

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2018

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## Independent Auditor's Report

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

### Report on the Financial Statements

I 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, 2018, and the related Notes to 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### Basis for Disclaimer of Opinion

The financial statements of the Galva-Holstein Community School District Foundation have not been audited, and I was not engaged to audit the Foundation financial statements as part of my 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 I was not engaged to audit the Foundation's financial statements and because I did not apply any auditing procedures to the Foundation's financial statements, I do not express an opinion on the discretely presented component unit.

#### Disclaimer of Opinion

Because the Foundation's financial statements have not been audited, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the financial statements of the discretely presented component unit of the Galva-Holstein Community School District, as of and for the year ended June 30, 2018.

#### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Galva-Holstein Community School District as of June 30, 2018, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

#### Emphasis of a Matter

As discussed in Note 15 to the financial statements, Galva-Holstein Community School District adopted new accounting guidance related to Governmental Accounting Standard Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. My 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 Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 5 through 13 and 51 through 56 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. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

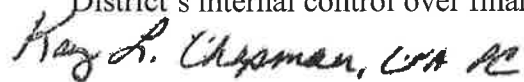
### *Supplementary Information*

My 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. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the seven years ended June 30, 2015 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my 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, I have also issued my report dated February 7, 2019 on my consideration of Galva-Holstein Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's 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.



Kay L. Chapman, CPA PC  
February 7, 2019

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Galva-Holstein Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2018 FINANCIAL HIGHLIGHTS

- The District implemented Governmental Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by \$56,493 to retroactively report the decrease in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- General Fund revenues decreased from \$6,517,154 in fiscal year 2017 to \$6,182,851 in fiscal year 2018, while General Fund expenditures increased from \$5,498,630 in fiscal year 2017 to \$5,849,017 in fiscal year 2018. The District's General Fund balance increased from \$2,131,160 at the end of fiscal year 2017 to \$2,464,997 at the end of fiscal year 2018, 16% increase.
- The fiscal year 2018 General Fund revenue decrease was attributable to decreases in local taxes and state revenues as well as tuition revenue. The increase in expenditures is attributed to an overall increase in instructional expenses of almost 9% with other expenditures in the General Fund being largely unchanged. The District experienced an increase of 25% in open enrollment tuition expense and a 68% increase in special education tuition expense due to resident students being educated by other districts. The District also increased its spending of categorical money by almost \$100,000 significantly decreasing fund balances in restricted categorical funds.

### 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 financial 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 Changes in the District's Total OPEB Liability, Related Ratios and Notes.



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 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

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 Fund, one type of proprietary fund, is the same as its business type activities but provides 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 fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of a Private-Purpose Trust Fund.

- 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 governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2018 compared to June 30, 2017.

Figure A-1

### Condensed Statement of Net Position

	Governmental		Business Type		Total		Total Change 2017-2018
	Activities		Activities		District		
	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2018	2017 (Not Restated)	
Current and other assets	\$ 7,368,426	\$ 6,513,524	\$ 5,241	\$ 10,791	\$ 7,373,667	\$ 6,524,315	13.02%
Capital assets	9,514,303	9,582,692	18,106	20,615	9,532,409	9,603,307	-0.74%
Total assets	16,882,729	16,096,216	23,347	31,406	16,906,076	16,127,622	4.83%
Deferred outflows of resources	839,266	787,882	26,485	21,642	865,751	809,524	6.95%
Long-term liabilities	4,957,636	5,028,812	80,623	78,067	5,038,259	5,106,879	-1.34%
Other liabilities	194,050	140,916	14,000	19,000	208,050	159,916	30.10%
Total liabilities	5,151,686	5,169,728	94,623	97,067	5,246,309	5,266,795	-0.39%
Deferred inflows of resources	3,084,451	2,893,848	29,468	19,317	3,113,919	2,913,165	6.89%
Net position							
Net investment in capital assets	7,449,303	7,372,692	18,106	20,615	7,467,409	7,393,307	1.00%
Restricted	1,751,108	1,274,200	-	-	1,751,108	1,274,200	37.43%
Unrestricted	285,447	173,630	(92,365)	(83,951)	193,082	89,679	115.30%
Total net position	\$ 9,485,858	\$ 8,820,522	\$ (74,259)	\$ (63,336)	\$ 9,411,599	\$ 8,757,186	7.47%

Prior to restatement, the District's total net position increased by approximately 7%, or \$654,413, over the prior year. The largest portion of the District's net position is 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 resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$476,908 or approximately 37% over the prior year. The increase was in part due to a 75% increase in the District's management levy as well as decreased expenditures in the Physical Plant and Equipment Fund, increasing that fund's balance by over \$100,000.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$103,403, or approximately 115%. This increase in unrestricted net position was primarily a result of an increase in cash while realigning expenses to be paid whenever legally allowable from categorical funds such as Professional Core Development, that previously were paid using unrestricted funds.

Figure A-2 shows the changes in net position for the year ended June 30, 2018 compared to the year ended June 30, 2017.

Figure A-2  
Change in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change 2017-2018
	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2018	2017 (Not Restated)	
<b>Revenues</b>							
Program revenues							
Charges for service and sales	\$ 1,526,840	\$ 1,571,820	\$ 126,642	\$ 136,442	\$ 1,653,482	\$ 1,708,262	-3.21%
Operating grants	875,772	849,348	114,309	120,266	990,081	969,614	2.11%
General revenues							
Property tax	2,995,001	3,023,202	-	-	2,995,001	3,023,202	-0.93%
Statewide sales, services and use tax	601,246	426,180	-	-	601,246	426,180	41.08%
Unrestricted state grants	1,450,513	1,637,420	-	-	1,450,513	1,637,420	-11.41%
Contributions and donations	47,001	42,953	-	-	47,001	42,953	9.42%
Unrestricted investment earnings	32,901	9,622	48	26	32,949	9,648	241.51%
Other	10,356	70,286	-	-	10,356	70,286	-85.27%
<b>Total revenues</b>	<b>7,539,630</b>	<b>7,630,831</b>	<b>240,999</b>	<b>256,734</b>	<b>7,780,629</b>	<b>7,887,565</b>	<b>-1.36%</b>
<b>Program expenses</b>							
Governmental activities							
Instruction	4,449,645	4,086,620	-	-	4,449,645	4,086,620	8.88%
Support services	1,776,585	1,798,180	-	-	1,776,585	1,798,180	-1.20%
Non-instructional programs	5,163	-	251,922	283,072	257,085	283,072	-9.18%
Other expenses	699,394	826,296	-	-	699,394	826,296	-15.36%
<b>Total expenses</b>	<b>6,930,787</b>	<b>6,711,096</b>	<b>251,922</b>	<b>283,072</b>	<b>7,182,709</b>	<b>6,994,168</b>	<b>2.70%</b>
Increase (decrease) in net position	608,843	919,735	(10,923)	(26,338)	597,920	893,397	-33.07%
Net position, beginning of year, as restated	8,877,015	7,900,787	(63,336)	(36,998)	8,813,679	7,863,789	12.08%
Net position, end of year	\$ 9,485,858	\$ 8,820,522	\$ (74,259)	\$ (63,336)	\$ 9,411,599	\$ 8,757,186	7.47%

In fiscal year 2018, property tax and unrestricted state grants account for 48% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest

account for almost 100% of business type activities revenues. The District's total revenues were \$7,780,629, of which \$7,539,630 was for governmental activities and \$240,999 was for business type activities. The District's expenses primarily relate to instruction and support services, which account for 84% of the total expenses.

As shown in figure A-2, the District as a whole experienced a 1% decrease in revenues and a 3% increase in expenses. This decrease was mainly due to an approximate 1% decrease in property tax revenues and an 11% decrease in unrestricted state grants, mainly state foundation aid. The largest increases in expenses occurred in instruction where the District's expenses paid to other schools in open enrollment and special education tuition combined for an overall increase of 38.7% from the prior year. There was also a 14% increase in transportation costs.

### Governmental Activities

Revenues for governmental activities were \$7,539,630 and expenses were \$6,930,787 for the year ended June 30, 2018. Although the District's revenues were down and expenditures up for the year, the District continued to operate using the funds available for the given year without dipping into its unspent balance from 2017.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2018 compared to those expenses for the year ended June 30, 2017.

Figure A-3

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2018	2017 (Not Restated)	Change 2017-2018	2018	2017 (Not Restated)	Change 2017-2018
Instruction	\$ 4,449,645	\$ 4,086,620	8.9%	\$ 2,392,038	\$ 1,996,365	19.8%
Support services	1,776,585	1,798,180	-1.2%	1,614,692	1,658,575	-2.6%
Non-instructional programs	5,163	-	100.0%	5,163	(10,532)	149.0%
Other expenses	699,394	826,296	-15.4%	516,282	645,520	-20.0%
Total expenses	<u>\$ 6,930,787</u>	<u>\$ 6,711,096</u>	3.3%	<u>\$ 4,528,175</u>	<u>\$ 4,289,928</u>	5.6%

For the year ended June 30, 2018:

- The cost financed by users of the District's programs was \$1,526,840.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$875,772.
- The net cost of governmental activities was financed with \$3,596,247 of property and other taxes and \$1,450,513 of unrestricted state grants.

### Business Type Activities

Revenues for business type activities during the year ended June 30, 2018 were \$240,999, representing a decrease of approximately 7% from the prior year, while expenses totaled \$251,922, approximately an 11% decrease from the prior year. 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, 2018, the District increased meal prices per state lunch guidelines, however with a decline in student enrollment the Nutrition Fund's revenues were below those of the prior

year. The nutrition director was careful with Nutrition Fund spending and was able to decrease expenditures from the prior year, yet even with the savings in expenses the fund's net position decreased. Administration continues to monitor the fund's financial health quite closely. The School Nutrition Fund seems to be on track to perform better for the 2018-2019 school year.

## **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 combined fund balances of \$4,109,108, well above last year's ending fund balances of \$3,305,684. The primary reason for the increase in combined fund balances in fiscal 2018 particularly in the General and Management Funds (which represent about 73% of the total increase) is due to revenues along with beginning fund balances far exceeding the fiscal year expenses. The PPEL and Sales Tax Funds comprised another 27% of the combined funds increase, and is due in large part to decreases in expenditures within the PPEL Fund.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the result of the District's expenditures being 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 increased fund balance of \$333,834.
- The Capital Projects, Statewide Sales, Services and Use Tax Fund balance increased by \$99,802. The increase is due to an auditor's adjustment while the increase of \$118,665 in the PPEL Fund was due to a decrease in expenditures.
- The Management Fund balance increased by \$240,065 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. The District increased the levy for this fund by 75% over prior year while decreasing expenditures by 25% which resulted in the fund balance increase.

### **Proprietary Fund Highlights**

School Nutrition Fund net position decreased from \$(63,336) at June 30, 2017 to \$(74,259) at June 30, 2018 a decrease of approximately 18%. The District reflected the related expenses for the net OPEB liability, which caused an overall reduction of net position. In addition, there was a decline in student enrollment affecting lunch sales. As noted earlier, administration is monitoring the fund's financial health. The School Nutrition Fund seems to be on track to perform better for the 2018-2019 school year

## **BUDGETARY HIGHLIGHTS**

The District's receipts were \$504,826 more than budgeted receipts, a variance of approximately 7%. When the budget was made, the District was unaware that the Title I program would have a fairly large carryover, but the largest contributors to the variance included much higher earnings on investments, much higher revenues from local sources and finally the auditor adjustment in the State Sales Tax Fund was not accounted for when the budget was made. Total expenditures were \$757,883 less than budgeted. 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, 2018, the District had invested \$9,532,409, 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-4) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$311,327.

The original cost of the District's capital assets was \$18,210,963. Governmental funds account for \$18,040,192, with the remainder of \$170,771 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category, which increased from \$0 at June 30, 2017 to \$193,835 at June 30, 2018. This increase was a result of the the start of the building project in 2018.

Figure A-4

	Capital Assets, Net of Depreciation						
	Governmental		Business-Type		Total		Total
	Activities		Activities		District		Change
	2018	2017	2018	2017	2018	2017	2017-2018
Land	\$ 254,818	\$ 254,818	\$ -	\$ -	\$ 254,818	\$ 254,818	0.00%
Construction in progress	193,835	-	-	-	193,835	-	100.00%
Buildings and improvements	8,315,205	8,470,713	-	-	8,315,205	8,470,713	-1.84%
Improvements, other than buildings	286,661	296,138	-	-	286,661	296,138	-3.20%
Furniture and equipment	<u>463,784</u>	<u>561,023</u>	<u>18,106</u>	<u>20,615</u>	<u>481,890</u>	<u>581,638</u>	-17.15%
Totals	<u>\$ 9,514,303</u>	<u>\$ 9,582,692</u>	<u>\$ 18,106</u>	<u>\$ 20,615</u>	<u>\$ 9,532,409</u>	<u>\$ 9,603,307</u>	-0.74%

### Long-Term Debt

At June 30, 2018 the District had \$5,038,259 in general obligation bonds, revenue bonds, capital loan notes and other long-term debt outstanding. This represents a decrease of less than 1% from last year. (See Figure A-5) 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 \$12.3 million.

Figure A-5

<u>Outstanding Long-term Obligations</u>			
	Total		Total
	District		Change
	June 30,		June 30,
	2017		
	<u>2018</u>	<u>(Restated)</u>	<u>2017-2018</u>
<b>Governmental activities</b>			
Revenue bonds	\$2,065,000	\$2,210,000	-6.56%
Compensated absences	-	18,306	-100.00%
Termination benefits	40,000	22,490	77.86%
Net pension liability	2,754,187	2,625,682	4.89%
Net OPEB liability	<u>98,449</u>	<u>95,841</u>	2.72%
	4,957,636	4,972,319	-0.30%
<b>Business type activities</b>			
Net pension liability	<u>80,623</u>	<u>78,067</u>	3.27%
<b>Total</b>	<u><b>\$5,038,259</b></u>	<u><b>\$5,050,386</b></u>	-0.24%

## **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 which could significantly affect its financial health in the future:

- School financing is highly dependent upon student enrollment. The District's October 2018 enrollment showed an increase of 14 students. This will result in approximately \$95,000 additional funding in 2019-2020 from enrollment even without an increase in supplemental state aid. The District, with an increasing unspent authorized budget, will concentrate on using the funds for non-reoccurring expenses to benefit the students without compromising the District's future financial health.
- The District is in a one year 2% negotiated agreement with teachers.
- The District continues to be proactive regarding projects to maintain our buildings and grounds. Projects for the building and grounds in the 2017-2018 focused mainly on the construction of a new central office in Holstein to provide better security for the students of the District which will be finished in early 2019. In addition in December of 2018, the patrons of the District passed a \$12.285 million bond for a new industrial tech/agriculture education area, a competitive gym and daycare space. Construction on this project is anticipated to being in the fall of 2019.
- The District will begin the ninth year (2018-2019) of a whole grade sharing agreement involving grades 6-12 with the Schaller-Crestland School District. We will also continue the sharing of superintendent. The state will reinstate the supplemental weightings for the operational sharing.

## **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 Natalie Kliegl, District Secretary/Treasurer and Business Manager, Galva-Holstein Community School District, 519 East Maple Street, Holstein, IA 51025.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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## Basic Financial Statements

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2018

Exhibit A

	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>	<u>Component</u>
<b>Assets</b>	<u>Activities</u>	<u>Activities</u>		<u>Unit</u>
				<u>Foundation</u>
Cash, cash equivalents and pooled investments	\$ 3,997,946	\$ 3,564	\$4,001,510	\$ 531,583
Receivables				
Property tax				
Delinquent	8,775	-	8,775	-
Succeeding year	3,038,128	-	3,038,128	-
Accounts receivable	94,275	-	94,275	-
Income surtaxes	28,275	-	28,275	-
Due from other governments	187,027	-	187,027	-
Due from other fund	14,000	-	14,000	-
Inventories	-	1,677	1,677	-
Non-depreciable capital assets	448,653	-	448,653	-
Capital assets, net of accumulated depreciation	<u>9,065,650</u>	<u>18,106</u>	<u>9,083,756</u>	<u>-</u>
Total assets	<u>16,882,729</u>	<u>23,347</u>	<u>16,906,076</u>	<u>531,583</u>
<b>Deferred Outflows of Resources</b>				
Pension related deferred outflows	<u>839,266</u>	<u>26,485</u>	<u>865,751</u>	<u>-</u>
<b>Liabilities</b>				
Accounts payable	161,382	-	161,382	-
Salaries and benefits payable	3,261	-	3,261	-
Accrued interest payable	29,407	-	29,407	-
Due to other fund	-	14,000	14,000	-
Long-term liabilities				
Portion due within one year				
Revenue bonds payable	150,000	-	150,000	-
Termination benefits payable	40,000	-	40,000	-
Portion due after one year				
Revenue bonds payable	1,915,000	-	1,915,000	-
Net pension liability	2,754,187	80,623	2,834,810	-
Total OPEB liability	<u>98,449</u>	<u>-</u>	<u>98,449</u>	<u>-</u>
Total liabilities	<u>5,151,686</u>	<u>94,623</u>	<u>5,246,309</u>	<u>-</u>

See notes to financial statements.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2018

Exhibit A

	Governmental Activities	Business Type Activities	Total	Component Unit Foundation
<b>Deferred Inflows of Resources</b>				
Unavailable property tax revenue	\$ 3,038,128	\$ -	\$ 3,038,128	\$ -
Unearned revenue	-	3,765	3,765	-
Pension related deferred inflows	46,323	25,703	72,026	-
Total deferred inflows of resources	3,084,451	29,468	3,113,919	-
<b>Net Position</b>				
Net investment in capital assets	7,449,303	18,106	7,467,409	-
Restricted for				
Categorical funding	118,722	-	118,722	-
Management levy	649,064	-	649,064	-
Physical plant and equipment	245,769	-	245,769	-
Student activities	56,287	-	56,287	-
School infrastructure	681,266	-	681,266	-
Assigned for scholarships	-	-	-	531,583
Unrestricted	285,447	(92,365)	193,082	-
Total net position	\$ 9,485,858	\$ (74,259)	\$ 9,411,599	\$ 531,583

See notes to financial statements.

**GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT**

Exhibit B

**Statement of Activities**

For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>Primary Government</b>							
Governmental activities							
Instruction							
Regular instruction	\$ 2,918,859	\$ 666,182	\$ 654,269	\$ -	\$ (1,598,408)	\$ -	\$ (1,598,408)
Special instruction	617,562	507,488	19,397	-	(90,677)	-	(90,677)
Other instruction	913,224	199,197	11,074	-	(702,953)	-	(702,953)
	4,449,645	1,372,867	684,740	-	(2,392,038)	-	(2,392,038)
Support services							
Student	133,526	-	6,394	-	(127,132)	-	(127,132)
Instructional staff	52,227	-	-	-	(52,227)	-	(52,227)
Administration	714,956	99,976	-	-	(614,980)	-	(614,980)
Operation and maintenance of plant	470,513	-	-	-	(470,513)	-	(470,513)
Transportation	405,363	53,997	1,526	-	(349,840)	-	(349,840)
	1,776,585	153,973	7,920	-	(1,614,692)	-	(1,614,692)
	5,163	-	-	-	(5,163)	-	(5,163)
Non-instructional programs							
Other expenses							
Facilities acquisition	254,128	-	-	-	(254,128)	-	(254,128)
Long-term debt interest	58,815	-	-	-	(58,815)	-	(58,815)
AEA flowthrough	183,112	-	183,112	-	-	-	-
Depreciation (unallocated) *	203,339	-	-	-	(203,339)	-	(203,339)
	699,394	-	183,112	-	(516,282)	-	(516,282)
Total governmental activities	6,930,787	1,526,840	875,772	-	(4,528,175)	-	(4,528,175)

See notes to financial statements.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2018

Functions/Programs (continued)	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Primary Government (continued)</b>							
Business type activities							
Non-instructional programs							
Food service operations	\$ 251,922	\$ 126,642	\$ 114,309	\$ -	\$ (10,971)	\$ (10,971)	
Total primary government	\$ 7,182,709	\$ 1,653,482	\$ 990,081	\$ -	\$ (10,971)	\$ (4,539,146)	
<b>Component Unit</b>							
Foundation	\$ -	\$ -	\$ -	\$ -			\$ 146,389
<b>General Revenues</b>							
Property tax levied for							
General purposes							
Capital outlay							
Statewide sales, services and use tax							
Unrestricted state grants							
Contributions and donations							
Unrestricted investment earnings							
Miscellaneous							
Total general revenues							
Change in net position							
Net position beginning of year, as restated							
Net position end of year							

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Balance Sheet  
Governmental Funds  
June 30, 2018

Exhibit C

	<u>General</u>	<u>Special Revenue Management Levy</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$2,318,075	\$ 687,988	\$716,085	\$275,798	\$3,997,946
Receivables					
Property tax					
Delinquent	7,051	1,076	-	648	8,775
Succeeding year	2,109,605	700,000	-	228,523	3,038,128
Accounts receivable	94,275	-	-	-	94,275
Income surtax	28,275	-	-	28,275	56,550
Due from other governments	125,059	-	33,693	-	158,752
Due from other fund	14,000	-	-	-	14,000
Total assets	<u>\$4,696,340</u>	<u>\$1,389,064</u>	<u>\$749,778</u>	<u>\$533,244</u>	<u>\$7,368,426</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 90,205	\$ -	\$ 68,512	\$ 2,665	\$ 161,382
Salaries and benefits payable	3,261	-	-	-	3,261
Total liabilities	<u>93,466</u>	<u>-</u>	<u>68,512</u>	<u>2,665</u>	<u>164,643</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue					
Succeeding year property tax	2,109,605	700,000	-	228,523	3,038,128
Income surtax	28,275	-	-	28,275	56,550
Total deferred inflows of resources	<u>2,137,880</u>	<u>700,000</u>	<u>-</u>	<u>256,798</u>	<u>3,094,678</u>
<b>Fund balances</b>					
Restricted for					
Categorical funding	118,722	-	-	-	118,722
School infrastructure	-	-	681,266	-	681,266
Student activities	-	-	-	56,287	56,287
Management levy purposes	-	689,064	-	-	689,064
Physical plant and equipment	-	-	-	217,494	217,494
Unassigned	2,346,272	-	-	-	2,346,272
Total fund balances	<u>2,464,994</u>	<u>689,064</u>	<u>681,266</u>	<u>273,781</u>	<u>4,109,105</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$4,696,340</u>	<u>\$1,389,064</u>	<u>\$749,778</u>	<u>\$533,244</u>	<u>\$7,368,426</u>

See notes to financial statements.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
 Reconciliation of the Balance Sheet - Governmental Funds  
 to the Statement of Net Position  
 June 30, 2018

Exhibit D

<b>Total fund balances of governmental funds</b>	<b>\$4,109,105</b>
 <b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,514,303
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	56,550
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(29,407)
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	\$839,266
Deferred inflows of resources	<u>(46,323)</u> 792,943
Long-term liabilities, including bonds payable, early retirement payable and other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(4,957,636)</u>
 <b>Net position of governmental activities</b>	 <b><u><u>\$9,485,858</u></u></b>

See notes to financial statements.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2018

Exhibit E

	<u>General</u>	<u>Special Revenue Management Levy</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>					
Local sources					
Local tax	\$ 2,451,699	\$354,310	\$ -	\$ 313,046	\$3,119,055
Tuition	753,109	-	-	-	753,109
Other	621,694	9,194	4,794	233,177	868,859
State sources	2,223,757	3,333	601,246	2,074	2,830,410
Federal sources	132,592	-	-	-	132,592
<b>Total revenues</b>	<u>6,182,851</u>	<u>366,837</u>	<u>606,040</u>	<u>548,297</u>	<u>7,704,025</u>
<b>Expenditures</b>					
<b>Current</b>					
<b>Instruction</b>					
Regular	2,818,894	-	-	-	2,818,894
Special	606,442	-	-	-	606,442
Other	696,259	-	-	200,521	896,780
	<u>4,121,595</u>	<u>-</u>	<u>-</u>	<u>200,521</u>	<u>4,322,116</u>
<b>Support services</b>					
Student	130,178	-	-	-	130,178
Instructional staff	51,336	-	-	-	51,336
Administration	717,021	-	-	-	717,021
Operation and maintenance of plant	341,635	109,495	-	23,015	474,145
Transportation	298,977	17,277	-	21,559	337,813
	<u>1,539,147</u>	<u>126,772</u>	<u>-</u>	<u>44,574</u>	<u>1,710,493</u>
Non-instructional programs	5,163	-	-	-	5,163
<b>Other expenditures</b>					
Facilities acquisition	-	-	301,335	173,482	474,817
Long-term debt					
Principal	-	-	-	145,000	145,000
Interest and fiscal charges	-	-	-	59,903	59,903
AEA flowthrough	183,112	-	-	-	183,112
	<u>183,112</u>	<u>-</u>	<u>301,335</u>	<u>378,385</u>	<u>862,832</u>
<b>Total expenditures</b>	<u>5,849,017</u>	<u>126,772</u>	<u>301,335</u>	<u>623,480</u>	<u>6,900,604</u>

See notes to financial statements.



GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2018

Exhibit E

	<u>General</u>	<u>Special Revenue Management Levy</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 333,834	\$240,065	\$304,705	\$ (75,183)	\$ 803,421
Other financing sources (uses)					
Transfers in	-	-	-	204,903	204,903
Transfers (out)	-	-	(204,903)	-	(204,903)
Total other financing sources (uses)	-	-	(204,903)	204,903	-
Change in fund balances	333,834	240,065	99,802	129,720	803,421
Fund balance, beginning of year	<u>2,131,160</u>	<u>448,999</u>	<u>581,464</u>	<u>144,061</u>	<u>3,305,684</u>
Fund balance, end of year	<u>\$ 2,464,994</u>	<u>\$689,064</u>	<u>\$681,266</u>	<u>\$ 273,781</u>	<u>\$4,109,105</u>

See notes to financial statements.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2018

Exhibit F

**Change in fund balances - total governmental funds** **\$803,421**

**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. These costs are not reported in the Statement of Activities, but they are allocated over the estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense for the current year, are as follows:

Expenditures for capital assets	\$240,429	
Depreciation expense	<u>(308,818)</u>	(68,389)

Certain revenues not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. (164,395)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 145,000

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 governmental funds, as follows:

Termination benefits	(17,510)	
Compensated absences	18,306	
Pension expense	(394,958)	
Other postemployment benefits	<u>(2,608)</u>	(396,770)

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,088

The current year District IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 288,888

**Change in net position of governmental activities** **\$608,843**

See notes to financial statements.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
Proprietary Fund  
June 30, 2018

Exhibit G

	<u>Nonmajor School Nutrition</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 3,564
Inventories	<u>1,677</u>
Total current assets	5,241
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>18,106</u>
Total assets	<u>23,347</u>
 <b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>26,485</u>
 <b>Liabilities</b>	
Current liabilities	
Due to other fund	14,000
Noncurrent liabilities	
Net pension liability	<u>80,623</u>
Total liabilities	<u>94,623</u>
 <b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	25,703
Unearned revenue	<u>3,765</u>
Total deferred inflows of resources	<u>29,468</u>
 <b>Net Position</b>	
Net investment in capital assets	18,106
Unrestricted	<u>(92,365)</u>
Total net position	<u>\$ (74,259)</u>

See notes to financial statements.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2018

Exhibit H

	<u>Nonmajor School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	\$ 126,642
Operating expenses	
Non-instructional programs	
Food service operations	
Salaries	55,875
Benefits	26,521
Purchased services	243
Supplies	163,817
Depreciation	2,509
Miscellaneous	<u>2,957</u>
Total operating expenses	<u>251,922</u>
Operating (loss)	<u>(125,280)</u>
Non-operating revenues	
Interest income	48
State sources	1,916
Federal sources	<u>112,393</u>
Total non-operating revenues	<u>114,357</u>
Change in net position	(10,923)
Net position beginning of year	<u>(63,336)</u>
Net position end of year	<u>\$ (74,259)</u>

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2018

Exhibit I

	Nonmajor School Nutrition
Cash flows from operating activities	
Cash received from sale of services	\$ 126,642
Cash payments to employees for services	(79,532)
Cash payments to suppliers for goods and services	(139,389)
Net cash (used in) operating activities	(92,279)
Cash flows from non-capital financing activities	
State grants received	1,916
Federal grants received	92,924
Net cash provided by non-capital financing activities	94,840
Cash flows from capital and related financing activities	-
Cash flows from investing activities	
Interest on investments	48
Net increase in cash and cash equivalents	2,609
Cash and cash equivalents, beginning of year	955
Cash and cash equivalents, end of year	\$ 3,564
 <b>Reconciliation of operating (loss) to net cash</b>	
<b>(used in) operating activities</b>	
Operating (loss)	\$(125,280)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities	
Depreciation	2,509
Commodities used	19,469
Decrease in inventory	8,159
Increase in net pension liability	2,556
(Increase) in deferred outflows of resources	(4,843)
Increase in deferred inflows of resources	10,151
(Decrease) in due to other fund	(5,000)
Net cash (used in) operating activities	\$ (92,279)

**Non-cash investing, capital and related financing activities.**

During the year ended June 30, 2018, the District received \$19,469 of federal commodities.

See notes to financial statements.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2018

Exhibit J

	<u>Private Purpose Trust Scholarships</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 25,911
<b>Liabilities</b>	<u>          -</u>
<b>Net position</b>	
Reserved for scholarships	<u><u>\$ 25,911</u></u>

See notes to financial statements.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Year Ended June 30, 2018

Exhibit K

	<u>Private Purpose Trust Scholarships</u>
Additions	\$ -
Deductions	
Non-instructional programs	
Scholarships	<u>300</u>
Change in net position	(300)
Net position beginning of year	<u>26,211</u>
Net position end of year	<u><u>\$ 25,911</u></u>

See notes to financial statements.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2018

**Note 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. Galva-Holstein Community School District has one component unit which meets the Governmental Accounting Standards Board criteria. 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.

**Discretely Presented Component Unit**

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. The Foundation does not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation is accounted for as a Governmental Fund in these financial statements. The Foundation financial statements are shown in the Statement of Net Position and the Statement of Activities in separate columns. As explained in the Independent Auditor's opinion, the Foundation financial statements have not been audited.



## 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 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.

*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 and proprietary funds are aggregated and reported as nonmajor governmental funds and nonmajor proprietary funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales, services and use tax to be expended for school infrastructure purposes.

The Management Fund is utilized to account for the property tax and other revenues used for tort liability insurance premiums, unemployment compensation insurance claims and early retirement incentive payments.

The District reports no major proprietary funds; however, it reports one nonmajor proprietary fund. The District's School Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund consists of 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, judgments and early retirement 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 Funds 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 Balance/Net Position

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 amortized cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

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 reported as a deferred inflow of resources 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 1½ % per month penalty for delinquent payments; is based on January 1, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2017.

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 if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. 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. Reportable 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>Useful Life</u>
Buildings	50 years
Improvements to 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 applicable to a future year(s) which 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, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for hourly employees' work performed in June, but not paid until July, have been accrued as liabilities.

Compensated Absences - Certain District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees who have resigned or retired. The compensated absence liability has been computed based on rates of pay in effect at June 30, 2018. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2017. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches.

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. The net pension liability attributable to the governmental activities will be paid primarily by the General fund.

Total OPEB Liability - For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the Galva-Holstein District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which 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 income surtax not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and unrecognized items not yet charged to pension expense.

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

Fund Balance - 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 are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classifications.

Net Position - In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Net position restricted through enabling legislation includes \$245,769 for physical plant and equipment, \$56,287 for student activities, \$681,266 for school infrastructure and \$649,064 for management levy purposes.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2018, expenditures exceeded the amount budgeted in the other expenditures functional area.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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

The District's deposits in banks at June 30, 2018 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 ensure 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, 2018, the District had investments in the Iowa Schools Joint Investment Diversified Portfolio which are valued at an amortized cost of \$693,198 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

Credit Risk. This is the risk that a security's credit rating will be downgraded or that the issuer of a security or a guarantor will default (fail to make scheduled interest and principal payments or fail to fulfill its promise to repurchase securities). The investments in the ISJIT were rated AAAM by Standard & Poor's Financial Services. The District places no limit on the amount that may be invested in any one issuer.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72

Component Unit Investments - The Foundation had investments in mutual funds as follows:  
 Mutual funds \$531,583

**Note 3. Due From and Due to From Other Funds**

The detail of interfund receivables and payables at June 30, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major governmental	Nonmajor Enterprise	
General	School Nutrition	\$ 14,000

The School Nutrition Fund owes the General Fund for salaries and benefits at June 30, 2018. This balance will be repaid during the year ending June 30, 2019.

**Note 4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Nonmajor governmental	Capital Projects	
Debt Service	Statewide Sales, Service and Use Tax	\$ 204,903

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for principal and interest payments on debt.

**Note 5. Capital Assets**

Capital assets activity for the year ended June 30, 2018 was as follows:

<u>Governmental activities</u>	<u>Balance, Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, End of Year</u>
Capital assets not being depreciated:				
Land	\$ 254,818	\$ -	\$ -	\$ 254,818
Construction in progress	-	193,835	-	193,835
Total capital assets, not being depreciated	<u>254,818</u>	<u>193,835</u>	<u>-</u>	<u>448,653</u>



Capital assets being depreciated:				
Buildings and improvements	12,741,001	14,000	-	12,755,001
Improvements other than buildings	997,636	-	-	997,636
Furniture and equipment	<u>3,806,308</u>	<u>32,594</u>	-	<u>3,838,902</u>
Total capital assets being depreciated	<u>17,544,945</u>	<u>46,594</u>	-	<u>17,591,539</u>
Less accumulated depreciation for:				
Buildings and improvements	4,270,288	169,508	-	4,439,796
Improvements other than buildings	701,498	9,477	-	710,975
Furniture and equipment	<u>3,245,285</u>	<u>129,833</u>	-	<u>3,375,118</u>
Total accumulated depreciation	<u>8,217,071</u>	<u>308,818</u>	-	<u>8,525,889</u>
Total capital assets being depreciated, net	<u>9,327,874</u>	<u>(262,224)</u>	-	<u>9,065,650</u>
Governmental activities capital assets, net	<u>\$ 9,582,692</u>	<u>\$ (68,389)</u>	<u>\$ -</u>	<u>\$ 9,514,303</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 170,771	\$ -	\$ -	\$ 170,771
Less accumulated depreciation	<u>150,156</u>	<u>2,509</u>	-	<u>152,665</u>
Business type activities capital assets, net	<u>\$ 20,615</u>	<u>\$ (2,509)</u>	<u>\$ -</u>	<u>\$ 18,106</u>

Depreciation expense was charged to the following functions:

**Governmental activities**

Instruction	
Regular	\$ 36,509
Support services	
Administration	615
Operation and maintenance of plant	5,599
Transportation	<u>62,756</u>
	105,479
Unallocated depreciation	<u>203,339</u>
Total governmental activities depreciation expense	<u>\$ 308,818</u>

**Business type activities**

Food services	<u>\$ 2,509</u>
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**Note 6. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2018 are summarized as follows:

	Balance, Beginning of Year, <u>as restated</u>	<u>Additions</u>	<u>Reductions</u>	Balance, End of Year	Due Within <u>One Year</u>
<b>Governmental activities</b>					
Revenue bonds	\$ 2,210,000	\$ -	\$ 145,000	\$ 2,065,000	150,000
Termination benefits	22,490	40,000	22,490	40,000	40,000
Compensated absences	18,306	-	18,306	-	-
Net pension liability	2,625,682	128,505	-	2,754,187	-
OPEB liability	95,841	2,608	-	98,449	-
<b>Totals</b>	<b><u>\$ 4,972,319</u></b>	<b><u>\$ 171,113</u></b>	<b><u>\$ 185,796</u></b>	<b><u>\$ 4,957,636</u></b>	<b><u>\$ 190,000</u></b>
<b>Business type activities</b>					
Net pension liability	<u>\$ 78,067</u>	<u>\$ 2,556</u>	<u>\$ -</u>	<u>\$ 80,623</u>	<u>\$ -</u>

Interest costs incurred and charged to expense on all long-term debt was \$58,815 for the year ended June 30, 2018. During the year ended June 30, 2018, the District made principal payments on total long-term debt of \$145,000.

#### Termination Benefits

The District offered a voluntary early retirement plan to its full-time employees during fiscal year 2018. Eligible employees must have completed at least twenty years of continuous full service to the Galva-Holstein Community School District and must have reached the age of fifty-five on or before June 30 of the calendar year in which early retirement commences. The application for early retirement benefits is subject to approval by the Board of Education.

Under the plan certified staff retirees may receive a cash payment of \$20,000, noncertified staff receive 30% of their fiscal year 2018 salary, and supervisory noncertified staff receive 40% of their fiscal year 2018 salary. The benefits will be paid in one payment on July 1, 2018.

At June 30, 2018, the District had one retiree receiving benefits and reported \$40,000 of termination benefit liabilities. There were \$22,490 of early retirement expenditures for the year ended June 30, 2018 paid from the Management Fund.

#### Revenue Bonds

Details of the District's June 30, 2018 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
2019	1.70%	\$ 150,000	\$ 57,540	\$ 207,540
2020	2.00%	150,000	54,765	204,765
2021	2.20%	155,000	51,560	206,560
2022	2.40%	160,000	47,935	207,935
2023	2.60%	165,000	43,870	208,870
2024-2028	2.80-3.30%	900,000	142,349	1,042,349
2029-2030	3.45-3.55%	<u>385,000</u>	<u>13,661</u>	<u>398,661</u>
Totals		<u>\$ 2,065,000</u>	<u>\$ 411,680</u>	<u>\$ 2,476,680</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,590,000 bonds issued 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 approximately 90% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$2,476,680 at June 30, 2018. For the current year, \$145,000 of principal and \$59,902 of interest was paid on the bonds. Total statewide sales, services and use tax revenues were \$601,246 for the year ended June 30, 2018.

#### **Note 7. 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 the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://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, any time 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 benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date 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% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month 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 - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2018 totaled \$288,888.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the District reported a liability of \$2,834,810 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the District's proportion was 0.042941%, which was a decrease of 0.000415 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$106,070. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 26,026	\$ 24,561
Changes of assumptions	492,559	-
Net difference between projected and actual earnings on IPERS' investments	-	29,609
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	57,441	17,856
District contributions subsequent to the measurement date	<u>289,725</u>	<u>-</u>
Total	<u>\$ 865,751</u>	<u>\$ 72,026</u>

\$289,725 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 ending June 30, 2019. 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 <u>June 30,</u>	
2019	\$ 81,998
2020	231,821
2021	141,906
2022	15,970
2023	<u>32,304</u>
Total	<u>\$ 503,999</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as follows:

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00 %, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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 IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	24%	6.25%
International equity	16	6.71
Core plus fixed income	27	2.25
Public credit	3.5	3.46
Public real assets	7	3.27
Cash	1	(0.31)
Private equity	11	11.15
Private real assets	7.5	4.18
Private credit	3	4.25
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' 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 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
District's proportionate share of the net pension liability	\$4,670,630	\$2,834,810	\$1,292,369

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS - At June 30, 2018, the District reported no payables to IPERS for legally required District contributions or for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

**Note 8. Other Postemployment Benefits (OPEB)**

Plan Description - The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by Galva-Holstein District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>51</u>
Total	<u>52</u>

Total OPEB Liability - The District's total OPEB liability of \$98,449 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actual Assumptions - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2018)	2.75% per annum.
Rates of salary increase (effective June 30, 2018)	0%, OPEB directly determined by year's of service, not salary
Discount rate (effective June 30, 2018)	3.72% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	6.0% per annum

Discount Rate - The discount rate used to measure the total OPEB liability was 3.72% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 95,841
Changes for the year:	
Service cost	9,160
Interest	3,826
Recognition of deferred inflows/outflows	(5,568)
Benefit payments	<u>(4,810)</u>
Net changes	<u>2,608</u>
Total OPEB liability end of year	<u>\$ 98,449</u>



Changes of assumptions reflect a change in the discount rate from 2.50% in fiscal year 2017 to 3.72% in fiscal year 2018.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.72%) or 1% higher (4.72%) than the current discount rate.

	1% Decrease (2.72%)	Discount Rate (3.72%)	1% Increase (4.72%)
Total OPEB liability	\$ 105,848	\$ 98,449	\$ 91,767

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.0%) or 1% higher (7.0%) than the current healthcare cost trend rates.

	1% Decrease (5.0%)	Healthcare Cost Trend Rate (6.0%)	1% Increase (7.0%)
Total OPEB liability	\$ 88,360	\$ 98,449	\$ 110,296

OPEB Expense and Deferred Outflows of Resources Related to OPEB - For the year ended June 30, 2018, the District recognized OPEB expense of \$2,608. At June 30, 2018, the District reported no deferred inflows or outflows of resources related to OPEB.

**Note 9. Risk Management**

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

**Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$183,112 for the year ended June 30, 2018 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## Note 11. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

## Note 12. Categorical Funding

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2018.

<u>Program</u>	
Limited English Proficiency	\$ 316
Gifted and Talented	15,257
Teacher leadership	2,296
Teacher salary supplement	43,152
Early literacy	23,147
Educator quality, professional development for model core curriculum	12,628
Educator quality, professional development	<u>21,926</u>
	<u>\$ 118,722</u>

## Note 13. Deficit Net Position

The District's Enterprise Fund - School Nutrition Fund had negative unrestricted net position of \$92,365 and negative total net position of \$63,336 at June 30, 2018. The Total Enterprise Funds and Business Type Activities also had negative unrestricted net position of \$74,259 and negative total net position of \$74,259 at June 30, 2018.

#### **Note 14. Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

#### Tax Abatements of Other Entities

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2018 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Holstein	Economic development projects	\$ 24,204
Ida County	Economic development projects	64,286
State of Iowa	Income surtax credits	259

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2018, this reimbursement amounted to \$12,810.

#### **Note 15. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2017, as previously reported	\$ 8,820,522
OPEB obligation measured under previous standards	152,334
Total OPEB liability at June 30, 2017	<u>(95,841)</u>
Net position July 1, 2017, as restated	<u>\$ 8,877,015</u>

**Note 16. Construction Commitment**

The District entered into a contract totaling \$897,900 for the remodeling of the central business office. As of June 30, 2018, costs of \$102,338 had been incurred against the contract. The balance of \$795,562 remaining at June 30, 2018 will be paid as work on the project progresses.

**Note 17. Subsequent Events**

The District has evaluated subsequent events through February 7, 2019 which is the date that the financial statements were available to be issued.

## 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 Enterprise Funds  
 Required Supplementary Information  
 For the Year Ended June 30, 2018

	Governmental Funds		Enterprise Funds		Total		Budgeted Amounts		Final to Actual Variance
	Actual		Actual		Actual		Original	Final	
Revenues									
Local sources	\$ 4,741,023		\$ 126,690		\$ 4,867,713		\$ 4,528,631	\$ 4,528,631	\$ 339,082
State sources	2,830,410		1,916		2,832,326		2,707,567	2,707,567	124,759
Federal sources	132,592		112,393		244,985		204,000	204,000	40,985
Total revenues	<u>7,704,025</u>		<u>240,999</u>		<u>7,945,024</u>		<u>7,440,198</u>	<u>7,440,198</u>	<u>504,826</u>
Expenditures/Expenses									
Instruction	4,322,116		-		4,322,116		4,450,000	4,450,000	127,884
Support services	1,710,493		-		1,710,493		2,360,000	2,360,000	649,507
Non-instructional programs	5,163		251,922		257,085		290,000	290,000	32,915
Other expenditures	862,832		-		862,832		810,409	810,409	(52,423)
Total expenditures/expenses	<u>6,900,604</u>		<u>251,922</u>		<u>7,152,526</u>		<u>7,910,409</u>	<u>7,910,409</u>	<u>757,883</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	803,421		(10,923)		792,498		(470,211)	(470,211)	1,262,709
Balance, beginning of year	3,305,684		(63,336)		3,242,348		2,277,887	2,277,887	964,461
Balance, end of year	<u>\$ 4,109,105</u>		<u>\$ (74,259)</u>		<u>\$ 4,034,846</u>		<u>\$ 1,807,676</u>	<u>\$ 1,807,676</u>	<u>\$ 2,227,170</u>

See accompanying Independent Auditor's Report.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2018

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards 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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses 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 adopt any budget amendments.

During the year ended June 30, 2018, expenditures in the other expenditures function exceeded the amount budgeted.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
For the Last Four Years\*  
Required Supplementary Information

	2018	2017	2016	2015
District's proportion of the net pension liability	0.042941%	0.043356%	0.041603%	0.04235%
District's proportionate share of the net pension liability	\$2,834,810	\$ 2,703,749	\$ 2,068,196	\$1,679,882
District's covered payroll	\$3,149,853	\$ 3,065,722	\$ 2,864,991	\$2,771,733
District's proportionate share of the net pension liability as a percentage of its covered payroll	90.00%	88.19%	72.19%	60.61%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

\*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

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  
 For the Last Ten Years  
 Required Supplementary Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Statutorily required contribution	\$ 288,888	\$ 281,282	\$ 273,769	\$ 255,844	\$ 247,516	\$ 232,878	\$ 198,940	\$ 169,615	\$ 177,003	\$ 171,334
Contributions in relation to the statutorily required contribution	<u>(288,888)</u>	<u>(281,282)</u>	<u>(273,769)</u>	<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>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$3,235,025	\$3,149,853	\$3,065,722	\$ 2,864,991	\$2,771,733	\$2,686,021	\$2,465,186	\$2,440,503	\$2,661,692	\$2,698,172
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Pension Liability  
For the Year Ended June 30, 2018

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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% per year measured from the member's first unreduced retirement age to a 6 % reduction for each year of retirement before age 65.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) 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.

Galva-Holstein Community School District  
Schedule of Changes in the District's  
Total OPEB Liability, Related Ratios and Notes  
For the Current Year  
Required Supplementary Information

	2018
Service cost	\$ 9,160
Interest cost	3,826
Recognition of deferred inflows/outflows	(5,568)
Changes in assumptions	-
Benefit payments	(4,810)
Net change in total OPEB liability	2,608
Total OPEB liability beginning of year, as restated	95,841
Total OPEB liability end of year	\$ 98,449
Covered-employee payroll	\$ 3,247,759
Total OPEB liability as a percentage of covered -employee payroll	3.03%

**Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30,2018	3.72%
Year ended June 30,2017	2.50%

## Supplementary Information

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2018

Schedule 1

	<u>Special Revenue Student Activity</u>	<u>Capital Project Physical Plant and Equipment Levy</u>	<u>Total</u>
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$58,952	\$216,846	\$275,798
Receivables			
Property tax			
Delinquent	-	648	648
Succeeding year	-	228,523	228,523
Income surtax	-	28,275	28,275
Total assets	<u>\$58,952</u>	<u>\$474,292</u>	<u>\$533,244</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 2,665	\$ -	\$ 2,665
<b>Deferred inflows of resources</b>			
Unavailable revenue			
Succeeding year property tax	-	228,523	228,523
Income surtax	-	28,275	28,275
Total deferred inflows of resources	<u>-</u>	<u>256,798</u>	<u>256,798</u>
<b>Fund balances</b>			
Restricted for			
Student activities	56,287	-	56,287
Physical plant and equipment	-	217,494	217,494
Total fund balances	<u>56,287</u>	<u>217,494</u>	<u>273,781</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$58,952</u>	<u>\$474,292</u>	<u>\$533,244</u>

See accompanying Independent Auditor's Report.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2018

Schedule 2

	Special Revenue	Capital Projects Physical Plant and Equipment	Debt Service	Total
Revenues	Student Activity	Levy		
Local sources				
Local taxes	\$ -	\$313,046	\$ -	\$313,046
Other	211,586	21,591	-	233,177
State sources	-	2,074	-	2,074
Total revenues	211,586	336,711	-	548,297
Expenditures				
Current				
Instruction				
Other	200,521	-	-	200,521
Support services				
Operation and maintenance of plant	-	23,015	-	23,015
Transportation	-	21,559	-	21,559
Total support services	-	44,574	-	44,574
Other expenditures				
Facilities acquisition	-	173,482	-	173,482
Long-term debt				
Principal	-	-	145,000	145,000
Interest and fiscal charges	-	-	59,903	59,903
Total other expenditures	-	173,482	204,903	378,385
Total expenditures	200,521	218,056	204,903	623,480
Excess (deficiency) of revenues over (under) expenditures	11,065	118,655	(204,903)	(75,183)
Other financing sources				
Transfers in	-	-	204,903	204,903
Change in fund balances	11,065	118,655	-	129,720
Fund balances, beginning of year	45,222	98,839	-	144,061
Fund balances, end of year	\$ 56,287	\$217,494	\$ -	\$273,781

See accompanying Independent Auditor's Report.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 For the Year Ended June 30, 2018

Schedule 3

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of Year
Dramatics	\$ 866	\$ 2,052	\$ 2,539	\$ 379
Speech	-	384	1,674	(1,290)
Quiz bowl	-	-	255	(255)
Model UN	-	-	1,434	(1,434)
Mock trial	-	166	210	(44)
Music-vocal	249	1,735	1,562	422
Drill team	-	7,524	8,217	(693)
Multi activity disbursements	-	5,785	6,066	(281)
Cheerleaders	2,043	5,207	7,556	(306)
Basketball	-	15,726	16,509	(783)
Volleyball	1,521	13,478	14,930	69
Football	(1)	16,881	17,824	(944)
Baseball	-	5,197	5,915	(718)
Softball	-	4,557	8,379	(3,822)
Track	-	5,991	5,596	395
Cross country	-	6,931	7,493	(562)
Golf	-	173	1,439	(1,266)
Swimming	-	-	250	(250)
Wrestling	28	5,428	6,975	(1,519)
Other designated fund balance	-	20,850	8,383	12,467
Sophomores	-	637	-	637
Juniors	3,527	5,200	5,587	3,140
Seniors	1,020	228	182	1,066
Yearbook	3,196	13,081	13,665	2,612
Student council	207	1,855	2,155	(93)
Student senate fund	-	554	154	400
Archery club	-	17,425	14,133	3,292
Elementary classes	2,670	4,000	2,829	3,841
NHS	52	2,697	2,416	333
Pop fundraiser	-	5,026	4,789	237
Activity tickets	-	13,170	-	13,170
Student fundraiser	-	26,700	24,304	2,396
Undistributed interest	4	526	-	530

See accompanying Independent Auditor's Report.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 For the Year Ended June 30, 2018

Schedule 3

	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of Year
Music-HS band	\$ 1,154	\$ 1,518	\$ 434	\$ 2,238
Weight training fundraisers	<u>28,686</u>	<u>904</u>	<u>6,667</u>	<u>22,923</u>
Totals	<u>\$ 45,222</u>	<u>\$ 211,586</u>	<u>\$ 200,521</u>	<u>\$ 56,287</u>

See accompanying Independent Auditor's Report.



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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenues</b>										
Local sources										
Local tax	\$3,119,055	\$3,150,038	\$3,085,705	\$2,817,121	\$2,649,203	\$2,893,635	\$2,690,841	\$2,482,578	\$2,622,327	\$2,434,511
Tuition	753,109	898,389	855,393	753,701	813,288	837,450	706,735	634,586	299,454	257,073
Construction donations				5,055	-	-	-	370,954	899,917	-
Other	868,859	700,070	689,153	765,099	660,125	636,633	609,111	614,649	297,442	330,998
State sources	2,830,410	2,860,876	2,518,898	2,762,967	2,456,788	2,100,884	2,150,213	2,079,325	1,827,233	2,123,262
Federal sources	132,592	100,775	115,143	122,835	121,463	128,843	245,701	303,666	328,017	133,646
Total revenues	<u>\$7,704,025</u>	<u>\$7,710,148</u>	<u>\$7,264,292</u>	<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>
<b>Expenditures</b>										
Current										
Instruction										
Regular	\$2,818,894	\$2,704,650	\$2,654,707	\$2,762,657	\$2,742,536	\$2,584,632	\$2,553,206	\$2,578,428	\$1,935,608	\$1,912,770
Special	606,442	516,810	533,522	517,802	527,395	535,546	576,280	462,765	520,317	320,362
Other	896,780	785,780	815,598	826,326	703,567	679,431	678,887	709,224	491,466	658,667
Support services										
Student	130,178	172,607	135,881	169,629	166,007	152,623	115,083	118,535	75,070	84,491
Instructional staff	51,336	51,095	40,903	62,616	76,799	91,137	131,169	104,615	165,667	122,442
Administration	717,021	741,305	738,377	651,920	639,057	597,033	616,847	521,380	473,205	546,658
Operation and maintenance of plant	474,145	482,439	461,613	435,929	444,998	397,149	371,022	416,404	440,495	410,346
Transportation	337,813	404,702	273,207	457,025	354,929	346,264	487,171	315,528	178,306	167,803
Non-instructional programs	5,163	-	179	-	542	-	-	1,034	1,068	-
Other expenditures										
Facilities acquisition	474,817	549,251	490,996	1,650,672	1,514,438	439,386	341,276	1,075,831	1,514,620	374,676
Long-term debt										
Principal	145,000	140,000	435,000	575,000	480,000	475,000	1,910,000	385,000	355,000	350,000
Interest and other charge	59,903	61,795	66,320	91,606	8,965	11,005	90,719	74,400	83,935	92,335
AEA flowthrough	183,112	180,776	181,590	184,890	171,099	163,419	163,357	181,962	182,079	170,206
Total expenditures	<u>\$6,900,604</u>	<u>\$6,791,210</u>	<u>\$6,827,893</u>	<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>

See accompanying Independent Auditor's Report.

# Kay L. Chapman, CPA PC

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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:

I have audited 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, 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 as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated February 7, 2019. I did not issue an opinion on the Galva-Holstein Community School District Foundation, which is included in the District's financial statements as a discretely presented component unit, because I was not engaged to and did not audit the Foundation. Except as discussed in the preceding sentence, I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my 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, I do not express an opinion on the effectiveness of Galva-Holstein Community School District's internal control.

My 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 have not been identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in Part I of the accompanying Schedule of Findings as items A and B 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, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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 the findings identified in my audit are described in the accompanying Schedule of Findings. Galva-Holstein Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results 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.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Galva-Holstein Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC  
February 7, 2019

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2018

**Part I. Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES**

A. Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

Condition - I noted that the same individual performed the following duties: recording and processing of cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information.

Cause - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Effect - Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2018

B. Material Misstatements not Detected

Criteria - A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the District's financial statements.

Condition - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The District did not update their fund 08 and 09 balance sheets at year-end.

Cause - District policies do not require and procedures have not been established to require independent review of year-end adjusting entries and cut-off transactions to ensure the District's financial statements and CAR are accurate and reliable.

Effect - Lack of policies and procedures resulted in District employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the District's CAR were necessary.

Recommendation - The District should implement procedures to ensure that all liabilities are identified and included in the District's CAR.

Response - We will double-check these in the future to avoid missing any material amounts.

Conclusion - Response accepted.

**Part II. Other Findings Related to Required Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2018 exceeded the amount budgeted in the other expenditures functions.

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

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

Conclusion - Response accepted.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2018

2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - 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.
4. Business Transactions – No business transactions between the District and District officials or employees were noted.
5. 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 ensure the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - One variance in the basic enrollment data certified to the Iowa Department of Education was noted. The resident students reported to the Iowa Department of Education was overstated by 1 student.

Recommendation - The District should contact the Iowa Department of Education and Iowa Department of Management to resolve this issue.

Response - We have contacted the Iowa Department of Education and the Iowa Department of Management, as recommended.

Conclusion - Response accepted.

8. Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was certified timely to the Department of Education; however, there were some material misstatements as detailed in comment B in Part I of this Schedule of Findings.

Recommendation - The District should ensure that all reports contain correct information in the future.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2018

Response - We will ensure that future CARs contain correct information when it is filed with the Iowa Department of Education.

Conclusion - Response accepted.

11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. 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, 2018, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 581,464
Revenues		
Statewide sales, services and use tax	\$ 601,246	
Interest earned	<u>4,794</u>	606,040
Expenditures/transfers out		
School infrastructure		
Building improvements	\$ 301,335	
Debt service for school infrastructure		
Revenue debt	<u>204,903</u>	<u>506,238</u>
Ending balance		<u>\$ 681,266</u>

For the year ended June 30, 2018, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

13. Deficit Balances - The District's Enterprise Fund - School Nutrition Fund had negative unrestricted net position of \$92,365 and negative total net position of \$63,336 at June 30, 2018. The Total Enterprise Funds and Business Type Activities also had negative unrestricted net position of \$74,259 and negative total net position of \$74,259 at June 30, 2018.

Recommendation - The District should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2018

Response - These deficits are a result of implementing GASB 68 and recording the applicable pension related deferred outflows, net pension liability, pension related deferred inflows and pension expense.

Conclusion - Response accepted.



GALVA-HOLSTEIN COMMUNITY SCHOOL DISTRICT  
Audit Staff  
June 30, 2018

This audit was performed by

Kay Chapman, CPA  
Terri Slater, staff accountant