenditures	2,505,352	-	2,505,352	1,330,869	1,330,869	(1,174,483)
Total expenditures/expenses	<u>8,035,017</u>	<u>249,708</u>	<u>8,284,725</u>	<u>7,125,869</u>	<u>7,125,869</u>	<u>(1,158,856)</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,632,416)	(8,828)	(1,641,244)	(215,849)	(215,849)	(1,425,395)
Other financing sources (uses) net	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(132,416)	(8,828)	(141,244)	(215,849)	(215,849)	74,605
Balance beginning of year	<u>1,626,455</u>	<u>33,760</u>	<u>1,660,215</u>	<u>1,751,922</u>	<u>1,751,922</u>	<u>(91,707)</u>
Balance end of year	<u><u>1,494,039</u></u>	<u><u>24,932</u></u>	<u><u>1,518,971</u></u>	<u><u>1,536,073</u></u>	<u><u>1,536,073</u></u>	<u><u>(17,102)</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

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, 2012, expenditures in the instruction and other expenditures functions exceeded the amounts 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%
2012	July 1, 2009	-	200,423	200,423	0.0%	1,900,000	10.5%

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.

SUPPLEMENTARY INFORMATION

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash and pooled investments	293,306	32,224	325,530
Receivables:			
Property tax:			
Delinquent	-	740	740
Succeeding year	-	114,549	114,549
Interfund receivable	2,587	-	2,587
Due from other governments	84,561	99,834	184,395
Total assets	380,454	247,347	627,801
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	37,881	6,809	44,690
Interfund payables	-	1,936	1,936
Deferred revenue:			
Succeeding year property tax	-	114,549	114,549
Income surtax	-	99,834	99,834
Total liabilities	<u>37,881</u>	<u>223,128</u>	<u>261,009</u>
Fund balances:			
Restricted for:			
School infrastructure	342,573	-	342,573
Physical plant and equipment	-	24,219	24,219
Total fund balances	<u>342,573</u>	<u>24,219</u>	<u>366,792</u>
Total liabilities and fund balances	380,454	247,347	627,801

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	332,464	169,625	502,089
Other	1,537	144	1,681
Total revenues	<u>334,001</u>	<u>169,769</u>	<u>503,770</u>
Expenditures:			
Current:			
Support services:			
Operation and maintenance of plant	-	9,080	9,080
Transportation services	-	81,538	81,538
Other expenditures:			
Facilities acquisition	187,025	154,251	341,276
Total expenditures	<u>187,025</u>	<u>244,869</u>	<u>431,894</u>
Excess (deficiency) of revenues over (under) expenditures	146,976	(75,100)	71,876
Other financing sources (uses):			
Operating transfers out	<u>(100,000)</u>	-	<u>(100,000)</u>
Net change in fund balance	46,976	(75,100)	(28,124)
Fund balances beginning of year	<u>295,597</u>	<u>99,319</u>	<u>394,916</u>
Fund balance end of year	<u><u>342,573</u></u>	<u><u>24,219</u></u>	<u><u>366,792</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Dramatics	-	2,016	5,673	3,657	-
Speech	-	1,311	2,744	1,387	(46)
Quiz bowl	20	1,521	7,298	5,807	50
Model UN	60	288	748	400	-
Mock trial	-	307	1,603	1,296	-
Music - vocal	-	1,789	4,279	2,490	-
Drill team	-	11,060	13,711	1,991	(660)
Fund raiser	18,112	11,645	8,521	(21,236)	-
Cheerleaders	-	7,849	7,803	-	46
Basketball	-	13,466	15,562	1,891	(205)
Volleyball	-	11,031	9,529	-	1,502
Girls basketball camp	965	-	430	-	535
Football	4,674	29,869	44,170	9,627	-
Baseball	-	3,191	7,919	4,728	-
Softball	-	6,182	12,812	6,210	(420)
Track	-	12,648	24,719	12,242	171
Cross country	-	6,498	7,446	489	(459)
Golf	-	473	1,909	1,436	-
Wrestling	226	7,868	11,645	3,551	-
General athletics	15,531	21,220	2,672	(20,249)	13,830
Sophomores	2,786	6,414	4,109	-	5,091
Juniors	-	2,124	5,002	789	(2,089)
Seniors	106	103	-	-	209
Yearbook	6,656	11,567	12,938	-	5,285
Student council	322	5,703	8,338	2,313	-
Elementary classes	3,209	3,377	1,372	-	5,214
RIF	4,186	-	-	-	4,186
NHS	-	226	557	331	-
Pop fund raiser	-	2,373	1,302	-	1,071
Activity tickets	483	15,115	-	(15,598)	-
Student fundraiser	-	24,335	18,851	(5,484)	-
Undistributed interest	-	32	-	(32)	-
Music - HS band	-	3,386	5,070	1,964	280
Spanish fundraiser	582	-	-	-	582
Total	57,918	224,987	248,732	-	34,173

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	2,690,841	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	706,735	634,586	299,454	257,073	218,413	144,288	175,126	130,640	186,058
Construction donations	-	370,954	899,917	-	-	-	-	-	-
Other	609,111	614,649	297,442	330,998	331,396	453,142	457,661	431,884	289,587
Intermediate sources	-	-	-	-	-	-	-	499	-
State sources	2,150,213	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	245,701	303,666	328,017	133,646	202,715	185,249	165,583	172,245	163,243
Total revenues	<u>6,402,601</u>	<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	2,553,206	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	576,280	462,765	520,317	320,362	499,964	373,395	435,810	462,686	458,896
Other	678,887	709,224	491,466	658,667	420,560	522,296	405,822	418,649	431,490
Support services:									
Student	115,083	118,535	75,070	84,491	82,599	82,318	76,115	75,837	75,967
Instructional staff	131,169	104,615	165,667	122,442	126,266	116,769	105,292	155,357	128,314
Administration	616,847	521,380	473,205	546,658	536,469	518,908	510,418	466,871	430,690
Operation and maintenance	371,022	416,404	440,495	410,346	407,347	403,686	374,690	347,033	331,976
Transportation	487,171	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	341,276	1,075,831	1,514,620	374,676	94,455	385,445	755,792	165,677	75,222
Long-term debt:									
Principal	1,910,000	385,000	355,000	350,000	340,000	3,360,000	245,000	230,000	215,000
Interest and other charges	90,719	74,400	83,935	92,335	99,875	280,376	292,550	306,840	218,785
AEA flowthrough	163,357	181,962	182,079	170,206	165,990	162,330	157,218	159,033	161,837
Total expenditures	<u>8,035,017</u>	<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.

Gary E. Horton CPA

PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Galva-Holstein Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 28, 2013. 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

The management of Galva-Holstein Community School District is responsible for establishing and maintaining effective 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 12-I-A, 12-I-B, 12-I-C, 12-I-D and 12-I-E 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, 2012 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 28, 2013

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

12-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.

12-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.

12-I-C Bank Reconciliations: One of the main internal controls over the cash balances reported in the accounting records is the preparation of a monthly reconciliation of the bank statement cash balances to the cash balances in the accounting records. The cash balances in the computer financial accounting records were not reconciled to the bank timely. All of the monthly bank reconciliations were prepared at the end of the fiscal year.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

Recommendation: Bank reconciliations should be prepared as soon as the monthly bank statements are received. Any variances between the bank reconciliation and the cash balances in the financial statements should be investigated and resolved.

District Response: Timely monthly bank reconciliations will be prepared.

Conclusion: Response accepted.

12-I-D School Expenditure Board Approval: We reviewed credit card bills for all of the funds. We noted that the \$4,396 payment in May 2012 was paid electronically and was not on the list of bills approved by the board.

Recommendation: The board should adopt a policy that specifies what types of items may be paid electronically and that specifies the controls that the District will use to ensure that procedures for electronic payments follow the requirements for all school payments that are set by Iowa law.

The District should also review its procedures for preparing the lists of bills for board approval. Chapter 179.29 of the Code of Iowa provides that "the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage and printing, without prior Board approval. The Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Superintendent. The Board's written policy should comply with Chapter 279.30 of the Code of Iowa. Then, except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed. Any payments made prior to board approval as allowed should be approved by the board at the next meeting.

District Response: We will review our procedures for paying bills electronically.

Conclusion: Response accepted.

12-I-E Check Signing: We noted that the District uses its computer software to print the signatures of the Board President and Board Secretary on checks, as the checks are printed by the computer. It is possible for one person to enter invoices, issue the command to print checks and to receive the checks from the computer center. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate another person to cosign checks when the Board President is not available.

District Response: We are having the checks printed with the signatures to allow the process of issuing checks to be more efficient. We will investigate methods to increase controls over the check printing process.

Conclusion: Response accepted.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

Instances of Noncompliance:

No matters were reported.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

12-II-A Certified Budget: Expenditures for the year ended June 30, 2012, exceeded the amounts budgeted in the instruction and other expenditures functions.

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: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

12-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.

12-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.

12-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>
Jamie Whitmer, board member	Physicals	\$ 170

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

12-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.

12-II-F Board Minutes: Except as explained in comment 12-I-D, we noted no transactions requiring Board approval that had not been approved by the Board.

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

12-II-H Supplementary Weighting: Supplementary weighting was not claimed for 14 students attending community college classes.

Recommendation: The District should review its procedures to avoid missing the supplementary weighting for students taking community college classes.

District Response: We will review our procedures.

Conclusion: Response accepted.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

- 12-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.

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

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

- 12-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, 2012, 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		295,597
Revenues/transfers in:		
Statewide sales, services and use tax revenue	332,464	
Interest	228	
Donations	1,309	334,001
Expenditures/transfers out:		
School infrastructure construction	184,501	
Equipment	2,524	
Transfers to debt service fund	100,000	287,025
Ending balance		342,573

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

For the year ended June 30, 2012, 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	.53791	100,000

12-II-M Deficit Balances: The Student Activity Fund has several accounts with deficit balances at June 30, 2012.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.

12-II-N Physical Plant and Equipment Levy Fund: The Physical Plant and Equipment Levy Fund may be used to purchase equipment with cost exceeding \$500. We noted that expenditures from this fund included approximately \$435 for a group of equipment.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund and the General Fund should reimburse the Physical Plant and Equipment Fund for the purchase.

District Response: We will monitor the expenditures from this fund and have General Fund make the reimbursement.

Conclusion: Response accepted.

12-II-O Old outstanding checks: We noted that the District's bank reconciliations included approximately \$4,500 of old outstanding checks. Iowa Code Section 566 specifies that holders unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of outstanding checks. The District should search for the owners of all other outstanding checks, then, reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.

12-II-P

Competitive Quotes: Competitive quotes are required when the District enters into contracts for capital improvements that are more than \$48,000, but less than \$125,000. The District had \$52,000 roofing project, but did not have any documentation that it obtained competitive quotes for the project from vendor.

Recommendation: The District should develop procedures to ensure that it uses a competitive quote process and that it retains documentation of the process when it has capital improvement projects more than \$48,000.

Response: We will develop procedures to ensure that we follow Iowa law.

Conclusion: Response accepted.