

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

June 30, 2015

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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, 2015, 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. Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

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

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, 2015, 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.

Emphasis of Matter

As discussed in Note 11 to the financial statements, Galva-Holstein Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 42 through 48 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 operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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, 2014 (which are not presented herein). For 2009 to 2011 we did not express an opinion on the discretely presented component unit and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, 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 May 13, 2016 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 an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Galva-Holstein Community School District's internal control over financial reporting and compliance.

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

May 13, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Galva-Holstein Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. 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 financial statements provide information about activities for which Galva-Holstein Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 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-1 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-1

	Condensed Statement of Net Position						Percentage Change 2014-2015 %
	Governmental Activities		Business-type Activities		Total School District		
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,237,988	6,433,274	(2,424)	26,495	5,235,564	6,459,769	-19%
Capital assets	9,720,933	8,686,114	24,540	8,706	9,745,473	8,694,820	12%
Total assets	14,958,921	15,119,388	22,116	35,201	14,981,037	15,154,589	-1%
Deferred outflow of resources	335,204	-	11,841	-	347,045	-	100%
Long-term liabilities	4,532,804	3,468,899	57,116	-	4,589,920	3,468,899	32%
Other liabilities	251,532	613,081	-	-	251,532	613,081	-59%
Total liabilities	4,784,336	4,081,980	57,116	-	4,841,452	4,081,980	19%
Deferred inflows of resources	3,364,734	2,666,704	25,085	2,887	3,389,819	2,669,591	27%
Net position:							
Net investment in capital position	6,935,933	5,326,114	24,540	8,706	6,960,473	5,334,820	30%
Restricted	1,476,926	2,688,994	-	-	1,476,926	2,688,994	-45%
Unrestricted	(1,267,804)	355,596	(72,784)	23,608	(1,340,588)	379,204	-454%
TOTAL NET POSITION	7,145,055	8,370,704	(48,244)	32,314	7,096,811	8,403,018	-16%

The District's total net position decreased by 16%, or \$1,306,207, from 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 \$1,212,068 or 45% from the prior year. The decrease was primarily a result of carryover funds from financing of Statewide Sales and Service Tax (SAVE) for the new Science Addition/HVAC project to be carried forward, and pension liabilities.

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 . decreased \$1,719,792, or 454%. This decrease in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions- and Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,032,380 and \$6,905, respectfully, to retroactively report the net pension liability as of June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-2 shows the change in net position for the years ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-2

	Change in Net Position						Percentage Change 2014-2015 %
	Governmental Activities		Business-type Activities		Total School District		
	2015 \$	2014 (Not restated) \$	2015 \$	2014 (Not restated) \$	2015 \$	2014 (Not restated) \$	
Revenues							
Program Revenues:							
Charges for services	1,514,984	1,474,694	141,056	135,757	1,656,040	1,610,451	3%
Operating grants & contributions	741,374	711,641	103,110	115,835	844,484	827,476	2%
Capital grants & contributions	-	-	-	-	-	-	
General Revenues:							
Property taxes	2,697,365	2,516,453	-	-	2,697,365	2,516,453	7%
Income surtax	336,992	150,866	-	-	336,992	150,866	123%
Statewide sales, services and use tax	436,155	389,567	-	-	436,155	389,567	12%
Unrestricted state grants	1,708,273	1,477,043	-	-	1,708,273	1,477,043	16%
Unrestricted investment earnings	7,274	453	21	54	7,295	507	1,339%
Other revenue	134,801	24,956	-	-	134,801	24,956	440%
Total Revenues	7,577,218	6,745,673	244,187	251,646	7,821,405	6,997,319	12%
Expenses:							
Instruction	4,141,378	4,056,025	-	-	4,141,378	4,056,025	2.1%
Support services	1,693,910	1,722,536	-	-	1,693,910	1,722,536	-2%
Non-instructional programs	-	542	253,212	261,224	253,212	261,766	-3%
Other expenditures	935,199	864,269	-	-	935,199	864,269	8%
Total expenses	6,770,487	6,643,372	253,212	261,224	7,023,699	6,904,596	2%
Increase (decrease) in net position	806,731	102,301	(9,025)	(9,578)	797,706	92,723	760%
Net position beginning of year	6,338,324	8,268,403	(39,219)	41,892	6,299,105	8,310,295	-24%
Net position end of year	7,145,055	8,370,704	(48,244)	32,314	7,096,811	8,403,018	-16%

In fiscal year 2015 property tax and unrestricted state grants account for 56% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 83% of the total expenses.

As shown in figure A-2, the District as a whole experienced a 12% increase in revenues and a 2% increase in expenses. Property tax increased \$180,912 and statewide sales, services and use tax increased by \$46,588 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits, more designated fund expenses and operational building costs.

Governmental Activities

Revenues for governmental activities were \$7,577,218 and expenses were \$6,770,487. 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 \$244,187 and expenses were \$253,212. 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, 2014, the District increased meal prices per state lunch guidelines and streamlined staff duties to allow additional revenues and decreased expenses but was not enough to offset the increase to labor costs resulting in use of 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 \$1,950,347, well below last year's ending fund balances of \$3,102,378. The primary reason for the decrease in combined fund balances in fiscal 2015 is due to the completion of the Science addition and HVAC project with carryover funds from previous year applied to final construction costs.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Growth during the year in the area of property taxes and state sources represented an increase in revenues. The district's expenditures were less than the district's revenues, therefore the district did not have to use carryover fund balance to meet its financial obligations during the year and was able to show an increase fund balance of \$105,769.
- The General Fund balance increased from \$520,283 to \$626,052. The Capital Projects Fund balance decreased by \$1,266,998. The decrease is due to remaining Statewide Sales and Service (SAVE) funds expended toward the building project upon its completion.
- The balance in the Debt Service Fund increased from \$47,688 last year to \$52,850 at June 30, 2015.
- The Management Fund balance increased by \$2,603 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 decreased from \$(39,219) as restated at June 30, 2014 to \$(48,244) at June 30, 2015, representing a decrease of approximately 23%. The District reflected the related expenses for the net OPEB liability, which caused an overall reduction of net position.

BUDGETARY HIGHLIGHTS

The District's receipts were \$169,339 less than budgeted receipts, a variance of 2%. The most significant variance resulted from the District receiving more federal funding sources.

Total expenditures were less than budgeted, due primarily to the District's budget for expenditures related to support services. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$9.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$289,272.

The largest change in capital asset activity during the year occurred in the continued construction of a new science addition/HVAC system, therefore added as construction in progress to a Capital Asset.

Figure A-3

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2013-2014 %
	Activities		Activities		School District		
	2015	2014	2015	2014	2015	2014	
	\$	\$	\$	\$	\$	\$	
Land	254,818	254,818	-	-	254,818	254,818	0
Construction in progress	2,174,202	1,048,644	-	-	2,174,202	1,048,644	107%
Buildings	6,391,589	6,527,628	-	-	6,391,589	6,527,628	-2%
Improvements	324,879	344,334	-	-	324,879	344,334	-6%
Equipment & furniture	512,949	510,690	24,540	8,706	537,489	519,396	3%
TOTAL	9,658,437	8,686,114	24,540	8,706	9,682,977	8,694,820	11%

Long-Term Debt

At June 30, 2015 the District had \$4,589,920 in general obligation bonds, revenue bonds, capital loan notes and other long-term debt outstanding. This represents a decrease of approximately 21% from last year. (See Figure A-4) 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-4

Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2015	2014	2014-2015
	\$	\$	%
Governmental activities:			
General obligation bonds	250,000	665,000	-62%
Revenue bonds	2,490,000	2,590,000	-4%
Capital loan notes	45,000	105,000	-57%
Termination benefits	-	11,345	-100%
Compensated absences	13,310	11,712	14%
Net pension liability	1,622,766	2,271,480	-29%
Net OPEB liability	111,728	85,842	30%
	<u>4,532,804</u>	<u>5,740,379</u>	<u>-21%</u>
Business type activities:			
Net pension liability	<u>57,116</u>	<u>79,949</u>	<u>-29%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- “ The outlook for our District, in reference to rising property valuations, will result in a 3% increase for the 2015-2016 school year.
- “ School financing is highly dependent upon student enrollment. The District's October 2015 enrollment showed an increase in 22 students. This will result in \$142,494 of additional funding for the 2015-16 year but does not take into consideration the inability of the district to recoup the additional 18 students we did not make up from the previous year in funding. The District will need to look at reduction of staff at all levels. The District is aware that the budget guarantee, derived from property tax, will give them some time to problem solve but a proactive approach will be taken immediately.
- “ The District is in a one year 2.52% negotiated agreement with teachers.
- “ The District continues to be proactive regarding projects to maintain our buildings and grounds. The District will complete the new Science addition and HVAC system within the 2015-2016 school year.
- “ The District will complete its last bond payment for General Obligation Bonds in 2015-2016.
- “ The District will begin the sixth year (2015-2016) of a whole grade sharing agreement involving grades 5-12 with the Schaller-Crestland School District. We will also continue the sharing of their superintendent. The state will reinstate the supplemental weightings for the operational sharing and will begin in the 2015-2016 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, 2015

	Governmental Activities	Business Type Activities	Total	Component Unit Galva- Holstein Community School District Foundation
	\$	\$	\$	\$
Assets				
Cash, cash equivalents and pooled investments	1,869,330	1,803	1,871,133	672,441
Receivables:				
Property tax:				
Delinquent	35,328	-	35,328	-
Succeeding year	2,745,857	-	2,745,857	-
Accounts	29,935	269	30,204	-
Due from other governments	543,656	-	543,656	-
Internal balances	13,882	(13,882)	-	-
Inventories	-	9,386	9,386	-
Capital assets, net of accumulated depreciation	9,720,933	24,540	9,745,473	-
Total assets	14,958,921	22,116	14,981,037	672,441
Deferred Outflows of Resources				
Pension related deferred outflows	335,204	11,841	347,045	-
Liabilities				
Accounts payable	219,200	-	219,200	-
Accrued interest payable	32,332	-	32,332	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	250,000	-	250,000	-
Revenue bonds payable	140,000	-	140,000	-
Notes payable	45,000	-	45,000	-
Compensated absences	13,310	-	13,310	-
Portion due after one year:				
Revenue bonds payable	2,350,000	-	2,350,000	-
Net pension liability	1,622,766	57,116	1,679,882	-
Net OPEB liability	111,728	-	111,728	-
Total liabilities	4,784,336	57,116	4,841,452	-
Deferred Inflows of Resources				
Unavailable property tax revenue	2,745,857	-	2,745,857	-
Pension related deferred inflows	618,877	21,824	640,701	-
Other	-	3,261	3,261	-
Total deferred inflows of resources	3,364,734	25,085	3,389,819	-

See notes to financial statements.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total	Component Unit Galva- Holstein Community School District Foundation
	\$	\$	\$	\$
Net position				
Net investment in capital assets	6,935,933	24,540	6,960,473	-
Restricted for:				
Categorical funding	184,963	-	184,963	-
Management levy	393,556	-	393,556	-
Physical plant and equipment levy	17,342	-	17,342	-
Student activities	25,554	-	25,554	-
School infrastructure	834,993	-	834,993	-
Debt service	20,518	-	20,518	-
Unrestricted	<u>(1,267,804)</u>	<u>(72,784)</u>	<u>(1,340,588)</u>	<u>672,441</u>
Total net position	<u><u>7,145,055</u></u>	<u><u>(48,244)</u></u>	<u><u>7,096,811</u></u>	<u><u>672,441</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOLDISTRICT

Statement of Activities

Year ended June 30, 2015

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,810,474	841,250	477,557	-
Special	519,567	217,884	20,242	-
Other	811,337	326,885	56,542	-
	4,141,378	1,386,019	554,341	-
Support services:				
Student	170,217	-	-	-
Instructional staff	62,616	-	-	-
Administration	645,538	40,562	-	-
Operation and maintenance of plant	438,793	2,045	-	-
Transportation	376,746	-	2,143	-
	1,693,910	42,607	2,143	-
Other expenditures:				
Facilities acquisition	525,114	86,358	-	-
Long-term debt interest	69,701	-	-	-
AEA flowthrough	184,890	-	184,890	-
Depreciation (unallocated)*	155,494	-	-	-
	935,199	86,358	184,890	-
Total governmental activities	6,770,487	1,514,984	741,374	-
Business type activities:				
Non-instructional programs:				
Food service operations	253,212	141,056	103,110	-
Total primary government	7,023,699	1,656,040	844,484	-
Component Unit:				
Galva-Holstein Community School District				
Foundation	164,343	68,805	400	-
Total	7,188,042	1,724,845	844,884	-
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net position

Net position beginning of year (restated)

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
\$	\$	\$	\$
(1,491,667)	-	(1,491,667)	-
(281,441)	-	(281,441)	-
(427,910)	-	(427,910)	-
<u>(2,201,018)</u>	<u>-</u>	<u>(2,201,018)</u>	<u>-</u>
(170,217)	-	(170,217)	-
(62,616)	-	(62,616)	-
(604,976)	-	(604,976)	-
(436,748)	-	(436,748)	-
(374,603)	-	(374,603)	-
<u>(1,649,160)</u>	<u>-</u>	<u>(1,649,160)</u>	<u>-</u>
(438,756)	-	(438,756)	-
(69,701)	-	(69,701)	-
-	-	-	-
(155,494)	-	(155,494)	-
<u>(663,951)</u>	<u>-</u>	<u>(663,951)</u>	<u>-</u>
(4,514,129)	-	(4,514,129)	-
-	(9,046)	(9,046)	-
(4,514,129)	(9,046)	(4,523,175)	-
-	-	-	(95,138)
<u>(4,514,129)</u>	<u>(9,046)</u>	<u>(4,523,175)</u>	<u>(95,138)</u>
2,146,446	-	2,146,446	-
426,452	-	426,452	-
124,467	-	124,467	-
336,992	-	336,992	-
436,155	-	436,155	-
1,708,273	-	1,708,273	-
7,274	21	7,295	1,360
134,801	-	134,801	-
<u>5,320,860</u>	<u>21</u>	<u>5,320,881</u>	<u>1,360</u>
806,731	(9,025)	797,706	(93,778)
<u>6,338,324</u>	<u>(39,219)</u>	<u>6,299,105</u>	<u>766,219</u>
<u>7,145,055</u>	<u>(48,244)</u>	<u>7,096,811</u>	<u>672,441</u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2015

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash, cash equivalents and pooled investments	500,675	898,655	470,000	1,869,330
Receivables:				
Property tax:				
Delinquent	26,655	1,613	7,060	35,328
Succeeding year	2,256,460	136,273	353,124	2,745,857
Accounts receivable	29,935	-	-	29,935
Interfund receivable	13,882	-	-	13,882
Due from other governments	373,086	170,570	-	543,656
Total assets	3,200,693	1,207,111	830,184	5,237,988
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	92,372	121,728	5,100	219,200
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,256,460	136,273	353,124	2,745,857
Income surtax	225,809	96,775	-	322,584
Total deferred inflows of resources	2,482,269	233,048	353,124	3,068,441
Fund balances:				
Restricted for:				
Categorical funding	184,963	-	-	184,963
Debt service	-	-	52,850	52,850
Management levy	-	-	393,556	393,556
Student activities	-	-	35,074	35,074
School infrastructure	-	834,993	-	834,993
Physical plant and equipment	-	17,342	-	17,342
Unassigned	441,089	-	(9,520)	431,569
Total fund balances	626,052	852,335	471,960	1,950,347
Total liabilities, deferred inflows of resources and fund balances	3,200,693	1,207,111	830,184	5,237,988

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

June 30, 2015

	\$
Total fund balances of governmental funds (Exhibit C)	1,950,347
<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.	9,720,933
Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	322,584
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.	(32,332)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:	
Deferred outflows of resources	335,204
Deferred inflows of resources	(618,877)
	(283,673)
Long-term liabilities, including bonds payable, notes payable, compensated absences, termination benefits, other post employment benefits and net pension liability, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	(4,532,804)
Net position of governmental activities (Exhibit A)	7,145,055

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2015

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,023,473	244,223	549,425	2,817,121
Tuition	753,701	-	-	753,701
Construction donations	-	26,658	-	26,658
Other	388,224	9,267	346,005	743,496
State sources	2,326,637	436,155	175	2,762,967
Federal sources	122,835	-	-	122,835
Total revenues	<u>5,614,870</u>	<u>716,303</u>	<u>895,605</u>	<u>7,226,778</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,751,022	-	11,635	2,762,657
Special	517,802	-	-	517,802
Other	547,335	-	278,991	826,326
	<u>3,816,159</u>	<u>-</u>	<u>290,626</u>	<u>4,106,785</u>
Support services:				
Student	157,416	-	12,213	169,629
Instructional staff	62,616	-	-	62,616
Administration	651,920	-	-	651,920
Operation and maintenance of plant	348,128	-	87,801	435,929
Transportation	287,972	154,751	14,302	457,025
	<u>1,508,052</u>	<u>154,751</u>	<u>114,316</u>	<u>1,777,119</u>
Other expenditures:				
Facilities acquisition	-	1,650,672	-	1,650,672
Long-term debt:				
Principal	-	-	575,000	575,000
Interest and fiscal charges	-	-	91,606	91,606
AEA flowthrough	184,890	-	-	184,890
	<u>184,890</u>	<u>1,650,672</u>	<u>666,606</u>	<u>2,502,168</u>
Total expenditures	<u>5,509,101</u>	<u>1,805,423</u>	<u>1,071,548</u>	<u>8,386,072</u>
Excess (deficiency) of revenues over (under) expenditures	<u>105,769</u>	<u>(1,089,120)</u>	<u>(175,943)</u>	<u>(1,159,294)</u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2015

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Compensation for loss of fixed assets	-	7,263	-	7,263
Transfers in	-	-	185,141	185,141
Transfers out	-	(185,141)	-	(185,141)
Total other financing sources (uses)	-	(177,878)	185,141	7,263
Change in fund balances	105,769	(1,266,998)	9,198	(1,152,031)
Fund balances beginning of year	520,283	2,119,333	462,762	3,102,378
Fund balances end of year	626,052	852,335	471,960	1,950,347

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, 2015

	\$	\$
Change in fund balances - total governmental funds (Exhibit E)		(1,152,031)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:		
Expenditures for capital assets	1,321,165	
Depreciation expense	<u>(286,346)</u>	1,034,819
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.		217,236
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.		575,000
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.		21,905
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		247,145
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	11,345	
Compensated absences	(1,598)	
Pension expense	(121,204)	
Other postemployment benefits	<u>(25,886)</u>	<u>(137,343)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>806,731</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Fund

June 30, 2015

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	1,803
Accounts receivable	269
Inventories	9,386
Total current assets	<u>11,458</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>24,540</u>
Total assets	<u>35,998</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>11,841</u>
Liabilities	
Current liabilities:	
Interfund payable	13,882
Deferred revenue	3,261
Total current liabilities	<u>17,143</u>
Noncurrent liabilities:	
Net pension liability	<u>57,116</u>
Total liabilities	<u>74,259</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>21,824</u>
Net position	
Invested in capital assets	24,540
Unrestricted	<u>(72,784)</u>
Total net position	<u><u>(48,244)</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2015

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>141,056</u>
Operating expenses:	
Non-instructional programs:	
Salaries	77,875
Benefits	8,173
Purchased services	(4,364)
Supplies	168,602
Depreciation	2,926
Total operating expenses	<u>253,212</u>
Operating income (loss)	<u>(112,156)</u>
Non-operating revenues:	
State sources	1,941
Federal sources	101,169
Interest income	21
Total non-operating revenues	<u>103,131</u>
Change in net position	(9,025)
Net position beginning of year, as restated	<u>(39,219)</u>
Net position end of year	<u><u>(48,244)</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	141,636
Cash paid to employees for services	(90,482)
Cash paid to suppliers for goods or services	(143,516)
Net cash used by operating activities	<u>(92,362)</u>
Cash flows from non-capital financing activities:	
Loan from (to) other funds	13,882
State grants received	1,941
Federal grants received	75,779
Net cash provided by non-capital financing activities	<u>91,602</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(18,760)</u>
Cash flows from investing activities:	
Interest on investments	<u>21</u>
Net increase (decrease) in cash and cash equivalents	(19,499)
Cash and cash equivalents at beginning of year	<u>21,302</u>
Cash and cash equivalents at end of year	<u><u>1,803</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(112,156)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	25,390
Depreciation	2,926
Decrease (increase) in inventories	(4,668)
Decrease (increase) in accounts receivable	206
(Decrease) increase in deferred revenue	374
Decrease in net pension liability	(22,833)
Increase in deferred outflows of resources	(3,425)
Increase in deferred inflows of resources	21,824
Net cash used by operating activities	<u><u>(92,362)</u></u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$25,390 of federal commodities.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2015

	Private Purpose Trust Scholarship <u> </u> \$
Assets	
Cash, cash equivalents and pooled investments	26,211
Liabilities	
	<u> -</u>
Net Position	
Reserved for scholarships	<u><u> 26,211</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2015

	Private Purpose Trust Scholarship \$
Additions	
Local sources:	
Gifts and contributions	1,618
Interest	5
Total additions	<u>1,623</u>
Deductions:	
Support services:	
Scholarships awarded	<u>1,141</u>
Change in net position	482
Net position beginning of year	<u>25,729</u>
Net position end of year	<u><u>26,211</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

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 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, deferred outflows of resources, liabilities and deferred inflows of resources, 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 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 are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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 become 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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 Outflows of Resources . Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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.

Pensions . For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees Retirement System (IPERS) and additions to/deductions from IPERS fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources . Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 inflows of resources 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 inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the other expenditures function.

2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2015 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, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$526,787 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. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	254,818	-	-	254,818
Construction in Progress	1,048,644	1,125,558	-	2,174,202
Total capital assets not being deprec.	<u>1,303,462</u>	<u>1,125,558</u>	<u>-</u>	<u>2,429,020</u>
Capital assets being depreciated:				
Buildings	10,339,324	-	-	10,339,324
Improvements other than buildings	997,636	-	-	997,636
Furniture and equipment	3,368,908	195,607	62,496	3,502,019
Total capital assets being deprec.	<u>14,705,868</u>	<u>195,607</u>	<u>62,496</u>	<u>14,838,979</u>
Less accumulated depreciation for:				
Buildings	3,811,696	136,039	-	3,947,735
Improvements other than buildings	653,302	19,455	-	672,757
Furniture and equipment	2,858,218	130,852	-	2,989,070
Total accumulated depreciation	<u>7,323,216</u>	<u>286,346</u>	<u>-</u>	<u>7,609,562</u>
Total capital assets being depreciated, net	<u>7,382,652</u>	<u>(90,739)</u>	<u>62,496</u>	<u>7,229,417</u>
Governmental activities capital assets, net	<u>8,686,114</u>	<u>1,034,819</u>	<u>62,496</u>	<u>9,658,437</u>
Business type activities:				
Furniture and equipment	152,011	18,760	1,500	169,271
Less accumulated depreciation	<u>143,305</u>	<u>2,926</u>	<u>1,500</u>	<u>144,731</u>
Business type activities capital assets, net	<u>8,706</u>	<u>15,834</u>	<u>-</u>	<u>24,540</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Instruction	84,339
Support services:	
Operation and maintenance of plant services	1,099
Transportation	45,414
	<u>130,852</u>
Unallocated depreciation	155,494
Total depreciation expense . governmental activities	<u><u>286,346</u></u>
Business type activities:	
Food services	<u><u>2,926</u></u>

4. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	665,000	-	415,000	250,000	250,000
Revenue bonds	2,590,000	-	100,000	2,490,000	140,000
Capital loan notes	105,000	-	60,000	45,000	45,000
Termination benefits	11,345	-	11,345	-	-
Compensated absences	11,712	13,310	11,712	13,310	13,310
Net pension liability	2,271,480	-	648,714	1,622,766	-
Net OPEB liability	85,842	25,886	-	111,728	-
	<u>5,740,379</u>	<u>39,196</u>	<u>1,246,771</u>	<u>4,532,804</u>	<u>448,310</u>
Business type activities:					
Net pension liability	<u>79,949</u>	<u>-</u>	<u>22,833</u>	<u>57,116</u>	<u>-</u>

Termination Benefits

The District offered a voluntary early retirement plan to its full-time employees during fiscal year 2014. 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 2014 plan certified staff retirees may receive a cash payment of \$20,000, noncertified staff 30 percent of their fiscal year 2014 salary, and supervisory noncertified staff 40 percent of their fiscal year 2014 salary. The benefits will be paid in one payment on July 1, 2014.

At June 30, 2015, the District has no participants and no liability. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$11,345.

General Obligation Bonds Payable

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Refunding Issue of May 2012			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2016	1.05	250,000	2,625	252,625

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.

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 2013			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2016	.85	140,000	63,195	203,195
2017	1.15	140,000	61,795	201,795
2018	1.50	145,000	59,902	204,902
2019	1.70	150,000	57,540	207,540
2020	2.00	150,000	54,765	204,765
2021-2025	2.20-2.95	825,000	217,094	1,042,094
2026-2030	3.20-3.55	940,000	82,281	1,022,281
		<u>2,490,000</u>	<u>596,572</u>	<u>3,086,572</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,590,000 bonds issued in August 2013. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 90% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,086,572. For the current year, \$100,000 of principal and \$85,140 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$436,155.

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
2016	\$ 45,000

During the year ended June 30, 2015 the District made \$60,000 of principal payments.

5. Pension Plan

Plan Description . IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits . A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefits includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits . A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement. Death benefits depend on the benefit option the member selected at retirement.

Contributions . Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS's Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase

or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the entry age normal actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$255,844.

Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . At June 30, 2015, the District reported a liability of \$1,679,882 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.042358 percent, which was an increase of 0.001404 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$125,469. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of Resources	Deferred Inflows of Resources
	\$	\$
Differences between expected and actual experience	18,257	-
Changes in assumptions	74,137	-
Net difference between projected and actual earnings on pension plan investments	-	640,659
Change in proportion and differences between District contributions and proportionate share of contributions	(1,235)	-
District contributions subsequent to the measurement date	<u>255,844</u>	<u>-</u>
Total	<u>347,003</u>	<u>640,659</u>

\$255,844 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	\$
2016	(138,866)
2017	(138,866)
2018	(138,866)
2019	(138,866)
2020	5,964
Total	<u>(549,500)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions . The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
	%	
US Equity	23	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100</u>	

Discount Rate . The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's

fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate . The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%) \$	Discount Rate (7.5%) \$	1% Increase (8.5%) \$
District proportionate share of the net pension liability	3,174,091	1,679,882	418,616

Pension Plan Fiduciary Net Position . Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS's website at www.ipers.org.

Payables to the Pension Plan . At June 30, 2015, the District reported payables to the defined benefit pension plan of \$51,777 for legally required employer contributions and \$34,499 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

6. 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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	29,090
Interest on net OPEB obligation	2,146
Adjustment to annual required contribution	(4,657)
Annual OPEB cost	<u>26,579</u>
Contributions made	693
Increase in net OPEB obligation	<u>25,886</u>
Net OPEB obligation beginning of year	<u>85,842</u>
Net OPEB obligation end of year	<u>111,728</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, 2015.

For the year ended June 30, 2015, the District contributed \$693 to the medical plan. Plan members eligible for benefits contributed \$598, or approximately 26% 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 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
2014	26,239	11%	85,842
2015	26,579	3%	111,728

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$212,528, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$212,528. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,180,000, and the ratio of the UAAL to covered payroll was 9.7%. As of June 30, 2015, 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.

7. Risk Management

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

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$184,890 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

9. Lease Commitment

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

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

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

10. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
	\$
Home school assistance	49
At-risk	2,798
Returning dropout and dropout prevention program	19,424
Core curriculum	26,624
Mentoring	3,130
Teacher salary supplement	84,885
Preschool	18,348
Early reader	15,982
Teacher leadership	6,647
Professional development	7,076
	184,963

11. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB 68 requires a state of local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
	\$	\$
Net position June 30, 2014, as previously reported	8,370,704	32,314
Net pension liability at June 30, 2014	(2,271,480)	(79,949)
Deferred outflows of resources		
Related to contributions made after the June 30, 2013 measurement date	239,100	8,416
Net position July 1, 2014, as restated	6,338,324	(39,219)

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, 2015

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,340,976	141,077	4,482,053	4,896,461	4,896,461	(414,408)
State sources	2,762,967	1,941	2,764,908	2,458,843	2,458,843	306,065
Federal sources	122,835	101,169	224,004	285,000	285,000	(60,996)
Total revenues	<u>7,226,778</u>	<u>244,187</u>	<u>7,470,965</u>	<u>7,640,304</u>	<u>7,640,304</u>	<u>(169,339)</u>
Expenditures/Expenses:						
Instruction	4,106,785	-	4,106,785	4,150,000	4,150,000	43,215
Support services	1,777,119	-	1,777,119	2,061,590	2,061,590	284,471
Non-instructional programs	-	253,212	253,212	258,000	258,000	4,788
Other expenditures	2,502,168	-	2,502,168	2,258,632	2,258,632	(243,536)
Total expenditures/expenses	<u>8,386,072</u>	<u>253,212</u>	<u>8,639,284</u>	<u>8,728,222</u>	<u>8,728,222</u>	<u>88,938</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,159,294)	(9,025)	(1,168,319)	(1,087,918)	(1,087,918)	(80,401)
Other financing sources (uses) net	<u>7,263</u>	<u>-</u>	<u>7,263</u>	<u>-</u>	<u>-</u>	<u>7,263</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(1,152,031)	(9,025)	(1,161,056)	(1,087,918)	(1,087,918)	(73,138)
Balance beginning of year (restated)	<u>3,102,378</u>	<u>(39,219)</u>	<u>3,063,159</u>	<u>2,965,841</u>	<u>2,965,841</u>	<u>97,318</u>
Balance end of year	<u><u>1,950,347</u></u>	<u><u>(48,244)</u></u>	<u><u>1,902,103</u></u>	<u><u>1,877,923</u></u>	<u><u>1,877,923</u></u>	<u><u>24,180</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2015

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, 2015, expenditures exceeded the amounts budgeted in the other expenditures function.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.042358%
District's proportionate share of the net pension liability	1,679,882
District's covered-employee payroll	2,864,991
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.63%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Statutorily required contribution	255,844	247,516	232,878	198,940	169,615	177,003	171,334	154,222	139,300	134,370
Contributions in relation to the statutorily required contribution	<u>255,844</u>	<u>247,516</u>	<u>232,878</u>	<u>198,940</u>	<u>169,615</u>	<u>177,003</u>	<u>171,334</u>	<u>154,222</u>	<u>139,300</u>	<u>134,370</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	2,864,991	2,771,733	2,686,021	2,465,186	2,440,503	2,661,692	2,698,172	2,549,124	2,422,609	2,336,870
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary information - Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decrease the inflation assumption from 3.25 percent to 3.00 percent.
- Decrease the assumed rate of interest on member accounts from 4.00 percent to 3.75% percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL. UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary information - Pension Liability

Year ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

Adjusted salary increase assumptions to service based assumptions.

Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.

Lowered the inflation assumption from 3.50 percent to 3.25 percent.

Lowered disability rates for sheriffs and deputies and protection occupation members.

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%
2014	July 1, 2012	-	213,164	213,164	0.0%	2,100,000	10.2%
2015	July 1, 2012	-	212,528	212,528	0.0%	2,180,000	9.7%

See Note 6 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
Nonmajor Governmental Funds

June 30, 2015

Assets	Special Revenue Funds			Total
	Management	Student	Debt	
	Levy	Activity	Service	
	\$	\$	\$	\$
Cash and pooled investments	391,957	30,654	47,389	470,000
Receivables:				
Property tax:				
Delinquent	1,599	-	5,461	7,060
Succeeding year	100,000	-	253,124	353,124
Total assets	493,556	30,654	305,974	830,184
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	-	5,100	-	5,100
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	100,000	-	253,124	353,124
Fund balances:				
Restricted for:				
Debt service	-	-	52,850	52,850
Management levy	393,556	-	-	393,556
Student activities	-	35,074	-	35,074
Unassigned	-	(9,520)	-	(9,520)
Total fund balances	393,556	25,554	52,850	471,960
Total liabilities, deferred inflows of resources and fund balances	493,556	30,654	305,974	830,184

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2015

	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Debt Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	122,973	-	426,452	549,425
Other	5,581	280,424	60,000	346,005
State sources	-	-	175	175
Total revenues	<u>128,554</u>	<u>280,424</u>	<u>486,627</u>	<u>895,605</u>
Expenditures:				
Current:				
Instruction:				
Regular	11,635	-	-	11,635
Other	-	278,991	-	278,991
Support services:				
Student	12,213	-	-	12,213
Operation and maintenance of plant	87,801	-	-	87,801
Transportation services	14,302	-	-	14,302
Other expenditures:				
Long-term debt:				
Principal	-	-	575,000	575,000
Interest and fiscal charges	-	-	91,606	91,606
Total expenditures	<u>125,951</u>	<u>278,991</u>	<u>666,606</u>	<u>1,071,548</u>
Excess (deficiency) of revenues over (under) expenditures	2,603	1,433	(179,979)	(175,943)
Other financing sources (uses):				
Transfers in	-	-	185,141	185,141
Change in fund balance	2,603	1,433	5,162	9,198
Fund balances beginning of year	<u>390,953</u>	<u>24,121</u>	<u>47,688</u>	<u>462,762</u>
Fund balances end of year	<u><u>393,556</u></u>	<u><u>25,554</u></u>	<u><u>52,850</u></u>	<u><u>471,960</u></u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash, cash equivalents and pooled investments	880,982	17,673	898,655
Receivables:			
Property tax:			
Delinquent	-	1,613	1,613
Succeeding year	-	136,273	136,273
Due from other governments	73,795	96,775	170,570
Total assets	954,777	252,334	1,207,111
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities:			
Accounts payable	119,784	1,944	121,728
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	136,273	136,273
Income surtax	-	96,775	96,775
Total deferred inflows of resources	-	233,048	233,048
Fund balances:			
Restricted for:			
School infrastructure	834,993	-	834,993
Physical plant and equipment	-	17,342	17,342
Total fund balances	834,993	17,342	852,335
Total liabilities, deferred inflows of resources and fund balances	954,777	252,334	1,207,111

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	244,223	244,223
Construction donations	24,658	2,000	26,658
Other	6,212	3,055	9,267
State sources	436,155	-	436,155
Total revenues	<u>467,025</u>	<u>249,278</u>	<u>716,303</u>
Expenditures:			
Current:			
Support services:			
Transportation services	28,470	126,281	154,751
Other expenditures:			
Facilities acquisition	1,465,120	185,552	1,650,672
Total expenditures	<u>1,493,590</u>	<u>311,833</u>	<u>1,805,423</u>
Excess (deficiency) of revenues over (under) expenditures	(1,026,565)	(62,555)	(1,089,120)
Other financing sources (uses):			
Compensation for loss of fixed assets	-	7,263	7,263
Transfers out	(185,141)	-	(185,141)
Total other financing sources (uses)	<u>(185,141)</u>	<u>7,263</u>	<u>(177,878)</u>
Change in fund balance	(1,211,706)	(55,292)	(1,266,998)
Fund balances beginning of year	<u>2,046,699</u>	<u>72,634</u>	<u>2,119,333</u>
Fund balance end of year	<u>834,993</u>	<u>17,342</u>	<u>852,335</u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance
	Beginning of Year				End of Year
	\$	\$	\$	\$	\$
Dramatics	-	3,735	4,084	349	-
Speech	-	392	1,491	1,099	-
Quiz bowl	-	1,760	-	(1,689)	71
Model UN	-	80	1,217	1,137	-
Mock trial	-	150	558	408	-
Music - vocal	239	2,429	1,520	(528)	620
Drill team	273	7,203	7,751	342	67
Fund raiser	-	6,943	6,009	(934)	-
Cheerleaders	-	2,119	3,579	1,460	-
Basketball	-	13,762	19,771	6,009	-
Volleyball	-	14,525	15,673	1,148	-
Girls basketball camp	135	-	183	48	-
Football	4,660	30,916	30,054	(1,519)	4,003
Baseball	-	17,286	19,199	1,913	-
Softball	-	4,047	6,910	2,863	-
Track	-	18,684	18,080	(604)	-
Cross country	-	8,118	7,674	-	444
Golf	-	1,416	1,416	-	-
Wrestling	-	9,987	8,862	(788)	337
Sophomores	2,427	386	-	-	2,813
Juniors	1,682	18,676	20,226	1,393	1,525
Seniors	275	-	-	(275)	-
Yearbook	2,238	14,062	15,389	-	911
Student council	-	10,993	12,196	1,203	-
Elementary classes	-	7,665	2,177	(5,488)	-
RIF	4,251	4,186	8,437	-	-
NHS	-	1,203	1,310	107	-
Pop fund raiser	-	-	1,077	1,077	-
Activity tickets	-	11,290	-	(11,290)	-
Student fundraiser	-	29,215	31,978	2,763	-
Undistributed interest	-	206	-	(204)	2
Music - HS band	-	1,977	1,977	-	-
Weight training fundraiser	7,941	37,013	30,193	-	14,761
Total	24,121	280,424	278,991	-	25,554

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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	2,817,121	2,649,203	2,893,635	2,690,841	2,482,578	2,622,327	2,434,511	2,265,873	2,283,899	2,170,027
Tuition	753,701	813,288	837,450	706,735	634,586	299,454	257,073	218,413	144,288	175,126
Construction donations	5,055	-	-	-	370,954	899,917	-	-	-	-
Other	765,099	660,125	636,633	609,111	614,649	297,442	330,998	331,396	453,142	457,661
State sources	2,762,967	2,456,788	2,100,884	2,150,213	2,079,325	1,827,233	2,123,262	2,117,741	2,053,387	2,031,122
Federal sources	122,835	121,463	128,843	245,701	303,666	328,017	133,646	202,715	185,249	165,583
Total revenues	<u>7,226,778</u>	<u>6,700,867</u>	<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>
Expenditures:										
Instruction:										
Regular	2,762,657	2,742,536	2,584,632	2,553,206	2,578,428	1,935,608	1,912,770	1,874,020	1,804,737	1,767,699
Special	517,802	527,395	535,546	576,280	462,765	520,317	320,362	499,964	373,395	435,810
Other	826,326	703,567	679,431	678,887	709,224	491,466	658,667	420,560	522,296	405,822
Support services:										
Student	169,629	166,007	152,623	115,083	118,535	75,070	84,491	82,599	82,318	76,115
Instructional staff	62,616	76,799	91,137	131,169	104,615	165,667	122,442	126,266	116,769	105,292
Administration	651,920	639,057	597,033	616,847	521,380	473,205	546,658	536,469	518,908	510,418
Operation and maintenance	435,929	444,998	397,149	371,022	416,404	440,495	410,346	407,347	403,686	374,690
Transportation	457,025	354,929	346,264	487,171	315,528	178,306	167,803	174,764	230,846	272,397
Non-instructional programs	-	542	-	-	1,034	1,068	-	-	-	-
Other expenditures:										
Facilities acquisition	1,650,672	1,514,438	439,386	341,276	1,075,831	1,514,620	374,676	94,455	385,445	755,792
Long-term debt:										
Principal	575,000	480,000	475,000	1,910,000	385,000	355,000	350,000	340,000	3,360,000	245,000
Interest and other charges	91,606	8,965	11,005	90,719	74,400	83,935	92,335	99,875	280,376	292,550
AEA flowthrough	184,890	171,099	163,419	163,357	181,962	182,079	170,206	165,990	162,330	157,218
Total expenditures	<u>8,386,072</u>	<u>7,830,332</u>	<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>

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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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 13, 2016. We did not issue an opinion on the Galva-Holstein Community School District Foundation, which is included as a discretely presented component unit, because we were not engaged to and did not audit the Foundation.

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 15-I-A, 15-I-B and 15-I-C to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Galva-Holstein Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain

provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of non-compliance or other matters 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, 2015 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 the 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

May 13, 2016

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

15-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.

15-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, 2015

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

15-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, 2015

Part II: Other Findings Related to Required Statutory Reporting:

15-II-A Certified Budget: Expenditures for the year ended June 30, 2015, exceeded the certified budget amounts budgeted in the other expenditures function.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

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

Conclusion: Response accepted.

15-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.

15-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.

15-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>
Jamie Whitmer, board member	Physicals

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

15-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.

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

15-II-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2014, was understated by 2 students.

Recommendation: The District should review its control procedures to ensure accurate counts in the future.

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

Conclusion: Response accepted

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

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

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

- 15-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.

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

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

- 15-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.

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, 2015, 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 2015 audit:

	\$	\$
Beginning balance		2,046,699
Revenues/transfers in:		
Statewide sales, services and use tax revenue	436,155	
Contributions	24,658	
Other	6,212	
	467,025	467,025
Expenditures/transfers out:		
Transfers out	185,141	
Transportation	28,470	
School infrastructure construction	1,465,120	
	1,678,731	1,678,731
Ending balance		834,993