

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

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Independent Auditor's Report

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Galva-Holstein Community School District as of June 30,

2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

#### Other Matters

##### *Required Supplementary Information*

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 38 through 40 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 financial reporting for placing the basic financial statements in an appropriate operation, 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Supplementary Information*

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 in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2014 on our consideration of Galva-Holstein Community School District's internal control over financial reporting and on 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 and 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 in considering Galva-Holstein Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

March 31, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Galva-Holstein Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. 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 Position 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 Position 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 position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position 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 Position and a statement of Changes in Fiduciary Net Position.

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 position at June 30, 2013 compared to June 30, 2012.

Figure A-3

	Condensed Statement of Net Position						Percentage Change 2012-2013 %
	Governmental Activities		Business-type Activities		Total School District		
	2013	2012	2013	2012	2013	2012	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,415,430	4,293,343	31,981	12,778	4,447,411	4,306,121	3%
Capital assets	7,879,846	7,923,108	12,908	16,625	7,892,754	7,939,733	-1%
<b>Total assets</b>	<b>12,295,276</b>	<b>12,216,451</b>	<b>44,889</b>	<b>29,403</b>	<b>12,340,165</b>	<b>12,245,854</b>	<b>1%</b>
Long-term liabilities	1,312,417	1,804,183	-	937	1,312,417	1,805,120	-27%
Other liabilities	2,714,456	2,701,364	2,997	3,534	2,717,453	2,704,898	1%
<b>Total liabilities</b>	<b>4,026,873</b>	<b>4,505,547</b>	<b>2,997</b>	<b>4,471</b>	<b>4,029,870</b>	<b>4,510,018</b>	<b>-11%</b>
Net position:							
Net investment in capital position	6,629,846	6,198,108	12,908	16,625	6,642,754	6,214,733	7%
Restricted	1,096,896	1,106,562	-	-	1,096,896	1,106,562	-1%
Unrestricted	541,661	406,234	28,984	8,307	570,645	414,541	38%
<b>TOTAL NET POSITION</b>	<b>8,268,403</b>	<b>7,710,904</b>	<b>41,892</b>	<b>24,932</b>	<b>8,310,295</b>	<b>7,735,836</b>	<b>7%</b>

The District's total net position increased by 7%, or approximately \$574,459, over the prior year. The largest portion of the District's net position 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 position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$9,666 or 1% over the prior year. The increase was primarily a result of increased expenditures in the General Fund relating to spend down of professional development and core curriculum restricted funds.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$156,104, or 38%. This increase in unrestricted net position was a result of the District received increased tuition local sources for the year. .

Figure A-4 shows the change in net position for the years ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4

	Change in Net Position						Percentage Change 2012-2013 %
	Governmental Activities		Business-type Activities		Total School District		
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	
Revenues							
Program Revenues:							
Charges for services	1,400,681	1,215,057	139,380	132,740	1,540,061	1,347,797	14%
Operating grants & contributions	721,367	809,889	109,692	108,092	831,059	917,981	-9%
Capital grants & contributions	-	61,510	-	-	-	61,510	-100%
General Revenues:							
Property taxes	2,437,823	2,274,863	-	-	2,437,823	2,274,863	7%
Income surtax	89,041	96,333	-	-	89,041	96,333	-8%
Sales tax	350,463	332,464	-	-	350,463	332,464	5%
Unrestricted state grants	1,570,286	1,616,173	-	-	1,570,286	1,616,173	-3%
Unrestricted investment earnings	5,637	1,591	57	48	5,694	1,639	247%
Other revenue	5,839	7,540	-	-	5,839	7,540	-23%
<b>Total Revenues</b>	<b>6,581,137</b>	<b>6,415,420</b>	<b>249,129</b>	<b>240,880</b>	<b>6,830,266</b>	<b>6,656,300</b>	<b>3%</b>
Expenses:							
Instruction	3,747,373	3,784,567	-	-	3,747,373	3,784,567	-1%
Support services	1,617,864	1,596,480	-	-	1,617,864	1,596,480	1%
Non-instructional programs	-	-	232,169	249,708	232,169	249,708	-7%
Other expenditures	658,401	553,696	-	-	658,401	553,696	19%
<b>Total expenses</b>	<b>6,023,638</b>	<b>5,934,743</b>	<b>232,169</b>	<b>249,708</b>	<b>6,255,807</b>	<b>6,184,451</b>	<b>1%</b>
Increase (decrease) in net position	557,499	480,677	16,960	(8,828)	574,459	471,849	22%
Net position beginning of year	7,710,904	7,230,227	24,932	33,760	7,735,836	7,263,987	6%
Net position end of year	8,268,403	7,710,904	41,892	24,932	8,310,295	7,735,836	7%

In fiscal year 2013 property tax and unrestricted state grants account for 59% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 3% increase in revenues and a 1% increase in expenses. Property tax increased \$162,960 and sales tax increased by \$17,999 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits.

### Governmental Activities

Revenues for governmental activities were \$6,581,137 and expenses were \$6,023,638. 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 \$249,129 and expenses were \$232,169. 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 and streamlined staff duties to allow additional revenues and decreased expenses therefore not having to use reserve funds.

## 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 \$1,618,859, well above last year's ending fund balances of \$1,494,039. The primary reason for the increase in combined fund balances in fiscal 2012 is due to a combination of more revenue received from local sources and reduced expenditures in both costs of instruction and support services

### **Governmental Fund Highlights**

- The District's positive General Fund financial position is the result of many factors. Growth during the year in the area of property taxes and tuition received resulted in an increase in revenues. On a positive note, the district's revenues exceeded the district's expenditures, therefore the district did not have to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance increased from \$580,163 to \$666,727. The Capital Projects Fund balance increased by \$13,876. The increase is due to more property tax received and less transportation costs, relating to purchase of a bus the previous year.
- The balance in the Debt Service Fund decreased from \$54,036 last year to \$48,047 at June 30, 2013.
- The Management Fund balance increased by \$39,295 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 position increased from \$24,932 at June 30, 2012 to \$41,892 at June 30, 2013, representing an increase of approximately 68%. The district increased meal prices per state lunch guidelines and streamlined staff duties to allow additional revenues and decreased expenses.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$214,553 less than budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the support services spending less than originally anticipated. 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.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2013, 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 \$301,580.

The largest change in capital asset activity during the year occurred in the completion of our band room remodel and with the completion it was moved from construction in progress to a Capital Asset.

Figure A-6

**Capital Assets (net of depreciation)**

	Governmental		Business type		Total		Percentage Change 2012-2013
	Activities		Activities		School District		
	2013	2012	2013	2012	2013	2012	
	\$	\$	\$	\$	\$	\$	%
Land	254,818	254,818	-	-	254,818	254,818	0
Construction in progress	-	56,762	-	-	-	56,762	-100%
Buildings	6,549,418	6,520,216	-	-	6,549,418	6,520,216	1%
Improvements	362,448	379,962	-	-	362,448	379,962	-5%
Equipment & furniture	713,162	711,350	12,908	16,625	726,070	727,975	-1%
<b>TOTAL</b>	<b>7,879,846</b>	<b>7,923,108</b>	<b>12,908</b>	<b>16,625</b>	<b>7,892,754</b>	<b>7,939,733</b>	<b>-1%</b>

**Long-Term Debt**

At June 30, 2013 the District had \$1,312,417 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 27% 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 2012-2013
	2013	2012	
	\$	\$	%
General obligation bonds	1,085,000	1,500,000	-28%
Capital loan notes	165,000	225,000	-27%
Early retirement	-	30,000	-100%
Compensated absences	-	12,170	-100%
Net OPEB liability	62,417	37,950	64%
	<b>1,312,417</b>	<b>1,805,120</b>	<b>-27%</b>

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

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

- The outlook for our District, in reference to rising property valuations, will result in a 4% increase for the 2013-2014 school year.
- School financing is highly dependent upon student enrollment. The District's October 2013 enrollment increased by twenty-two students. The increase in revenue due to the enrollment will be supplemented by the 4% allowable growth that was assigned by the State legislature for the 2014-2015 school year and increase in land valuations.
- 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 has installed new access points in the Holstein site and will complete the Galva site in the new future.
- The District entered into a building project for a new science room addition and remodel of old high school building HVAC systems. Proceeds for the project will be funded thru State Wide Sales and Service Use Tax. The project will cost and estimated \$2,479,260 with funds being secured at \$2,590,000 borrowed at with average interest rate of 2.932.
- The District's current government bonds will be paid in full at the conclusion of the 2015-2016 school year.
- The Board of Education will implement to new avenues of revenues in the 2014-2015 school year. They will implement a Instructional Support levy and will establish Modified Allowable Growth At-Risk Funding.
- The District will begin the fourth year (2013-2014) 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 year. The state will reinstate the supplemental weightings for the operational sharing but will begin in the 2014-2015 school year.

## **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 Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total	Component Unit Galva- Holstein Community School District Foundation
	\$	\$	\$	\$
<b>Assets</b>				
Cash, cash equivalents and pooled investments	1,542,491	23,872	1,566,363	532,230
Receivables:				
Property tax:				
Delinquent	23,835	-	23,835	-
Succeeding year	2,521,467	-	2,521,467	-
Accounts	-	384	384	-
Due from other governments	329,498	-	329,498	-
Internal balances	(1,861)	1,861	-	-
Inventories	-	5,864	5,864	-
Capital assets, net of accumulated depreciation	7,879,846	12,908	7,892,754	-
<b>Total assets</b>	<b>12,295,276</b>	<b>44,889</b>	<b>12,340,165</b>	<b>532,230</b>
<b>Liabilities</b>				
Accounts payable	182,512	-	182,512	-
Salaries and benefits payable	9,066	-	9,066	-
Accrued interest payable	1,411	-	1,411	-
Deferred revenue:				
Succeeding year property tax	2,521,467	-	2,521,467	-
Other	-	2,997	2,997	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	420,000	-	420,000	-
Notes payable	60,000	-	60,000	-
Portion due after one year:				
General obligation bonds payable	665,000	-	665,000	-
Notes payable	105,000	-	105,000	-
Net OPEB liability	62,417	-	62,417	-
<b>Total liabilities</b>	<b>4,026,873</b>	<b>2,997</b>	<b>4,029,870</b>	<b>-</b>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

## Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total	Component Unit Galva- Holstein Community School District Foundation
	\$	\$	\$	\$
<b>Net position</b>				
Net investment in capital assets	6,629,846	12,908	6,642,754	-
Restricted for:				
Categorical funding	146,175	-	146,175	-
Management levy	498,170	-	498,170	-
Physical plant and equipment levy	20,332	-	20,332	-
Student activities	25,247	-	25,247	-
School infrastructure	360,336	-	360,336	-
Debt service	46,636	-	46,636	-
Unrestricted	541,661	28,984	570,645	532,230
<b>Total net position</b>	<u>8,268,403</u>	<u>41,892</u>	<u>8,310,295</u>	<u>532,230</u>

GALVA-HOLSTEIN COMMUNITY SCHOOLDISTRICT

Statement of Activities

Year ended June 30, 2013

<b>Functions/Programs</b>	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,524,715	906,217	414,509	-
Special	537,214	259,890	21,373	-
Other	685,444	233,240	57,065	-
	3,747,373	1,399,347	492,947	-
Support services:				
Student	153,179	-	-	-
Instructional staff	91,137	-	-	-
Administration	602,486	-	-	-
Operation and maintenance of plant	390,737	1,334	-	-
Transportation	380,325	-	3,075	-
	1,617,864	1,334	3,075	-
Other expenditures:				
Facilities acquisition	306,854	-	61,926	-
Long-term debt interest	10,522	-	-	-
AEA flowthrough	163,419	-	163,419	-
Depreciation (unallocated)*	177,606	-	-	-
	658,401	-	225,345	-
Total governmental activities	6,023,638	1,400,681	721,367	-
Business type activities:				
Non-instructional programs:				
Food service operations	232,169	139,380	109,692	-
Total primary government	6,255,807	1,540,061	831,059	-
Component Unit:				
Galva-Holstein Community School District	124,024	65,590	21,429	-
Total	6,379,831	1,605,651	852,488	-
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

**Change in net position**

Net position beginning of year

Net position 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 Position

Primary Government

Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(1,203,989)	-	(1,203,989)	-
(255,951)	-	(255,951)	-
(395,139)	-	(395,139)	-
<u>(1,855,079)</u>	<u>-</u>	<u>(1,855,079)</u>	<u>-</u>
(153,179)	-	(153,179)	-
(91,137)	-	(91,137)	-
(602,486)	-	(602,486)	-
(389,403)	-	(389,403)	-
(377,250)	-	(377,250)	-
<u>(1,613,455)</u>	<u>-</u>	<u>(1,613,455)</u>	<u>-</u>
(244,928)	-	(244,928)	-
(10,522)	-	(10,522)	-
-	-	-	-
(177,606)	-	(177,606)	-
<u>(433,056)</u>	<u>-</u>	<u>(433,056)</u>	<u>-</u>
(3,901,590)	-	(3,901,590)	-
-	16,903	16,903	-
(3,901,590)	16,903	(3,884,687)	-
-	-	-	(37,005)
<u>(3,901,590)</u>	<u>16,903</u>	<u>(3,884,687)</u>	<u>(37,005)</u>
1,997,325	-	1,997,325	-
325,920	-	325,920	-
114,578	-	114,578	-
89,041	-	89,041	-
350,463	-	350,463	-
1,570,286	-	1,570,286	-
5,637	57	5,694	3,417
5,839	-	5,839	-
<u>4,459,089</u>	<u>57</u>	<u>4,459,146</u>	<u>3,417</u>
557,499	16,960	574,459	(33,588)
7,710,904	24,932	7,735,836	565,818
<u>8,268,403</u>	<u>41,892</u>	<u>8,310,295</u>	<u>532,230</u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2013

	General Fund	Capital Projects	Debt Service	Management Levy	Nonmajor Student Activity	Total
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Cash, cash equivalents and pooled investments	683,340	286,979	45,000	496,595	30,577	1,542,491
Receivables:						
Property tax:						
Delinquent	18,143	1,070	3,047	1,575	-	23,835
Succeeding year	1,989,828	102,673	428,966	-	-	2,521,467
Interfund receivable	75	-	-	-	-	75
Due from other governments	147,721	181,777	-	-	-	329,498
<b>Total assets</b>	<b>2,839,107</b>	<b>572,499</b>	<b>477,013</b>	<b>498,170</b>	<b>30,577</b>	<b>4,417,366</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	173,486	3,696	-	-	5,330	182,512
Salaries and benefits payable	9,066	-	-	-	-	9,066
Interfund payable	-	1,936	-	-	-	1,936
Deferred revenue:						
Succeeding year property tax	1,989,828	102,673	428,966	-	-	2,521,467
Income surtax	-	83,526	-	-	-	83,526
Total liabilities	2,172,380	191,831	428,966	-	5,330	2,798,507
Fund balances:						
Restricted for:						
Categorical funding	146,175	-	-	-	-	146,175
Debt service	-	-	48,047	-	-	48,047
Management levy	-	-	-	498,170	-	498,170
Student activities	-	-	-	-	25,247	25,247
School infrastructure	-	360,336	-	-	-	360,336
Physical plant and equipment	-	20,332	-	-	-	20,332
Unassigned	520,552	-	-	-	-	520,552
Total fund balances	666,727	380,668	48,047	498,170	25,247	1,618,859
<b>Total liabilities and fund balances</b>	<b>2,839,107</b>	<b>572,499</b>	<b>477,013</b>	<b>498,170</b>	<b>30,577</b>	<b>4,417,366</b>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	1,618,859
<i>Amounts reported for governmental activities in the Statement of Net Position 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.	7,879,846
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	83,526
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.	(1,411)
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>(1,312,417)</u>
<b>Net position of governmental activities (Exhibit A)</b>	<u><u>8,268,403</u></u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	General Fund	Capital Projects	Debt Service	Management Levy	Student Activity	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	1,832,291	570,390	325,920	165,034	-	2,893,635
Tuition	837,450	-	-	-	-	837,450
Other	329,149	2,233	60,174	2,578	242,499	636,633
State sources	2,100,719	-	165	-	-	2,100,884
Federal sources	128,843	-	-	-	-	128,843
Total revenues	<u>5,228,452</u>	<u>572,623</u>	<u>386,259</u>	<u>167,612</u>	<u>242,499</u>	<u>6,597,445</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,538,529	-	-	46,103	-	2,584,632
Special	535,546	-	-	-	-	535,546
Other	428,006	-	-	-	251,425	679,431
	<u>3,502,081</u>	<u>-</u>	<u>-</u>	<u>46,103</u>	<u>251,425</u>	<u>3,799,609</u>
Support services:						
Student	152,623	-	-	-	-	152,623
Instructional staff	91,137	-	-	-	-	91,137
Administration	597,033	-	-	-	-	597,033
Operation and maintenance of plant	321,205	5,354	-	70,590	-	397,149
Transportation	314,390	20,250	-	11,624	-	346,264
	<u>1,476,388</u>	<u>25,604</u>	<u>-</u>	<u>82,214</u>	<u>-</u>	<u>1,584,206</u>
Other expenditures:						
Facilities acquisition	-	439,386	-	-	-	439,386
Long-term debt:						
Principal	-	-	475,000	-	-	475,000
Interest and fiscal charges	-	-	11,005	-	-	11,005
AEA flowthrough	163,419	-	-	-	-	163,419
	<u>163,419</u>	<u>439,386</u>	<u>486,005</u>	<u>-</u>	<u>-</u>	<u>1,088,810</u>
Total expenditures	<u>5,141,888</u>	<u>464,990</u>	<u>486,005</u>	<u>128,317</u>	<u>251,425</u>	<u>6,472,625</u>
Excess (deficiency) of revenues over (under) expenditures	<u>86,564</u>	<u>107,633</u>	<u>(99,746)</u>	<u>39,295</u>	<u>(8,926)</u>	<u>124,820</u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	General Fund	Capital Projects	Debt Service	Management Levy	Student Activity	Total
	\$	\$	\$	\$	\$	\$
Other financing sources (uses):						
Operating transfers in	-	-	93,757	-	-	93,757
Operating transfers out	-	(93,757)	-	-	-	(93,757)
Total other financing sources (uses)	-	(93,757)	93,757	-	-	-
Change in fund balances	86,564	13,876	(5,989)	39,295	(8,926)	124,820
Fund balances beginning of year	580,163	366,792	54,036	458,875	34,173	1,494,039
Fund balances end of year	666,727	380,668	48,047	498,170	25,247	1,618,859

## 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, 2013

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		124,820
<b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of 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	253,001	
Depreciation expense	<u>(296,263)</u>	(43,262)
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.		(16,308)
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 Position.		475,000
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.		483
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	30,000	
Compensated absences	12,170	
Other postemployment benefits	<u>(25,404)</u>	<u>16,766</u>
<b>Changes in net position of governmental activities (Exhibit B)</b>		<u><u>557,499</u></u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Net Position  
Proprietary Fund

June 30, 2013

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Current assets:	
Cash, cash equivalents and pooled investments	23,872
Accounts receivable	384
Interfund receivable	1,861
Inventories	5,864
Total current assets	<u>31,981</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>12,908</u>
<b>Total assets</b>	<u>44,889</u>
<b>Liabilities</b>	
Current liabilities:	
Deferred revenue	<u>2,997</u>
<b>Net position</b>	
Invested in capital assets	12,908
Unrestricted	<u>28,984</u>
<b>Total net position</b>	<u><u>41,892</u></u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>139,380</u>
Operating expenses:	
Non-instructional programs:	
Salaries	74,478
Benefits	11,180
Supplies	140,452
Depreciation	5,317
Other	742
Total operating expenses	<u>232,169</u>
Operating income (loss)	<u>(92,789)</u>
Non-operating revenues:	
State sources	2,253
Federal sources	107,439
Interest income	57
Total non-operating revenues	<u>109,749</u>
Change in net position	16,960
Net position beginning of year	<u>24,932</u>
Net position end of year	<u><u>41,892</u></u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2013

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	139,255
Cash payments to employees for services	(86,595)
Cash payments to suppliers for goods or services	(124,619)
Net cash used by operating activities	<u>(71,959)</u>
Cash flows from non-capital financing activities:	
State grants received	2,253
Federal grants received	88,041
Net cash provided by non-capital financing activities	<u>90,294</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>57</u>
Net increase (decrease) in cash and cash equivalents	18,392
Cash and cash equivalents at beginning of year	<u>5,480</u>
Cash and cash equivalents at end of year	<u><u>23,872</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	(92,789)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	19,398
Depreciation	3,717
Decrease (increase) in inventories	(701)
Decrease (increase) in accounts receivable	(110)
(Decrease) increase in accounts payable	(522)
(Decrease) increase in deferred revenue	(15)
(Decrease) increase in other post employment benefits	(937)
Net cash used by operating activities	<u><u>(71,959)</u></u>

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

During the year ended June 30, 2013, the District received \$19,398 of federal commodities.

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2013

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	25,976
<b>Liabilities</b>	
Interfund payable	<u>996</u>
<b>Net Position</b>	
Reserved for scholarships	<u><u>24,980</u></u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

Year ended June 30, 2013

	Private Purpose Trust Scholarship \$
Additions	
Local sources:	
Interest	<u>113</u>
Deductions:	
Support services:	
Scholarships awarded	<u>-</u>
Change in net position	113
Net position beginning of year	<u>24,867</u>
Net position end of year	<u><u>24,980</u></u>

# GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

### 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 and special education pre-kindergarten. The geographic area served includes the Cities of Galva and Holstein, Iowa and the predominately agricultural territory in a portion of Ida, Cherokee, Buena Vista and Sac Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Galva-Holstein Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Galva-Holstein Community School District Foundation is included in the financial statements as a discretely presented component unit, because of the nature and significance of its relationship with the Galva-Holstein Community School District.

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

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

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

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

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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 property tax and other revenues to be used 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 position and changes in net position. 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 position 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.

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, Cash Equivalents and Pooled Investments - 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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 Position.

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 the preceding classifications.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

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

The District's deposits in banks at June 30, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$637,489 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, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
School Nutrition Fund	Capital Projects Fund	1,936
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, 2013 is as follows:

Transfer To	Transfer From	Amount
		\$
Debt Service Fund	Capital Projects Fund	93,757

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, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	254,818	-	-	254,818
Construction in Progress	56,762	132,532	189,294	-
Total capital assets not being deprec.	<u>311,580</u>	<u>132,532</u>	<u>189,294</u>	<u>254,818</u>
Capital assets being depreciated:				
Buildings	10,150,030	189,294	-	10,339,324
Improvements other than buildings	997,636	-	-	997,636
Furniture and equipment	3,212,730	120,469	-	3,333,199
Total capital assets being deprec.	<u>14,360,396</u>	<u>309,763</u>	<u>-</u>	<u>14,670,159</u>
Less accumulated depreciation for:				
Buildings	3,629,814	160,092	-	3,789,906
Improvements other than buildings	617,674	17,514	-	635,188
Furniture and equipment	2,501,380	118,657	-	2,620,037
Total accumulated depreciation	<u>6,748,868</u>	<u>296,263</u>	<u>-</u>	<u>7,045,131</u>
Total capital assets being depreciated, net	<u>7,611,528</u>	<u>13,500</u>	<u>-</u>	<u>7,625,028</u>
Governmental activities capital assets, net	<u>7,923,108</u>	<u>146,032</u>	<u>189,294</u>	<u>7,879,846</u>

**Business type activities:**

Furniture and equipment	152,011	-	-	152,011
Less accumulated depreciation	<u>135,386</u>	<u>5,317</u>	<u>1,600</u>	<u>139,103</u>
Business type activities capital assets, net	<u>16,625</u>	<u>(5,317)</u>	<u>(1,600)</u>	<u>12,908</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	47,721
Other	9,105
Support services:	
Administration services	2,673
Operation and maintenance of plant services	5,403
Transportation	<u>53,755</u>
	118,657
Unallocated depreciation	<u>177,606</u>
Total depreciation expense – governmental activities	<u>296,263</u>
Business type activities:	
Food services	<u>5,317</u>

**6. Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	1,500,000	-	415,000	1,085,000	420,000
Capital loan notes	225,000	-	60,000	165,000	60,000
Termination benefits	30,000	-	30,000	-	-
Compensated absences	12,170	-	12,170	-	-
Net OPEB liability	<u>37,013</u>	<u>25,404</u>	<u>-</u>	<u>62,417</u>	<u>-</u>
Total	<u>1,804,183</u>	<u>25,404</u>	<u>517,170</u>	<u>1,312,417</u>	<u>480,000</u>
Business type activities:					
Net OPEB liability	<u>937</u>	<u>-</u>	<u>937</u>	<u>-</u>	<u>-</u>

**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, 2013, the District has obligations to no participants. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$30,000.

## General Obligation Bonds Payable

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Refunding Issue of May 2012			
	Interest Rates %	Principal \$	Interest \$	Total \$
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>1,085,000</u>	<u>17,035</u>	<u>1,102,035</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% and 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:

Year Ending June 30,	Principal \$
2014	60,000
2015	60,000
2016	45,000
	<u>165,000</u>

During the year ended June 30, 2013 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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and

2011 were \$216,761, \$198,940 and \$169,615 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 44 active and 2 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	27,939
Interest on net OPEB obligation	986
Adjustment to annual required contribution	<u>2,483</u>
Annual OPEB cost	26,442
Contributions made	<u>1,975</u>
Increase in net OPEB obligation	24,467
Net OPEB obligation beginning of year	<u>37,950</u>
Net OPEB obligation end of year	<u>62,417</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. 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, 2013.

For the year ended June 30, 2013, the District contributed \$1,975 to the medical plan. Plan members eligible for benefits contributed \$3,646, 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, 2013 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
2013	26,442	7%	62,417

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$213,653, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$213,653. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,850,000, and the ratio of the UAAL to covered payroll was 11.5%. As of June 30, 2013, 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, 2012 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 \$163,419 for the year ended June 30, 2013 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 four years are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Lease Payment</u>
	\$
2014	14,640
2015	14,640
2016	14,640
2017	14,640

The District paid \$14,640 of lease payments during the fiscal year.

## 12. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Home school assistance	141
At-risk	5,857
Core curriculum	21,671
Mentoring	3,224
Teacher salary supplement	71,207
Preschool	25,937
Professional development	18,138
	<u>146,175</u>

REQUIRED SUPPLEMENTARY INFORMATION

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2013

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,367,718	139,437	4,507,155	4,260,443	4,260,443	246,712
State sources	2,100,884	2,253	2,103,137	2,509,684	2,509,684	(406,547)
Federal sources	128,843	107,439	236,282	291,000	291,000	(54,718)
Total revenues	<u>6,597,445</u>	<u>249,129</u>	<u>6,846,574</u>	<u>7,061,127</u>	<u>7,061,127</u>	<u>(214,553)</u>
Expenditures/Expenses:						
Instruction	3,799,609	-	3,799,609	3,850,650	3,850,650	51,041
Support services	1,584,206	-	1,584,206	2,010,000	2,010,000	425,794
Non-instructional programs	-	232,169	232,169	260,000	260,000	27,831
Other expenditures	1,088,810	-	1,088,810	1,304,450	1,304,450	215,640
Total expenditures/expenses	<u>6,472,625</u>	<u>232,169</u>	<u>6,704,794</u>	<u>7,425,100</u>	<u>7,425,100</u>	<u>720,306</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	124,820	16,960	141,780	(363,973)	(363,973)	505,753
Balance beginning of year	<u>1,494,039</u>	<u>24,932</u>	<u>1,518,971</u>	<u>1,884,379</u>	<u>1,884,379</u>	<u>(365,408)</u>
Balance end of year	<u><u>1,618,859</u></u>	<u><u>41,892</u></u>	<u><u>1,660,751</u></u>	<u><u>1,520,406</u></u>	<u><u>1,520,406</u></u>	<u><u>140,345</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2013

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, 2013, expenditures did not exceed 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%
2013	July 1, 2012	-	213,653	213,653	0.0%	1,850,000	11.5%

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, 2013

	Capital Projects		
	Statewide Sales, Services and Use	Physical Plant and Equipment Levy	Total
<b>Assets</b>	\$	\$	\$
Cash, cash equivalents and pooled investments	262,085	24,894	286,979
Receivables:			
Property tax:			
Delinquent	-	1,070	1,070
Succeeding year	-	102,673	102,673
Due from other governments	98,251	83,526	181,777
<b>Total assets</b>	<b>360,336</b>	<b>212,163</b>	<b>572,499</b>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	-	3,696	3,696
Interfund payables	-	1,936	1,936
Deferred revenue:			
Succeeding year property tax	-	102,673	102,673
Income surtax	-	83,526	83,526
Total liabilities	-	191,831	191,831
Fund balances:			
Restricted for:			
School infrastructure	360,336	-	360,336
Physical plant and equipment	-	20,332	20,332
Total fund balances	360,336	20,332	380,668
<b>Total liabilities and fund balances</b>	<b>360,336</b>	<b>212,163</b>	<b>572,499</b>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax \$	Physical Plant and Equipment Levy \$	Total \$
Revenues:			
Local sources:			
Local tax	350,463	219,927	570,390
Other	2,204	29	2,233
Total revenues	<u>352,667</u>	<u>219,956</u>	<u>572,623</u>
Expenditures:			
Current:			
Support services:			
Operation and maintenance of plant	-	5,354	5,354
Transportation services	-	20,250	20,250
Other expenditures:			
Facilities acquisition	241,147	198,239	439,386
Total expenditures	<u>241,147</u>	<u>223,843</u>	<u>464,990</u>
Excess (deficiency) of revenues over (under) expenditures	111,520	(3,887)	107,633
Other financing sources (uses):			
Operating transfers out	<u>(93,757)</u>	<u>-</u>	<u>(93,757)</u>
Change in fund balance	17,763	(3,887)	13,876
Fund balances beginning of year	<u>342,573</u>	<u>24,219</u>	<u>366,792</u>
Fund balance end of year	<u><u>360,336</u></u>	<u><u>20,332</u></u>	<u><u>380,668</u></u>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Dramatics	-	4,005	5,237	1,232	-
Speech	(46)	176	2,471	2,341	-
Quiz bowl	50	250	165	587	722
Model UN	-	80	1,193	1,113	-
Mock trial	-	160	514	354	-
Music - vocal	-	3,419	2,364	582	1,637
Drill team	(660)	13,130	12,747	785	508
Fund raiser	-	7,867	13,140	5,273	-
Cheerleaders	46	6,743	11,022	4,233	-
Basketball	(205)	16,053	22,440	7,539	947
Volleyball	1,502	14,681	17,114	931	-
Girls basketball camp	535	-	400	-	135
Football	-	41,179	34,537	1,164	7,806
Baseball	-	3,907	7,996	4,089	-
Softball	(420)	5,161	8,401	3,660	-
Track	171	10,737	15,083	4,494	319
Cross country	(459)	7,736	7,801	1,171	647
Golf	-	1,118	4,049	2,931	-
Wrestling	-	9,621	17,446	7,825	-
General athletics	13,830	18,445	-	(32,275)	-
Sophomores	5,091	2,226	964	(5,091)	1,262
Juniors	(2,089)	4,066	6,231	7,674	3,420
Seniors	209	40	-	696	945
Yearbook	5,285	13,501	17,856	-	930
Student council	-	12,453	12,453	-	-
Elementary classes	5,214	2,323	1,021	(6,048)	468
RIF	4,186	-	-	-	4,186
NHS	-	-	283	283	-
Pop fund raiser	1,071	-	1,824	1,124	371
Activity tickets	-	15,316	-	(15,316)	-
Student fundraiser	-	25,951	21,392	(4,197)	362
Undistributed interest	-	230	-	(230)	-
Music - HS band	280	1,925	5,281	3,076	-
Spanish fundraiser	582	-	-	-	582
<b>Total</b>	<b>34,173</b>	<b>242,499</b>	<b>251,425</b>	<b>-</b>	<b>25,247</b>

## GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

For the Last Ten Years

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	2,893,635	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	837,450	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	636,633	609,111	614,649	297,442	330,998	331,396	453,142	457,661	431,884	289,587
Intermediate sources	-	-	-	-	-	-	-	-	499	-
State sources	2,100,884	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	128,843	245,701	303,666	328,017	133,646	202,715	185,249	165,583	172,245	163,243
Total revenues	<u>6,597,445</u>	<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	2,584,632	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	535,546	576,280	462,765	520,317	320,362	499,964	373,395	435,810	462,686	458,896
Other	679,431	678,887	709,224	491,466	658,667	420,560	522,296	405,822	418,649	431,490
Support services:										
Student	152,623	115,083	118,535	75,070	84,491	82,599	82,318	76,115	75,837	75,967
Instructional staff	91,137	131,169	104,615	165,667	122,442	126,266	116,769	105,292	155,357	128,314
Administration	597,033	616,847	521,380	473,205	546,658	536,469	518,908	510,418	466,871	430,690
Operation and maintenance	397,149	371,022	416,404	440,495	410,346	407,347	403,686	374,690	347,033	331,976
Transportation	346,264	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	439,386	341,276	1,075,831	1,514,620	374,676	94,455	385,445	755,792	165,677	75,222
Long-term debt:										
Principal	475,000	1,910,000	385,000	355,000	350,000	340,000	3,360,000	245,000	230,000	215,000
Interest and other charges	11,005	90,719	74,400	83,935	92,335	99,875	280,376	292,550	306,840	218,785
AEA flowthrough	163,419	163,357	181,962	182,079	170,206	165,990	162,330	157,218	159,033	161,837
Total expenditures	<u>6,472,625</u>	<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>

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the 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 and of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Galva-Holstein Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Galva-Holstein Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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 described in Part I of the accompanying Schedule of Findings and Responses as items 13-I-A and 13-I-B to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as item 13-I-C to be a significant deficiencies.

### 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 which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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

Galva-Holstein Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Galva-Holstein Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 31, 2014

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

13-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 segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

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

Conclusion: Response accepted.

13-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.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

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

13-I-C Check Signing: We noted that the District uses its computer software to print the signatures of the Board President and Board Secretary on checks. 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.

Instances of Noncompliance:

No matters were reported.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

- 13-II-A Certified Budget: Expenditures for the year ended June 30, 2013, did not exceed the amounts budgeted.
- 13-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.
- 13-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.
- 13-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                      | 240           |
- These transactions do not appear to represent conflicts of interest since the dollar amount was less than \$2,500.
- 13-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 13-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 13-II-G Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.
- 13-II-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 13-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.
- 13-II-J Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.
- 13-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 13-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

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

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, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

	\$	\$
Beginning balance		342,573
Revenues/transfers in:		
Statewide sales, services and use tax revenue	350,463	
Interest	2,204	352,667
	695,240	695,240
Expenditures/transfers out:		
School infrastructure construction	241,147	
Transfers to debt service fund	93,757	334,904
	334,904	334,904
Ending balance		360,336

For the year ended June 30, 2013, 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	.53,791	100,000

13-II-M Old outstanding checks: We noted that the District's bank reconciliations included several 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.

District 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.