

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

## Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	20
Statement of Cash Flows	I	21
Notes to Financial Statements		22-31
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds		32
Notes to Required Supplementary Information - Budgetary Reporting		33
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	35
Schedule of Changes in Student Activity Accounts	3	36
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	37
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		38-39
Schedule of Findings		40-42

Brooklyn-Guernsey-Malcom Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2008 Election)</b>		
Bev Rens	President	2009
Bob Parker	Vice President	2008
Travis Solem	Board Member	2008
Gaynelle Connor	Board Member	2008
Curt DePauw	Board Member (Resigned)	2009
Laverne Kriegel	Board Member (Appointed)	2008
Kyle Montgomery	Board Member	2010
Arlene Ford	Board Member	2010
<b>Board of Education (After September 2008 Election)</b>		
Bev Rens	President	2009
Arlene Ford	Vice President	2011*
Travis Solem	Board Member	2011
Bob Parker	Board Member	2011
Kyle Montgomery	Board Member	2009*
Larry Pendarvis	Board Member	2011
Edward Kline	Board Member	2009
<b>School Officials</b>		
Brad Hohensee	Superintendent	2009
Sharon Schott	District Secretary/ Business Manager	2009
Brian Gruhn	Attorney	2009

\*Board terms extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Brooklyn-Guernsey-Malcom Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Brooklyn-Guernsey-Malcom Community School District, Brooklyn, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

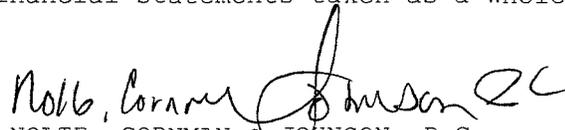
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Brooklyn-Guernsey-Malcom Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2010 on our consideration of Brooklyn-Guernsey-Malcom Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Brooklyn-Guernsey-Malcom Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2010

---

---

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

---

Brooklyn-Guernsey-Malcom 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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$5,320,285 in fiscal 2008 to \$5,132,050 in fiscal 2009, while General Fund expenditures increased from \$4,763,218 in fiscal 2008 to \$4,877,300 in fiscal 2009. This resulted in an increase in the District's fund balance from \$2,210,474 in fiscal 2008 to \$2,488,581 in fiscal 2009, representing a 12.58% increase.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased from 41.1% for fiscal year 2008 to 47.20% for fiscal year 2009. The School Budget Review Committee recommends of a solvency ratio between 5% and 10%.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Brooklyn-Guernsey-Malcom Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how the governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Brooklyn-Guernsey-Malcom Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Brooklyn-Guernsey-Malcom Community School District acts solely as an agent or custodian for the benefit of those outside of the School 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.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

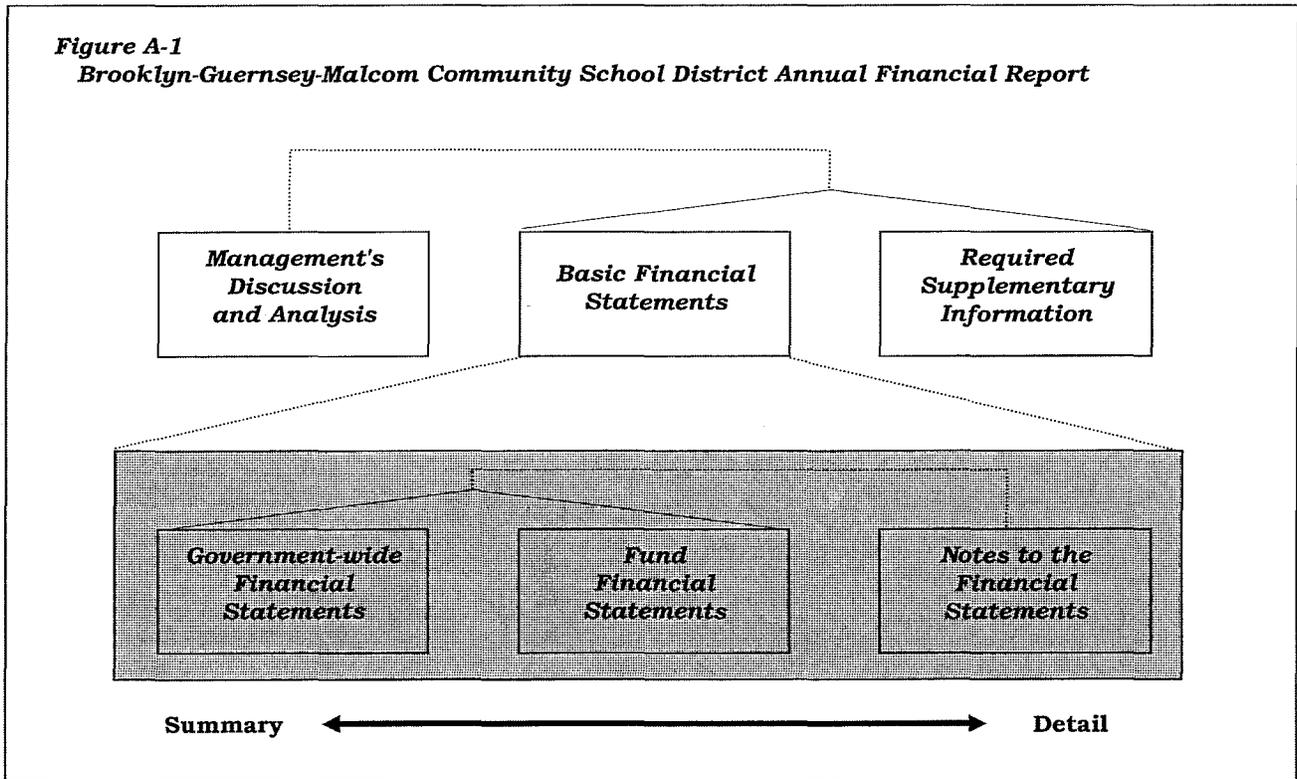


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b>			
<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

---

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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, daycare and wellness building programs are included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two 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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects and the Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition Fund, the Daycare Fund and the Wellness Building Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 7,517,951	10,702,592	\$ 72,133	65,608	\$ 7,590,084	10,768,200	-29.51%
Capital assets	5,505,390	5,667,826	68,496	79,283	5,573,886	5,747,109	-3.01%
Total assets	<u>13,023,341</u>	<u>16,370,418</u>	<u>140,629</u>	<u>144,891</u>	<u>13,163,970</u>	<u>16,515,309</u>	<u>-20.29%</u>
Long-term obligations	4,456,781	8,284,956	0	0	4,456,781	8,284,956	-46.21%
Other liabilities	2,910,910	2,977,231	5,913	5,392	2,916,823	2,982,623	-2.21%
Total liabilities	<u>7,367,691</u>	<u>11,262,187</u>	<u>5,913</u>	<u>5,392</u>	<u>7,373,604</u>	<u>11,267,579</u>	<u>-34.56%</u>
Net assets:							
Invested in capital assets, net of related debt	1,780,390	1,684,134	68,496	79,283	1,848,886	1,763,417	4.85%
Restricted	1,864,109	1,669,481	0	0	1,864,109	1,669,481	11.66%
Unrestricted	2,011,151	1,754,616	66,220	60,216	2,077,371	1,814,832	14.47%
Total net assets	<u>\$ 5,655,650</u>	<u>5,108,231</u>	<u>\$ 134,716</u>	<u>139,499</u>	<u>\$ 5,790,366</u>	<u>5,247,730</u>	<u>10.34%</u>

The District's combined net assets increased by 10.34% compared to the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately 11.66% or \$194,628 from the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased approximately 14.47% or \$262,539 compared to the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 446,052	508,044	\$ 191,456	189,266	637,508	697,310	-8.58%
Operating grants and contributions and restricted interest	836,569	748,077	117,761	111,129	954,330	859,206	11.07%
Capital grants and contributions and restricted interest	0	25,000	0	0	0	25,000	-100.00%
General revenues:							
Property tax	2,473,832	2,506,233	0	0	2,473,832	2,506,233	-1.29%
Income surtax	461,392	113,553	0	0	461,392	113,553	306.32%
Statewide sales and service tax	417,149	467,887	0	0	417,149	467,887	-10.84%
Unrestricted state grants	1,971,396	2,445,969	0	0	1,971,396	2,445,969	-19.40%
Other	254,435	303,920	566	1,730	255,001	305,650	-16.57%
Total revenues	6,860,825	7,118,683	309,783	302,125	7,170,608	7,420,808	-3.37%
Program expenses:							
Governmental activities:							
Instructional	3,419,156	3,276,160	13,360	14,746	3,432,516	3,290,906	4.30%
Support services	1,645,606	1,497,497	10,024	2,554	1,655,630	1,500,051	10.37%
Non-instructional programs	0	0	291,182	278,750	291,182	278,750	4.46%
Other expenses	1,248,644	900,252	0	0	1,248,644	900,252	38.70%
Total expenses	6,313,406	5,673,909	314,566	296,050	6,627,972	5,969,959	11.02%
Change in net assets	547,419	1,444,774	(4,783)	6,075	542,636	1,450,849	-62.60%
Net assets beginning of year	5,108,231	3,663,457	139,499	133,424	5,247,730	3,796,881	38.21%
Net assets end of year	\$ 5,655,650	5,108,231	\$ 134,716	139,499	5,790,366	5,247,730	10.34%

In fiscal 2009, local tax (property tax, income surtax and statewide sales and services tax) and unrestricted state grants account for 77.60% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.82% of the revenue from business type activities.

The District's total revenues were approximately \$7.17 million of which \$6.86 million was for governmental activities and \$0.31 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.37% decrease in revenues and a 11.02% increase in expenses. Unrestricted state grants decreased \$474,573 and property tax decreased \$32,401. The increase in expenses related to increases in all functional areas.

### Governmental Activities

Revenues for governmental activities were \$6,860,825 and expenses were \$6,313,406.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses. The net cost of services is the result after subtracting grants and charges for services that the District used to offset the program's total cost.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 3,419,156	3,276,160	4.36%	2,346,724	2,228,251	5.32%
Support services	1,645,606	1,497,497	9.89%	1,644,771	1,497,030	9.87%
Other expenses	1,248,644	900,252	38.70%	1,039,290	667,507	55.70%
Totals	\$ 6,313,406	5,673,909	11.27%	5,030,785	4,392,788	14.52%

- A portion of the cost financed by users of the District's programs was \$446,052.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$836,569.
- The net cost portion of governmental activities was financed with \$2,473,832 in property tax, \$461,392 in income surtax, \$417,149 in statewide sales and service tax, \$1,971,396 in unrestricted state grants, \$162,397 in unrestricted investment earnings and \$15,179 in other revenues.

### Business Type Activities

The District's business type activities are the School Nutrition Fund, the Preschool Fund and the Wellness Building Fund. Revenues of the District's business type activities totaled \$309,783 in 2009, which is an increase of 2.53% over the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses increased 6.25% to \$314,566 for business type activities in 2009.

### INDIVIDUAL FUND ANALYSIS

As previously noted, the Brooklyn-Guernsey-Malcom Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the District completed the year, its governmental funds reported combined fund balances of \$4,306,372, a decrease of \$3,174,626 from last year's ending fund balances of \$7,480,998.

### Governmental Fund Highlights

- The District's increase in General Fund financial position is the result of many factors. Growth during the year in local and state sources resulted in an increase in revenues. The increase in General Fund revenues was more than enough to offset the increase in General Fund expenditures during fiscal 2009.
- The Debt Service Fund balance decreased from \$3,819,761 in fiscal 2008 to \$212,042 in fiscal 2009 due to the calling of GO bonds.

### Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$139,430 at June 30, 2008 to \$129,694 at June 30, 2009, representing a decrease of 6.98%.
- The Preschool Fund had a deficit fund balance of \$3,603 in 2008 which increased in 2009 to a positive fund balance of \$829.
- The Wellness Building Fund ended fiscal 2009 with a fund balance of \$4,193 as compared to a fund balance of \$3,672 for fiscal 2008.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$232,338 less than budgeted revenues, a variance of 3.18%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. 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 expenditure functional area.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$5,573,886, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See figure A-6) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$294,557.

The original cost of the District's capital assets was \$8,691,798. Governmental funds account for \$8,557,654, with the remainder of \$134,144 accounted for in the Proprietary School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings totaled \$4,698 at June 30, 2008, compared to \$2,993 reported at June 30, 2009.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 148,988	148,988	\$ 0	0	\$ 148,988	148,988	0.00%
Buildings	5,011,390	5,148,180	0	0	5,011,390	5,148,180	-2.66%
Improvements other than buildings	2,993	4,698	0	0	2,993	4,698	-36.29%
Machinery and equipment	342,019	365,960	68,496	79,283	410,515	445,243	-7.80%
Total	\$ 5,505,390	5,667,826	\$ 68,496	79,283	\$ 5,573,886	5,747,109	-3.01%

### Long-Term Debt

At year-end, the District had \$4,456,781 in bonds and other long-term debt outstanding. This represents a decrease of 46.21% from last year's balance of \$8,284,956. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation	\$ 3,725,000	7,580,000	-50.86%
Early retirement	19,750	28,750	-31.30%
Compensated absences	712,031	676,206	5.30%
Totals	<u>\$ 4,456,781</u>	<u>8,284,956</u>	<u>-46.21%</u>

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

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

- The District has experienced declining enrollment for a few years and expects the trend to continue for the next 6-10 years.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.
- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the BGM Community Schools employer benefit costs over the next four years.

## **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 Sharon Schott, Business Manager/Board Secretary, Brooklyn-Guernsey-Malcom Community School District, 1090 Jackson Street, Brooklyn, Iowa, 52211.

BASIC FINANCIAL STATEMENTS

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,483,156	64,898	4,548,054
Receivables:			
Property tax:			
Delinquent	34,573	0	34,573
Succeeding year	2,396,377	0	2,396,377
Income surtax	321,956	0	321,956
Accounts	155	0	155
Due from other governments	219,963	0	219,963
Prepaid expense	61,771	0	61,771
Inventories	0	7,235	7,235
Capital assets, net of accumulated depreciation	5,505,390	68,496	5,573,886
<b>Total Assets</b>	<b>13,023,341</b>	<b>140,629</b>	<b>13,163,970</b>
<b>Liabilities</b>			
Accounts payable	20,438	0	20,438
Salaries and benefits payable	411,269	2,145	413,414
Accrued interest payable	21,287	0	21,287
Deferred revenue:			
Succeeding year property tax	2,396,377	0	2,396,377
Other	61,539	0	61,539
Unearned revenue	0	3,768	3,768
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	335,000	0	335,000
Early retirement	9,000	0	9,000
Compensated absences	712,031	0	712,031
Portion due after one year:			
General obligation bonds	3,390,000	0	3,390,000
Early retirement	10,750	0	10,750
<b>Total Liabilities</b>	<b>7,367,691</b>	<b>5,913</b>	<b>7,373,604</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,780,390	68,496	1,848,886
Restricted for:			
Categorical funding	66,068	0	66,068
Management levy	266,079	0	266,079
Physical plant and equipment levy	563,137	0	563,137
Capital projects	697,247	0	697,247
Debt service levy	212,042	0	212,042
Other special revenue purposes	59,536	0	59,536
Unrestricted	2,011,151	66,220	2,077,371
<b>Total Net Assets</b>	<b>\$ 5,655,650</b>	<b>134,716</b>	<b>5,790,366</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Charges for Expenses	Operating Grants, Contributions and Restricted Services	Interest	Govern- mental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,233,830	258,269	598,450	(1,377,111)	0	(1,377,111)
Special	536,793	17,966	28,765	(490,062)	0	(490,062)
Other	648,533	168,982	0	(479,551)	0	(479,551)
	<u>3,419,156</u>	<u>445,217</u>	<u>627,215</u>	<u>(2,346,724)</u>	<u>0</u>	<u>(2,346,724)</u>
Support services:						
Student	116,261	0	0	(116,261)	0	(116,261)
Instructional staff	186,218	0	0	(186,218)	0	(186,218)
Administration	443,009	0	0	(443,009)	0	(443,009)
Operation and maintenance of plant	572,545	0	0	(572,545)	0	(572,545)
Transportation	327,573	835	0	(326,738)	0	(326,738)
	<u>1,645,606</u>	<u>835</u>	<u>0</u>	<u>(1,644,771)</u>	<u>0</u>	<u>(1,644,771)</u>
Other expenditures:						
Facilities acquisitions	566,564	0	0	(566,564)	0	(566,564)
Long-term debt interest	292,936	0	0	(292,936)	0	(292,936)
AEA flowthrough	209,354	0	209,354	0	0	0
Depreciation(unallocated)*	179,790	0	0	(179,790)	0	(179,790)
	<u>1,248,644</u>	<u>0</u>	<u>209,354</u>	<u>(1,039,290)</u>	<u>0</u>	<u>(1,039,290)</u>
Total governmental activities	6,313,406	446,052	836,569	(5,030,785)	0	(5,030,785)
Business Type activities:						
Preschool						
Instruction:						
Regular	13,360	9,905	7,887	0	4,432	4,432
Wellness Building						
Support services:						
Student services	10,024	10,545	0	0	521	521
Non-instructional programs:						
Nutrition services	291,182	171,006	109,874	0	(10,302)	(10,302)
Total business type activities	314,566	191,456	117,761	0	(5,349)	(5,349)
Total	\$ 6,627,972	637,508	954,330	(5,030,785)	(5,349)	(5,036,134)
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,913,728	0	1,913,728
Debt service				475,338	0	475,338
Capital outlay				84,766	0	84,766
Income surtax				461,392	0	461,392
Statewide sales and services tax				417,149	0	417,149
Unrestricted state grants				1,971,396	0	1,971,396
Gain on sale of equipment				76,859	0	76,859
Unrestricted investment earnings				162,397	566	162,963
Other				15,179	0	15,179
Total general revenues				<u>5,578,204</u>	<u>566</u>	<u>5,578,770</u>
Changes in net assets				547,419	(4,783)	542,636
Net assets beginning of year				5,108,231	139,499	5,247,730
Net assets end of year				<u>\$ 5,655,650</u>	<u>134,716</u>	<u>5,790,366</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Physical Plant and Equipment Levy	Debt Service	Other Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments	\$ 2,807,684	561,911	205,158	908,403	4,483,156
Receivables:					
Property tax:					
Delinquent	24,666	1,226	6,884	1,797	34,573
Succeeding year	1,691,543	86,615	443,219	175,000	2,396,377
Income surtax	114,984	206,972	0	0	321,956
Accounts	155	0	0	0	155
Due from other governments	149,322	0	0	70,641	219,963
Prepaid expense	0	0	0	61,771	61,771
<b>Total Assets</b>	<b>\$ 4,788,354</b>	<b>856,724</b>	<b>655,261</b>	<b>1,217,612</b>	<b>7,517,951</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 20,438	0	0	0	20,438
Salaries and benefits payable	411,269	0	0	0	411,269
<b>Deferred revenue:</b>					
Succeeding year property tax	1,691,543	86,615	443,219	175,000	2,396,377
Income surtax	114,984	206,972	0	0	321,956
Other	61,539	0	0	0	61,539
<b>Total liabilities</b>	<b>2,299,773</b>	<b>293,587</b>	<b>443,219</b>	<b>175,000</b>	<b>3,211,579</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Debt service	0	0	212,042	0	212,042
Categorical funding	66,068	0	0	0	66,068
Unreserved fund balances	2,422,513	563,137	0	1,042,612	4,028,262
<b>Total fund balances</b>	<b>2,488,581</b>	<b>563,137</b>	<b>212,042</b>	<b>1,042,612</b>	<b>4,306,372</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,788,354</b>	<b>856,724</b>	<b>655,261</b>	<b>1,217,612</b>	<b>7,517,951</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2009

<b>Total fund balances of governmental funds (pages 15)</b>	\$ 4,306,372
<b>Amounts reported for governmental activities in the statement of net assets 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.	5,505,390
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(21,287)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	321,956
Long-term liabilities, including bonds payable, early retirement and compensated absences, are not due and payable in the current period and, therefore are not reported in the funds.	<u>(4,456,781)</u>
<b>Net assets of governmental activities (page 13)</b>	<u>\$ 5,655,650</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General	Physical Plant and Equipment Levy	Debt Service	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 1,940,214	366,368	475,338	547,109	3,329,029
Tuition	259,621	0	0	0	259,621
Other	62,316	6,726	121,700	187,752	378,494
State sources	2,613,050	53	300	85	2,613,488
Federal sources	179,990	0	0	0	179,990
Total revenues	5,055,191	373,147	597,338	734,946	6,760,622
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	2,162,706	0	0	9,000	2,171,706
Special	536,793	0	0	0	536,793
Other	486,822	0	0	161,711	648,533
	3,186,321	0	0	170,711	3,357,032
Support services:					
Student	116,261	0	0	0	116,261
Instructional staff	186,218	0	0	0	186,218
Administration	485,082	0	0	0	485,082
Operation and maintenance of plant	491,105	150	0	59,233	550,488
Transportation	202,959	157,251	0	0	360,210
	1,481,625	157,401	0	59,233	1,698,259
Other expenditures:					
Facilities acquisitions	0	338,337	0	228,227	566,564
Long-term debt:					
Principal	0	0	3,855,000	0	3,855,000
Interest	0	0	325,898	0	325,898
AEA flowthrough	209,354	0	0	0	209,354
	209,354	338,337	4,180,898	228,227	4,956,816
Total expenditures	4,877,300	495,738	4,180,898	458,171	10,012,107
Ecess(deficiency) of revenue over(under) expenditures	177,891	(122,591)	(3,583,560)	276,775	(3,251,485)
Other financing sources(uses):					
Transfers in	24,159	0	0	802	24,961
Transfers out	(802)	0	(24,159)	0	(24,961)
Sales of equipment and materials	76,859	0	0	0	76,859
Total other financing sources(uses)	100,216	0	(24,159)	802	76,859
Net change in fund balances	278,107	(122,591)	(3,607,719)	277,577	(3,174,626)
Fund balances beginning of year	2,210,474	685,728	3,819,761	765,035	7,480,998
Fund balances end of year	\$ 2,488,581	563,137	212,042	1,042,612	4,306,372

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2009

**Net change in fund balances - total governmental funds(pages 17)** \$ (3,174,626)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 165,572	
Depreciation expense	(283,770)	
Disposal of assets	(44,238)	(162,436)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 3,855,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 32,962

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 23,344

Some expenses reported in the Statement of Activities do no require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ 9,000	
Compensated absences	(35,825)	(26,825)

**Changes in net assets of governmental activities(page 14)** \$ 547,419

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2009

	School Nutrition	Pre- school	Wellness Building	Total
<b>Assets</b>				
Cash and pooled investments	\$ 57,731	2,974	4,193	64,898
Inventories	7,235	0	0	7,235
Capital assets, net of accumulated depreciation	68,496	0	0	68,496
<b>Total Assets</b>	<b>133,462</b>	<b>2,974</b>	<b>4,193</b>	<b>140,629</b>
<b>Liabilities</b>				
Salaries and benefits payable	0	2,145	0	2,145
Unearned revenues	3,768	0	0	3,768
<b>Total Liabilities</b>	<b>3,768</b>	<b>2,145</b>	<b>0</b>	<b>5,913</b>
<b>Net Assets</b>				
Invested in capital assets	68,496	0	0	68,496
Unrestricted	61,198	829	4,193	66,220
<b>Total Net Assets</b>	<b>\$ 129,694</b>	<b>829</b>	<b>4,193</b>	<b>134,716</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School Nutrition	Pre- school	Wellness Building	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 164,713	9,880	0	174,593
Donations	0	7,887	0	7,887
Miscellaneous	6,293	25	10,545	16,863
TOTAL OPERATING REVENUES	<u>171,006</u>	<u>17,792</u>	<u>10,545</u>	<u>199,343</u>
OPERATING EXPENSES:				
Instruction:				
Regular:				
Salaries	0	10,317	0	10,317
Benefits	0	2,898	0	2,898
Supplies	0	145	0	145
Total instruction	<u>0</u>	<u>13,360</u>	<u>0</u>	<u>13,360</u>
Support services:				
Student services:				
Services	0	0	345	345
Supplies	0	0	9,679	9,679
Total support services	<u>0</u>	<u>0</u>	<u>10,024</u>	<u>10,024</u>
Non-instructional programs:				
Salaries	104,517	0	0	104,517
Benefits	19,122	0	0	19,122
Services	3,717	0	0	3,717
Supplies	152,919	0	0	152,919
Other	120	0	0	120
Depreciation	10,787	0	0	10,787
Total non-instructional	<u>291,182</u>	<u>0</u>	<u>0</u>	<u>291,182</u>
TOTAL OPERATING EXPENSES	<u>291,182</u>	<u>13,360</u>	<u>10,024</u>	<u>314,566</u>
OPERATING INCOME (LOSS)	<u>(120,176)</u>	<u>4,432</u>	<u>521</u>	<u>(115,223)</u>
NON-OPERATING REVENUES:				
State sources	3,318	0	0	3,318
Federal sources	106,556	0	0	106,556
Interest income	566	0	0	566
TOTAL NON-OPERATING REVENUES	<u>110,440</u>	<u>0</u>	<u>0</u>	<u>110,440</u>
Changes in net assets	(9,736)	4,432	521	(4,783)
Net assets beginning of year	<u>139,430</u>	<u>(3,603)</u>	<u>3,672</u>	<u>139,499</u>
Net assets end of year	<u>\$ 129,694</u>	<u>829</u>	<u>4,193</u>	<u>134,716</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School Nutrition	Pre- school	Wellness Building	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 165,639	0	0	165,639
Cash received from miscellaneous operating activities	6,293	17,792	10,545	34,630
Cash payments to employees for services	(123,639)	(12,991)	0	(136,630)
Cash payments to suppliers for goods or services	(134,546)	(145)	(10,024)	(144,715)
Net cash provided by(used in) operating activities	(86,253)	4,656	521	(81,076)
Cash flows from non-capital financing activities:				
State grants received	3,318	0	0	3,318
Federal grants received	86,499	0	0	86,499
Net cash provided by non-capital financing activities	89,817	0	0	89,817
Cash flows from investing activities:				
Interest on investments	566	0	0	566
Net increase in cash and cash equivalents	4,130	4,656	521	9,307
Cash and cash equivalents at beginning of year	53,601	(1,682)	3,672	55,591
Cash and cash equivalents at end of year	\$ 57,731	2,974	4,193	64,898
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (120,176)	4,432	521	(115,223)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	20,057	0	0	20,057
Depreciation	10,787	0	0	10,787
Decrease in inventories	2,153	0	0	2,153
Decrease in accounts receivable	629	0	0	629
Increase in salaries and benefits payable	0	224	0	224
Increase in unearned revenue	297	0	0	297
Net cash provided by(used in) operating activities	\$ (86,253)	4,656	521	(81,076)

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$20,057.

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**(1) Summary of Significant Accounting Policies**

The Brooklyn-Guernsey-Malcom 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. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Brooklyn, Iowa, and portions of Guernsey and Malcom, and the predominate agricultural territory in Poweshiek County. 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, Brooklyn-Guernsey-Malcom Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Brooklyn-Guernsey-Malcom Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do 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 Poweshiek County Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. The value of the United States Treasury Securities on deposit with the escrow agent as part of the crossover refunding bond issue has been added to the invested in capital assets, net of related debt.

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

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental 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 receipts that are 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 expenses, including instructional, support and other costs.

The Physical Plant and Equipment Levy Fund is utilized to account for major equipment purchases and capital improvements.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds are the School Nutrition Fund, Preschool Fund and Wellness Building Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Preschool Fund is used to

account for the child care and preschool services provided by the District. The Wellness Building Fund is used to account for health services provided to employees by the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and

delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the GAAP basis. The financial statements of the District are prepared by making memorandum adjusting entries to the GAAP basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are 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 that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Prepaid Expenses - The District prepaid insurance expense for July 2009 from the Special Revenue, Management Levy.

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, machinery and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized

since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - 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 governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures were exceeded in the other expenditures functional area.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Iowa Schools Joint Investment Trust	\$ 4,137,472

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

**(3) Transfers**

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects	General	\$ 802
General	Debt Service	24,159
		<u>\$ 24,961</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2009 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 148,988	0	0	148,988
Total capital assets not being depreciated	<u>148,988</u>	<u>0</u>	<u>0</u>	<u>148,988</u>
Capital assets being depreciated:				
Buildings	6,996,394	0	0	6,996,394
Improvements other than buildings	34,092	0	0	34,092
Machinery and equipment	1,297,318	165,572	84,710	1,378,180
Total capital assets being depreciated	<u>8,327,804</u>	<u>165,572</u>	<u>84,710</u>	<u>8,408,666</u>
Less accumulated depreciation for:				
Buildings	1,848,214	138,494	1,704	1,985,004
Improvements other than buildings	29,394	1,705	0	31,099
Machinery and equipment	931,358	143,571	38,768	1,036,161
Total accumulated depreciation	<u>2,808,966</u>	<u>283,770</u>	<u>40,472</u>	<u>3,052,264</u>
Total capital assets being depreciated, net	<u>5,518,838</u>	<u>(118,198)</u>	<u>44,238</u>	<u>5,356,402</u>
Governmental activities capital assets, net	<u>\$ 5,667,826</u>	<u>(118,198)</u>	<u>44,238</u>	<u>5,505,390</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 134,144	0	0	134,144
Less accumulated depreciation	54,861	10,787	0	65,648
Business type activities capital assets, net	\$ 79,283	(10,787)	0	68,496

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 23,604
Support services:	
Transportation	80,376
	<u>103,980</u>
Unallocated depreciation	179,790
Total governmental activities depreciation expense	<u>\$ 283,770</u>
Business type activities:	
Food services	\$ 10,787

#### (5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 7,580,000	0	3,855,000	3,725,000	335,000
Early retirement	28,750	0	9,000	19,750	9,000
Compensated absences	676,206	712,031	676,206	712,031	712,031
Total	\$ 8,284,956	712,031	4,540,206	4,456,781	1,056,031

#### General Obligation

Details of the District's June 30, 2009 General Obligation bond indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue March 1, 2004		
		Principal	Interest	Total
2010	3.00 %	\$ 335,000	127,720	462,720
2011	3.00	350,000	117,520	467,520
2012	3.00-3.20	360,000	106,945	466,945
2013	3.20-3.30	370,000	95,525	465,525
2014	3.30-3.50	380,000	83,325	463,325
2015	3.50-3.70	395,000	70,128	465,128
2016	3.70-3.75	410,000	55,615	465,615
2017	3.75-3.90	425,000	40,103	465,103
2018	3.90-4.00	440,000	23,490	463,490
2019	4.00	260,000	7,900	267,900
Total		\$ 3,725,000	728,270	4,453,270

## Early Retirement

The District offers a voluntary early retirement plan to its full-time certified employees. Eligible employees must be at least age fifty-five, and less than sixty-five, and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. A cash payment will be made in either one or two payments, at the discretion of the employees, on July 15, September 15, November 15, or January 15 of the following year, based on the formula using unused leave days, the daily substitute teacher pay rate, and years of District service. The District will also continue paying the health insurance coverage for a single policy at the rate of the cost of a single policy in effect at the time of retirement until the retiree reaches age 65. During the year ended June 30, 2009, the District paid \$9,000 in early retirement benefits.

### **(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$191,021, \$177,703, \$160,854, respectively, equal to the required contributions for each year.

### **(7) Risk Management**

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

### **(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$209,354 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2009, expenditures in the other expenditures functional areas exceeded the budgeted amount.

**(10) Categorical Funding**

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
High School Assistance Program	\$ 3,087
Early Intervention	12,074
Basic Salary	3,998
Professional Development	27,733
Teacher Mentoring	1,944
Market Factor Incentives	4,233
Professional Development	7,039
Teacher Quality	5,960
Total reserved for categorical funding	<u>\$ 66,068</u>

**(11) Other Post-employment Benefits (OPEB)**

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other post-employment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB No. 45.

REQUIRED SUPPLEMENTARY INFORMATION

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
<b>Revenues:</b>						
Local sources	\$ 3,967,144	199,909	4,167,053	4,146,903	4,146,903	20,150
State sources	2,613,488	3,318	2,616,806	2,830,840	2,830,840	(214,034)
Federal sources	179,990	106,556	286,546	325,000	325,000	(38,454)
Total revenues	<u>6,760,622</u>	<u>309,783</u>	<u>7,070,405</u>	<u>7,302,743</u>	<u>7,302,743</u>	<u>(232,338)</u>
<b>Expenditures/Expenses:</b>						
Instruction	3,357,032	13,360	3,370,392	5,814,000	5,814,000	2,443,608
Support services	1,698,259	10,024	1,708,283	1,887,000	1,887,000	178,717
Non-instructional programs	0	291,182	291,182	310,000	310,000	18,818
Other expenditures	4,956,816	0	4,956,816	1,517,628	1,517,628	(3,439,188)
Total expenditures/expenses	<u>10,012,107</u>	<u>314,566</u>	<u>10,326,673</u>	<u>9,528,628</u>	<u>9,528,628</u>	<u>(798,045)</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(3,251,485)	(4,783)	(3,256,268)	(2,225,885)	(2,225,885)	(1,030,383)
Other financing sources(uses), net	76,859	0	76,859	12,000	12,000	64,859
Deficiency of revenues and other financing sources under expenditures/expenses	(3,174,626)	(4,783)	(3,179,409)	(2,213,885)	(2,213,885)	(965,524)
Balance beginning of year	7,480,998	139,499	7,620,497	7,361,560	7,361,560	258,937
Balance end of year	<u>\$ 4,306,372</u>	<u>134,716</u>	<u>4,441,088</u>	<u>5,147,675</u>	<u>5,147,675</u>	<u>(706,587)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. 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 functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures in the other expenditures functional area exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Special Revenue Funds			Capital Projects	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total		
<b>Assets</b>					
Cash and pooled investments	\$ 222,261	59,536	281,797	626,606	908,403
Receivables:					
Property tax:					
Current year delinquent	1,797	0	1,797	0	1,797
Succeeding year	175,000	0	175,000	0	175,000
Due from other governments	0	0	0	70,641	70,641
Prepaid expenses	61,771	0	61,771	0	61,771
<b>Total Assets</b>	<b>\$ 460,829</b>	<b>59,536</b>	<b>520,365</b>	<b>697,247</b>	<b>1,217,612</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ 175,000	0	175,000	0	175,000
Unreserved fund balances	285,829	59,536	345,365	697,247	1,042,612
<b>Total Liabilities and Fund Balances</b>	<b>\$ 460,829</b>	<b>59,536</b>	<b>520,365</b>	<b>697,247</b>	<b>1,217,612</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds			Total	
	Management Levy	Student Activity	Total	Capital Projects	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 129,960	0	129,960	417,149	547,109
Other	8,900	173,306	182,206	5,546	187,752
State sources	85	0	85	0	85
<b>TOTAL REVENUES</b>	<b>138,945</b>	<b>173,306</b>	<b>312,251</b>	<b>422,695</b>	<b>734,946</b>
EXPENDITURES:					
Current:					
Instruction:					
Regular	9,000	0	9,000	0	9,000
Other	0	161,711	161,711	0	161,711
Support services:					
Operation and maintenance of plant	58,853	380	59,233	0	59,233
Other expenditures:					
Facilities acquisitions	0	0	0	228,227	228,227
<b>TOTAL EXPENDITURES</b>	<b>67,853</b>	<b>162,091</b>	<b>229,944</b>	<b>228,227</b>	<b>458,171</b>
Excess of revenues over expenditures	71,092	11,215	82,307	194,468	276,775
Other financing sources:					
Transfers in	0	0	0	802	802
Net change in fund balances	71,092	11,215	82,307	195,270	277,577
Fund balances beginning of year	214,737	48,321	263,058	501,977	765,035
Fund balances end of year	\$ 285,829	59,536	345,365	697,247	1,042,612

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 0	554	554	0
Dramatics	2,844	0	0	2,844
Vocal music	761	2,190	1,944	1,007
JH vocal music	100	0	0	100
Band Resale	0	717	697	20
Band uniform cleaning	1,248	0	0	1,248
Athletics	0	57,719	50,433	7,286
Athletics resale	799	700	742	757
Volleyball	512	2,824	2,876	460
Band instrument rent	415	145	380	180
Pool activity	8,325	7,076	5,251	10,150
Boys basketball	447	1,437	1,884	0
Football	2,458	17,637	14,042	6,053
Wrestling	6,059	10,236	15,130	1,165
Girls basketball	273	2,926	3,169	30
Girls softball	351	1,353	1,324	380
Girls track	734	1,622	1,549	807
Boys track	800	590	1,210	180
Student council	5,502	16,695	15,628	6,569
JH student council	663	3,034	3,100	597
Elementary student council	7,398	5,447	7,011	5,834
Silver spirit poms	269	583	801	51
Elementary student council camp	339	3,853	3,300	892
Elementary student welfare	887	3,169	2,911	1,145
Echo	0	9,048	9,036	12
FHA	239	0	0	239
Pep club	84	0	0	84
Boys letter club	38	0	0	38
Girls letter club	36	0	0	36
HS cheerleaders	39	3,180	3,129	90
JH cheerleaders	10	0	0	10
French club	80	0	80	0
FCA	1,505	0	188	1,317
Elementary resale	559	0	0	559
Special athletics	230	12,899	8,815	4,314
AFS	170	0	0	170
Class of 2009	2,248	757	3,005	0
Class of 2010	1,293	6,175	3,902	3,566
Class of 2011	606	400	0	1,006
Class of 2012	0	340	0	340
Total	\$ 48,321	173,306	162,091	59,536

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 3,329,029	3,066,344	2,931,745	2,742,108	2,776,594	2,682,910
Tuition	259,621	320,477	289,126	296,371	287,051	277,792
Other	378,494	506,606	424,472	376,436	207,620	207,714
State sources	2,613,488	3,036,124	2,829,923	2,773,812	2,704,103	2,464,710
Federal sources	179,990	152,640	166,225	182,283	191,741	571,600
<b>Total</b>	<b>\$ 6,760,622</b>	<b>7,082,191</b>	<b>6,641,491</b>	<b>6,371,010</b>	<b>6,167,109</b>	<b>6,204,726</b>
Expenditures:						
Instruction:						
Regular	\$ 2,171,706	2,156,979	2,042,454	1,964,190	2,048,735	2,091,818
Special	536,793	560,735	660,103	713,857	620,979	549,516
Other	648,533	610,788	593,690	606,715	287,395	438,253
Support services:						
Student	116,261	93,514	89,542	89,609	43,073	42,443
Instructional staff	186,218	146,706	122,087	145,801	115,767	108,106
Administration	485,082	493,757	494,613	546,602	509,434	511,743
Operation and maintenance of plant	550,488	559,981	668,427	567,990	420,102	619,082
Transportation	360,210	198,252	188,412	319,541	163,817	302,023
Other expenditures:						
Facilities acquisitions	566,564	338,505	131,752	406,230	621,754	1,216,670
Long Term Debt:						
Principal	3,855,000	260,000	490,227	488,589	641,902	966,725
Interest	325,898	338,877	359,162	372,197	409,159	359,404
AEA flow-through	209,354	207,745	198,257	190,359	186,460	183,434
<b>Total</b>	<b>\$ 10,012,107</b>	<b>5,965,839</b>	<b>6,038,726</b>	<b>6,411,680</b>	<b>6,068,577</b>	<b>7,389,217</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

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 the  
Brooklyn-Guernsey-Malcom Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Brooklyn-Guernsey-Malcom Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 17, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Brooklyn-Guernsey-Malcom Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Brooklyn-Guernsey-Malcom Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Brooklyn-Guernsey-Malcom Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Brooklyn-Guernsey-Malcom Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Brooklyn-Guernsey-Malcom Community School District's financial statements that is more than inconsequential will not be prevented or detected by Brooklyn-Guernsey-Malcom Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the Basic Financial Statements to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Brooklyn-Guernsey-Malcom Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brooklyn-Guernsey-Malcom Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Brooklyn-Guernsey-Malcom Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Brooklyn-Guernsey-Malcom Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Brooklyn-Guernsey-Malcom Community School District and other parties to whom Brooklyn-Guernsey-Malcom Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Brooklyn-Guernsey-Malcom Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

No 16, Cornman Johnson  
NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2010

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We require that another individual reviews the deposits entered into the computer and verifies that the money is correct to the deposit printout and the deposit slip that is filled out. Initials are placed on the printout, along with any receipts attached to it. We will start having the person sorting the mail to create a listing of checks received in the mail to also attach to the deposit printout. The bank reconciliations are done by both secretaries and initials are placed on the bank statement. The packing slips are attached to the purchase orders, showing proof of receipt, and the purchase orders are attached to the invoices. Vouchers for expenses for the general fund are reviewed by the Superintendent and his initials are on each invoice. Vouchers for expenses for the activity and lunch funds require a signature from the sponsor or athletic director for each expense verified that the item is received and it is ok to process the expenses. The listing of the bills is given to the board each month before the meeting. Then two board members come in before each board meeting on a rotating schedule (the same board members are not paired to the same person each time that they review the bills) and review the actual invoices. A listing of checks written will be given to the Superintendent.

Conclusion - Response accepted.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - District disbursements for the year ended June 30, 2009 exceeded the amount budgeted in the other expenditures functional area.

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

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

Conclusion - Response accepted.

II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-09 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.

II-D-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Arlene Ford, Board Member Son owns Loren Ford Trucking	Purchased services	\$3,002
Dave Collum, Head Custodian Brother owns Collum Electric	Supplies	\$6,901

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the family members of the District's employees and board members do not appear to represent a conflict of interest.

II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - There was one instance where the minutes were not printed in a timely manner. This has been corrected in that the minutes are sent by fax and email to the paper the Friday morning after the board meeting to make sure that they are printed in a timely fashion and to make sure that Iowa Code requirements are met.

Conclusion - Response accepted.

- II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-09 Deposits and Investments - We 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.
- II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-09 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.
- II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance	\$	0
Statewide sales and service tax revenue		417,149
Expenditures/transfers out:		
School Infrastructure		
Equipment		23,091
Other improvements		205,136
		228,227
Ending Balance		\$ 188,922

- II-L-09 Officials Contracts - We noted during our audit that the District utilizes a commissioner to assign contracts to athletic officials. These contracts do not appear to be available to the District office for review before subsequent payment for services rendered has been made. The current practice is to supply the District office with a voucher that the athletic official was at the event but not the signed contract.

Recommendation - Better internal controls are achieved if the signed contract is provided to the District office for supporting documentation. The contract could then be included in with the paid bills and provided to the Board for proper approval and authorization. If the District plans to continue to utilize a commissioner then the District should have a written agreement between the Board and the commissioner to allow the commissioner to enter into officiating contracts on the Districts behalf.

Response - The Board will implement a written agreement between the District and the commissioner to allow the commissioner to enter into officiating contracts on the District's behalf.

Conclusion - Response accepted.