

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

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Brooklyn-Guernsey-Malcom Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
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
Board of Education (After September 2009 Election)		
Arlene Ford	President	2011
Edward Kline	Vice President	2013
Travis Solem	Board Member	2011
Bob Parker	Board Member	2011
Dee Dee McDonald	Board Member	2013
Larry Pendarvis	Board Member	2011
Rusty Hedlund	Board Member	2013
School Officials		
Brad Hohensee	Superintendent	2010
Sharon Schott	District Secretary/ Business Manager	2010
Brian Gruhn	Attorney	2010

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT

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, 2010, 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, 2010, 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 January 5, 2011 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, Budgetary Comparison Information and the Scheduling of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 40 through 42 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 six years ended June 30, 2009 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 PC
NOLTE, CORNMAN & JOHNSON, P.C.

January 5, 2011

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,132,050 in fiscal 2009 to \$4,626,005 in fiscal 2010, while General Fund expenditures increased from \$4,877,300 in fiscal 2009 to \$4,936,604 in fiscal 2010. This resulted in a decrease in the District's fund balance from \$2,488,581 in fiscal 2009 to \$2,177,982 in fiscal 2010, representing a 12.48% decrease.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 47.20% for fiscal year 2009 to 47.08% for fiscal year 2010. 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.

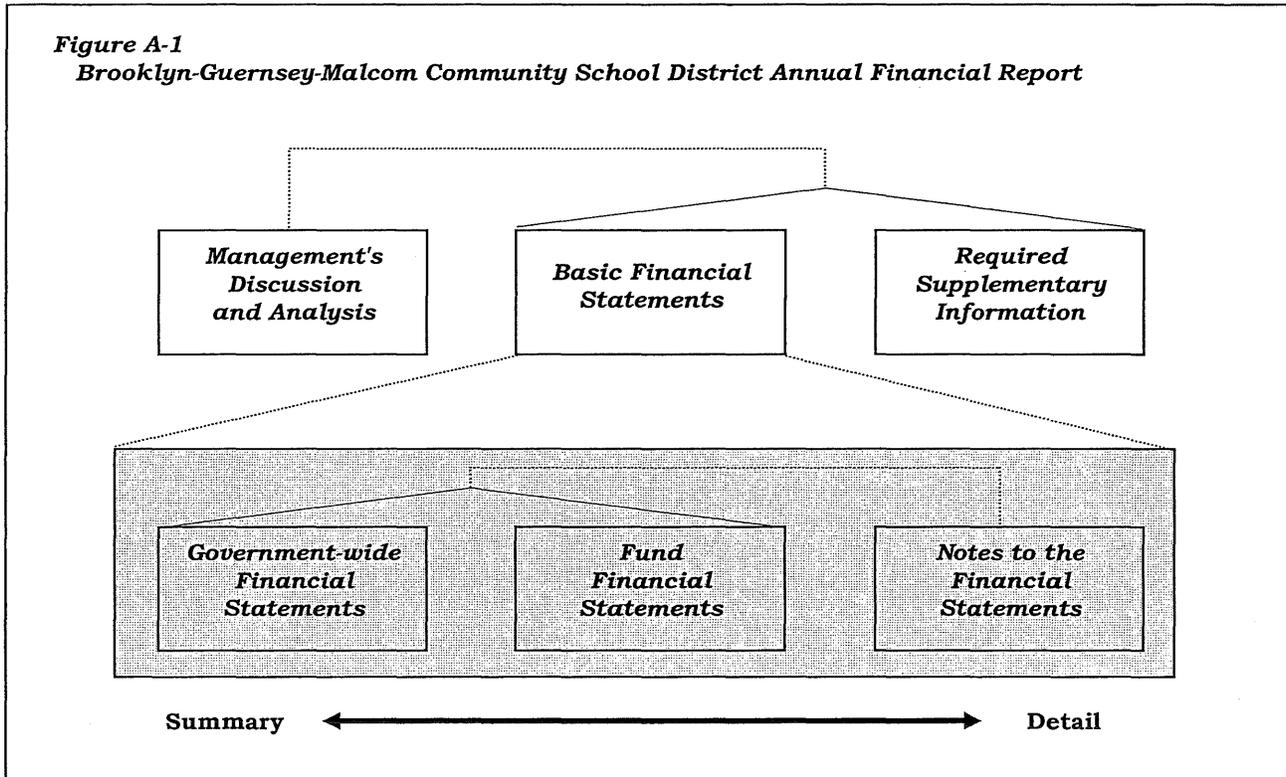


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents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

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
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, 2010 compared to June 30, 2009.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 7,855,556	7,517,951	\$ 80,721	72,133	\$ 7,936,277	7,590,084	4.56%
Capital assets	5,530,004	5,505,390	69,513	68,496	5,599,517	5,573,886	0.46%
Total assets	<u>13,385,560</u>	<u>13,023,341</u>	<u>150,234</u>	<u>140,629</u>	<u>13,535,794</u>	<u>13,163,970</u>	<u>2.82%</u>
Long-term obligations	4,280,463	4,456,781	0	0	4,280,463	4,456,781	-3.96%
Other liabilities	3,190,202	2,910,910	6,826	5,913	3,197,028	2,916,823	9.61%
Total liabilities	<u>7,470,665</u>	<u>7,367,691</u>	<u>6,826</u>	<u>5,913</u>	<u>7,477,491</u>	<u>7,373,604</u>	<u>1.41%</u>
Net assets:							
Invested in capital assets, net of related debt	2,140,004	1,780,390	69,513	68,496	2,209,517	1,848,886	19.51%
Restricted	2,484,583	1,864,109	0	0	2,484,583	1,864,109	33.29%
Unrestricted	1,290,308	2,011,151	73,895	66,220	1,364,203	2,077,371	-34.33%
Total net assets	<u>\$ 5,914,895</u>	<u>5,655,650</u>	<u>\$ 143,408</u>	<u>134,716</u>	<u>\$ 6,058,303</u>	<u>5,790,366</u>	<u>4.63%</u>

The District's combined net assets increased by 4.63% 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 33.29% or \$620,474 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- decreased approximately 34.33% or \$713,168 compared to the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

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,
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 460,156	446,052	\$ 181,403	191,456	641,559	637,508	0.64%
Operating grants and contributions and restricted interest	972,547	836,569	144,785	117,761	1,117,332	954,330	17.08%
General revenues:							
Property tax	2,398,131	2,473,832	0	0	2,398,131	2,473,832	-3.06%
Income surtax	433,131	461,392	0	0	433,131	461,392	-6.13%
Statewide sales, service and use tax	357,610	417,149	0	0	357,610	417,149	-14.27%
Unrestricted state grants	1,517,470	1,971,396	0	0	1,517,470	1,971,396	-23.03%
Other	33,938	254,435	105	566	34,043	255,001	-86.65%
Transfers	(4,056)	0	4,056	0	0	0	0.00%
Total revenues	<u>6,168,927</u>	<u>6,860,825</u>	<u>330,349</u>	<u>309,783</u>	<u>6,499,276</u>	<u>7,170,608</u>	<u>-9.36%</u>
Program expenses:							
Governmental activities:							
Instructional	3,629,783	3,419,156	15,907	13,360	3,645,690	3,432,516	6.21%
Support services	1,603,782	1,645,606	5,910	10,024	1,609,692	1,655,630	-2.77%
Non-instructional programs	0	0	299,840	291,182	299,840	291,182	2.97%
Other expenses	676,117	1,248,644	0	0	676,117	1,248,644	-45.85%
Total expenses	<u>5,909,682</u>	<u>6,313,406</u>	<u>321,657</u>	<u>314,566</u>	<u>6,231,339</u>	<u>6,627,972</u>	<u>-5.98%</u>
Change in net assets	259,245	547,419	8,692	(4,783)	267,937	542,636	-50.62%
Net assets beginning of year	5,655,650	5,108,231	134,716	139,499	5,790,366	5,247,730	10.34%
Net assets end of year	<u>\$ 5,914,895</u>	<u>5,655,650</u>	<u>\$ 143,408</u>	<u>134,716</u>	<u>6,058,303</u>	<u>5,790,366</u>	<u>4.63%</u>

In fiscal 2010, local tax (property tax, income surtax and statewide sales and services tax) and unrestricted state grants account for 76.29% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.74% of the revenue from business type activities.

The District's total revenues were approximately \$6.50 million of which \$6.17 million was for governmental activities and \$0.33 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.36% decrease in revenues and a 5.98% decrease in expenses. Unrestricted state grants decreased \$453,926 and property tax decreased \$75,701.

Governmental Activities

Revenues for governmental activities were \$6,168,927 and expenses were \$5,909,682.

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		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 3,629,783	3,419,156	6.16%	2,433,964	2,346,724	3.72%
Support services	1,603,782	1,645,606	-2.54%	1,603,053	1,644,771	-2.54%
Other expenses	676,117	1,248,644	-45.85%	439,962	1,039,290	-57.67%
Totals	\$ 5,909,682	6,313,406	-6.39%	4,476,979	5,030,785	-11.01%

- A portion of the cost financed by users of the District's programs was \$460,126.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$972,547.
- The net cost portion of governmental activities was financed with \$2,398,131 in property tax, \$433,131 in income surtax, \$357,610 in statewide sales and service tax, \$1,517,470 in unrestricted state grants, \$7,900 in unrestricted investment earnings and \$26,038 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 \$326,293 in 2010, which is an increase of 5.06% over the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses increased 2.25% to \$321,657 for business type activities in 2010.

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 \$4,317,904, an increase of \$11,532 from last year's ending fund balances of \$4,306,372.

Governmental Fund Highlights

The General Fund has gone from a fund balance in FY 2009 of \$2,488,581 to a fund balance for FY 2010 of \$2,177,982. This was the result of receiving less in state sources than the prior year.

Proprietary Fund Highlights

- School Nutrition Fund net assets increased from \$129,694 at June 30, 2009 to \$134,882 at June 30, 2010, representing an increase of 4.00%.
- The Preschool Fund had net assets of \$829 in 2009 which decreased in 2010 to net assets of \$813.
- The Wellness Building Fund ended fiscal 2010 with net assets of \$7,713 as compared to net assets of \$4,193 for fiscal 2009.

BUDGETARY HIGHLIGHTS

The District's revenues were \$799,098 less than budgeted revenues, a variance of 11.05%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the 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, 2010, the District had invested \$5,599,517, 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 \$252,387.

The original cost of the District's capital assets was \$8,952,027. Governmental funds account for \$8,805,940, with the remainder of \$146,157 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 \$2,993 at June 30, 2009, compared to \$27,456 reported at June 30, 2010.

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,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 148,988	148,988	\$ 0	0	\$ 148,988	148,988	0.00%
Construction in Process	71,340	0	0	0	71,340	0	100.00%
Buildings	4,882,446	5,011,390	0	0	4,882,446	5,011,390	-2.57%
Improvements other than buildings	27,456	2,993	0	0	27,456	2,993	817.34%
Machinery and equipment	399,774	342,019	69,513	68,496	469,287	410,515	14.32%
Total	<u>\$ 5,530,004</u>	<u>5,505,390</u>	<u>\$ 69,513</u>	<u>68,496</u>	<u>\$ 5,599,517</u>	<u>5,573,886</u>	<u>0.46%</u>

Long-Term Debt

At year-end, the District had \$4,280,463 in bonds and other long-term debt outstanding. This represents a decrease of 3.96% from last year's balance of \$4,456,781. (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,
	2010	2009	2009-10
General obligation	\$ 3,390,000	3,725,000	-8.99%
Early retirement	31,185	19,750	57.90%
Compensated absences	840,278	712,031	18.01%
Net OPEB Liability	19,000	0	100.00%
Totals	\$ 4,280,463	4,456,781	-3.96%

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 increased 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.

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.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,731,995	67,597	4,799,592
Receivables:			
Property tax:			
Delinquent	31,925	0	31,925
Succeeding year	2,396,377	0	2,396,377
Income surtax	374,357	0	374,357
Accounts	54,711	0	54,711
Due from other governments	259,341	0	259,341
Prepaid expense	6,850	0	6,850
Inventories	0	13,124	13,124
Capital assets, net of accumulated depreciation	5,530,004	69,513	5,599,517
Total Assets	13,385,560	150,234	13,535,794
Liabilities			
Accounts payable	174,103	311	174,414
Salaries and benefits payable	414,248	2,254	416,502
Accrued interest payable	39,173	0	39,173
Deferred revenue:			
Succeeding year property tax	2,396,377	0	2,396,377
Other	166,301	0	166,301
Unearned revenue	0	4,261	4,261
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	350,000	0	350,000
Early retirement	25,185	0	25,185
Compensated absences	840,278	0	840,278
Portion due after one year:			
General obligation bonds	3,040,000	0	3,040,000
Early retirement	6,000	0	6,000
Net OPEB Liability	19,000	0	19,000
Total Liabilities	7,470,665	6,826	7,477,491
Net Assets			
Invested in capital assets, net of related debt	2,140,004	69,513	2,209,517
Restricted for:			
Categorical funding	145,205	0	145,205
Management levy	351,645	0	351,645
Physical plant and equipment levy	1,016,910	0	1,016,910
Capital projects	690,878	0	690,878
Debt service levy	213,709	0	213,709
Other special revenue purposes	66,236	0	66,236
Unrestricted	1,290,308	73,895	1,364,203
Total Net Assets	\$ 5,914,895	143,408	6,058,303

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,437,628	187,228	711,148	(1,539,252)	0	(1,539,252)
Special	660,099	57,387	25,244	(577,468)	0	(577,468)
Other	532,056	214,812	0	(317,244)	0	(317,244)
	<u>3,629,783</u>	<u>459,427</u>	<u>736,392</u>	<u>(2,433,964)</u>	<u>0</u>	<u>(2,433,964)</u>
Support services:						
Student	183,643	0	0	(183,643)	0	(183,643)
Instructional staff	102,323	0	0	(102,323)	0	(102,323)
Administration	429,373	0	0	(429,373)	0	(429,373)
Operation and maintenance of plant	633,438	0	0	(633,438)	0	(633,438)
Transportation	255,005	729	0	(254,276)	0	(254,276)
	<u>1,603,782</u>	<u>729</u>	<u>0</u>	<u>(1,603,053)</u>	<u>0</u>	<u>(1,603,053)</u>
Other expenditures:						
Facilities acquisitions	163,374	0	0	(163,374)	0	(163,374)
Long-term debt interest	146,006	0	0	(146,006)	0	(146,006)
AEA flowthrough	236,155	0	236,155	0	0	0
Depreciation (unallocated)*	130,582	0	0	(130,582)	0	(130,582)
	<u>676,117</u>	<u>0</u>	<u>236,155</u>	<u>(439,962)</u>	<u>0</u>	<u>(439,962)</u>
Total governmental activities	5,909,682	460,156	972,547	(4,476,979)	0	(4,476,979)
Business Type activities:						
Preschool						
Instruction:						
Regular	15,907	10,971	4,920	0	(16)	(16)
Wellness Building						
Support services:						
Student services	5,910	9,430	0	0	3,520	3,520
Non-instructional programs:						
Nutrition services	299,840	161,002	139,865	0	1,027	1,027
Total business type activities	<u>321,657</u>	<u>181,403</u>	<u>144,785</u>	<u>0</u>	<u>4,531</u>	<u>4,531</u>
Total	<u>\$ 6,231,339</u>	<u>641,559</u>	<u>1,117,332</u>	<u>(4,476,979)</u>	<u>4,531</u>	<u>(4,472,448)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,867,935	0	1,867,935
Debt service				444,073	0	444,073
Capital outlay				86,123	0	86,123
Income surtax				433,131	0	433,131
Statewide sales and services tax				357,610	0	357,610
Unrestricted state grants				1,517,470	0	1,517,470
Unrestricted investment earnings				7,900	105	8,005
Other				26,038	0	26,038
Transfers				(4,056)	4,056	0
Total general revenues				<u>4,736,224</u>	<u>4,161</u>	<u>4,740,385</u>
Changes in net assets				259,245	8,692	267,937
Net assets beginning of year				5,655,650	134,716	5,790,366
Net assets end of year				<u>\$ 5,914,895</u>	<u>143,408</u>	<u>6,058,303</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, 2010

	General	Physical Plant and Equipment Levy	Debt Service	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 2,558,846	806,912	207,750	1,158,487	4,731,995
Receivables:					
Property tax:					
Delinquent	22,486	1,154	5,959	2,326	31,925
Succeeding year	1,691,543	86,615	443,219	175,000	2,396,377
Income surtax	155,982	218,375	0	0	374,357
Accounts	54,711	0	0	0	54,711
Due from other governments	225,070	0	0	34,271	259,341
Prepaid expense	6,850	0	0	0	6,850
Total Assets	\$ 4,715,488	1,113,056	656,928	1,370,084	7,855,556
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 109,432	9,531	0	55,140	174,103
Salaries and benefits payable	414,248	0	0	0	414,248
Deferred revenue:					
Succeeding year property tax	1,691,543	86,615	443,219	175,000	2,396,377
Income surtax	155,982	218,375	0	0	374,357
Other	166,301	0	0	0	166,301
Total liabilities	2,537,506	314,521	443,219	230,140	3,525,386
Fund balances:					
Reserved for:					
Debt service	0	0	213,709	0	213,709
Categorical funding	145,205	0	0	0	145,205
Unreserved fund balances	2,032,777	798,535	0	1,139,944	3,971,256
Total fund balances	2,177,982	798,535	213,709	1,139,944	4,330,170
Total Liabilities and Fund Balances	\$ 4,715,488	1,113,056	656,928	1,370,084	7,855,556

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, 2010

Total fund balances of governmental funds (pages 20)	\$ 4,330,170
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,530,004
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.	(39,173)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	374,357
Long-term liabilities, including bonds payable, early retirement, compensated absences, and net OPEB liability are not due and payable in the current period and, therefore are not reported in the funds.	<u>(4,280,463)</u>
Net assets of governmental activities (page 18)	<u><u>\$ 5,914,895</u></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, 2010

	General	Physical Plant and Equipment Levy	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,828,780	330,878	444,073	532,740	3,136,471
Tuition	244,615	0	0	0	244,615
Other	49,654	1,110	714	185,062	236,540
State sources	2,117,917	0	0	0	2,117,917
Federal sources	372,100	0	0	0	372,100
Total revenues	4,613,066	331,988	444,787	717,802	6,107,643
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,249,536	6,704	0	101,487	2,357,727
Special	651,349	0	0	8,750	660,099
Other	363,716	0	0	168,340	532,056
	3,264,601	6,704	0	278,577	3,549,882
Support services:					
Student	105,953	0	0	77,046	182,999
Instructional staff	102,001	0	0	0	102,001
Administration	426,457	0	0	0	426,457
Operation and maintenance of plant	596,379	58,427	0	0	654,806
Transportation	205,058	11,435	0	0	216,493
	1,435,848	69,862	0	77,046	1,582,756
Other expenditures:					
Facilities acquisitions	0	20,024	0	244,847	264,871
Long-term debt:					
Principal	0	0	335,000	0	335,000
Interest	0	0	128,120	0	128,120
AEA flowthrough	236,155	0	0	0	236,155
	236,155	20,024	463,120	244,847	964,146
Total expenditures	4,936,604	96,590	463,120	600,470	6,096,784
Ecess(deficiency) of revenue over(under) expenditures	(323,538)	235,398	(18,333)	117,332	10,859
Other financing sources(uses):					
Transfers in	0	0	20,000	0	20,000
Transfers out	0	0	0	(20,000)	(20,000)
Sales of equipment and materials	12,939	0	0	0	12,939
Total other financing sources(uses)	12,939	0	20,000	(20,000)	12,939
Net change in fund balances	(310,599)	235,398	1,667	97,332	23,798
Fund balances beginning of year	2,488,581	563,137	212,042	1,042,612	4,306,372
Fund balances end of year	\$ 2,177,982	798,535	213,709	1,139,944	4,330,170

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, 2010

Net change in fund balances - total governmental funds(pages 22)	\$	23,798
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 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	\$ 267,885	
Depreciation expense	(241,391)	
Disposal of assets	(1,880)	24,614
 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.		
		335,000
 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.		
		(17,886)
 Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		
		52,401
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement	\$ (11,435)	
Compensated absences	(128,247)	
Net OPEB liability	(19,000)	(158,682)
 Changes in net assets of governmental activities(page 19)	 \$	 <u>259,245</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	School Nutrition	Pre- school	Wellness Building	Total
Assets				
Cash and pooled investments	\$ 56,506	3,067	8,024	67,597
Inventories	13,124	0	0	13,124
Capital assets, net of accumulated depreciation	69,513	0	0	69,513
Total Assets	139,143	3,067	8,024	150,234
Liabilities				
Accounts payable	0	0	311	311
Salaries and benefits payable	0	2,254	0	2,254
Unearned revenues	4,261	0	0	4,261
Total Liabilities	4,261	2,254	311	6,826
Net Assets				
Invested in capital assets	69,513	0	0	69,513
Unrestricted	65,369	813	7,713	73,895
Total Net Assets	\$ 134,882	813	7,713	143,408

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, 2010

	School Nutrition	Pre- school	Wellness Building	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 157,365	10,880	0	168,245
Donations	0	4,920	0	4,920
Miscellaneous	3,637	91	9,430	13,158
TOTAL OPERATING REVENUES	161,002	15,891	9,430	186,323
OPERATING EXPENSES:				
Instruction:				
Regular:				
Salaries	0	11,735	0	11,735
Benefits	0	3,691	0	3,691
Supplies	0	481	0	481
Total instruction	0	15,907	0	15,907
Support services:				
Student services:				
Supplies	0	0	5,910	5,910
Total support services	0	0	5,910	5,910
Non-instructional programs:				
Salaries	104,118	0	0	104,118
Benefits	19,701	0	0	19,701
Services	2,896	0	0	2,896
Supplies	162,010	0	0	162,010
Other	119	0	0	119
Depreciation	10,996	0	0	10,996
Total non-instructional	299,840	0	0	299,840
TOTAL OPERATING EXPENSES	299,840	15,907	5,910	321,657
OPERATING INCOME (LOSS)	(138,838)	(16)	3,520	(135,334)
NON-OPERATING REVENUES:				
State sources	3,088	0	0	3,088
Federal sources	136,777	0	0	136,777
Interest income	105	0	0	105
TOTAL NON-OPERATING REVENUES	139,970	0	0	139,970
Excess (deficiency of revenues over (under) expenditures	1,132	(16)	3,520	4,636
Other financing uses:				
Capital contributions	4,056	0	0	4,056
Changes in net assets	5,188	(16)	3,520	8,692
Net assets beginning of year	129,694	829	4,193	134,716
Net assets end of year	\$ 134,882	813	7,713	143,408

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition	Pre- school	Wellness Building	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 157,858	0	0	157,858
Cash received from miscellaneous operating activities	3,637	15,891	9,430	28,958
Cash payments to employees for services	(123,819)	(15,317)	0	(139,136)
Cash payments to suppliers for goods or services	(139,007)	(481)	(5,599)	(145,087)
Net cash provided by(used in) operating activities	(101,331)	93	3,831	(97,407)
Cash flows from non-capital financing activities:				
State grants received	3,088	0	0	3,088
Federal grants received	104,870	0	0	104,870
Net cash provided by non-capital financing activities	107,958	0	0	107,958
Cash flows from capital and related financing activities:				
Purchase of capital assets	(7,957)	0	0	(7,957)
Cash flows from investing activities:				
Interest on investments	105	0	0	105
Net increase (decrease) in cash and cash equivalents	(1,225)	93	3,831	2,699
Cash and cash equivalents at beginning of year	57,731	2,974	4,193	64,898
Cash and cash equivalents at end of year	\$ 56,506	3,067	8,024	67,597
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (138,838)	(16)	3,520	(135,334)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	31,907	0	0	31,907
Depreciation	10,996	0	0	10,996
Increase in inventories	(5,889)	0	0	(5,889)
Increase in accounts payable	0	0	311	311
Increase in salaries and benefits payable	0	109	0	109
Increase in unearned revenue	493	0	0	493
Net cash provided by(used in) operating activities	\$ (101,331)	93	3,831	(97,407)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$31,907.

During the year ended June 30, 2010, the School Nutrition Fund received contributed capital from the Capital Projects Fund of \$3,415 and from the Physical Plant and Equipment Levy Fund of \$641.

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Prepaid Expenses - The District prepaid software and membership dues for Year 2010 from the General Fund

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
Intangibles	50,000
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
Intangibles	15 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, 2010. 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.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 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	<u>\$ 4,303,920</u>

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, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 20,000
		<u>\$ 20,000</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, 2010 is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 148,988	0	0	148,988
Construction in progress	0	71,340	0	71,340
Total capital assets not being depreciated	<u>148,988</u>	<u>71,340</u>	<u>0</u>	<u>220,328</u>
Capital assets being depreciated/amortized:				
Buildings	6,996,394	0	0	6,996,394
Improvements other than buildings	34,092	26,101	0	60,193
Machinery and equipment	1,378,180	170,444	19,599	1,529,025
Total capital assets being depreciated	<u>8,408,666</u>	<u>196,545</u>	<u>19,599</u>	<u>8,585,612</u>
Less accumulated depreciation/amortization for:				
Buildings	1,985,004	128,944	0	2,113,948
Improvements other than buildings	31,099	1,638	0	32,737
Machinery and equipment	1,036,161	110,809	17,719	1,129,251
Total accumulated depreciation/amortization	<u>3,052,264</u>	<u>241,391</u>	<u>17,719</u>	<u>3,275,936</u>
Total capital assets being depreciated/amortized, net	<u>5,356,402</u>	<u>(44,846)</u>	<u>1,880</u>	<u>5,309,676</u>
Governmental activities capital assets, net	<u>\$ 5,505,390</u>	<u>26,494</u>	<u>1,880</u>	<u>5,530,004</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 134,144	12,013	0	146,157
Less accumulated depreciation	65,648	10,996	0	76,644
Business type activities capital assets, net	\$ 68,496	1,017	0	69,513

Governmental activities:

Instruction:

Regular \$ 33,922

Support services:

Operation and maintenance of plant 14,392

Transportation 62,495

110,809

Unallocated depreciation

130,582

Total governmental activities depreciation/amortization expense

\$ 241,391

Business type activities:

Food services \$ 10,996

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 3,725,000	0	335,000	3,390,000	350,000
Early retirement	19,750	21,435	10,000	31,185	25,185
Compensated absences	712,031	840,278	712,031	840,278	840,278
Net OPEB liability	0	19,000	0	19,000	0
Total	\$ 4,456,781	880,713	1,057,031	4,280,463	1,215,463

General Obligation

Details of the District's June 30, 2010 General Obligation bond indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue March 1, 2004		
		Principal	Interest	Total
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		\$ 3,390,000	600,550	3,990,550

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, 2010, the District paid \$10,000 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 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered payroll for the years ended June 30, 2010, 2009 and 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$200,324, \$191,021, and \$177,703, respectively, equal to the required contributions for each year.

(7) Other Post-employment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 58 active and 3 retired members in the plan. Participants must be age 57 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 75,000
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>75,000</u>
Contributions made	<u>(56,000)</u>
Increase in net OPEB obligation	19,000
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u><u>\$ 19,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$56,000 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 75,000	74.67%	\$ 19,000

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was

\$650,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$650,000. The covered payroll (annual payroll of active employees covered by the plan) was \$2,736,818, and the ratio of the UAAL to covered payroll was 23.75%. As of June 30, 2010 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

Projected claim costs of the medical plan range from \$507.43 for single to \$1,286.60 for retiree & spouse under Plan \$500 deductible, \$486.09 for single to \$1,215.24 for retiree & spouse under Plan \$750 deductible, \$467.86 for single to \$1,169.67 for retiree & spouse under Plan \$1000 deductible for retirees less than age 65. Upon retirement, the retired participant is assumed to pay 100% of the required premium.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) 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.

(9) 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 \$236,155 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitment

The District has entered into a contract totaling \$55,205 for the expansion of the school. As of June 30, 2010, costs \$50,006, had been incurred against the contract. The balance of \$5,199 remaining at June 30, 2010, will be paid as work on the project progresses.

(11) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

Project	Amount
High School Assistance Program	\$ 8,976
Dropout Prevention	12,007
Early Intervention	28,977
Basic Salary	28,591
Professional Development	47,203
Teacher Mentoring	2,058
Market Factor Incentives	4,233
Professional Development	7,039
Teacher Quality	13,160
Total reserved for categorical funding	<u>\$ 152,244</u>

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, 2010

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,617,626	186,428	3,804,054	4,137,627	4,137,627	(333,573)
State sources	2,117,917	3,088	2,121,005	2,812,407	2,812,407	(691,402)
Federal sources	372,100	136,777	508,877	283,000	283,000	225,877
Total revenues	<u>6,107,643</u>	<u>326,293</u>	<u>6,433,936</u>	<u>7,233,034</u>	<u>7,233,034</u>	<u>(799,098)</u>
Expenditures/Expenses:						
Instruction	3,549,882	15,907	3,565,789	4,583,000	4,583,000	1,017,211
Support services	1,582,756	5,910	1,588,666	2,236,000	2,236,000	647,334
Non-instructional programs	0	299,840	299,840	400,000	400,000	100,160
Other expenditures	964,146	0	964,146	1,354,168	1,354,168	390,022
Total expenditures/expenses	<u>6,096,784</u>	<u>321,657</u>	<u>6,418,441</u>	<u>8,573,168</u>	<u>8,573,168</u>	<u>2,154,727</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	10,859	4,636	15,495	(1,340,134)	(1,340,134)	1,355,629
Other financing sources(uses), net	12,939	4,056	16,995	20,000	20,000	(3,005)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	23,798	8,692	32,490	(1,320,134)	(1,320,134)	1,352,624
Balance beginning of year	<u>4,306,372</u>	<u>134,716</u>	<u>4,441,088</u>	<u>8,149,135</u>	<u>8,149,135</u>	<u>(3,708,047)</u>
Balance end of year	<u>\$ 4,330,170</u>	<u>143,408</u>	<u>4,473,578</u>	<u>6,809,001</u>	<u>6,829,001</u>	<u>(2,355,423)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 650,000	\$ 650,000	0.00%	\$ 2,736,818	23.75%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Special Revenue Funds			Total	
	Management Levy	Student Activity	Total	Capital Projects	Other Nonmajor Governmental Funds
Assets					
Cash and pooled investments	\$ 380,504	66,236	446,740	711,747	1,158,487
Receivables:					
Property tax:					
Current year delinquent	2,326	0	2,326	0	2,326
Succeeding year	175,000	0	175,000	0	175,000
Due from other governments	0	0	0	34,271	34,271
Total Assets	\$ 557,830	66,236	624,066	746,018	1,370,084
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 0	0	0	55,140	55,140
Deferred revenue:					
Succeeding year property tax	175,000	0	175,000	0	175,000
Unreserved fund balances	382,830	66,236	449,066	690,878	1,139,944
Total Liabilities and Fund Balances	\$ 557,830	66,236	624,066	746,018	1,370,084

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 2

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Special Revenue Funds			Capital Projects	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total		
REVENUES:					
Local sources:					
Local tax	\$ 175,130	0	175,130	357,610	532,740
Other	8,950	175,040	183,990	1,072	185,062
TOTAL REVENUES	184,080	175,040	359,120	358,682	717,802
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,283	0	1,283	100,204	101,487
Special	8,750	0	8,750	0	8,750
Other	0	168,340	168,340	0	168,340
Support services:					
Operation and maintenance of plant	77,046	0	77,046	0	77,046
Other expenditures:					
Facilities acquisitions	0	0	0	244,847	244,847
TOTAL EXPENDITURES	87,079	168,340	255,419	345,051	600,470
Excess (deficiency) of revenues over (under) expenditures	97,001	6,700	103,701	13,631	117,332
Other financing sources (uses):					
Transfers out	0	0	0	(20,000)	(20,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	97,001	6,700	103,701	(6,369)	97,332
Fund balances beginning of year	285,829	59,536	345,365	697,247	1,042,612
Fund balances end of year	\$ 382,830	66,236	449,066	690,878	1,139,944

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, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Dramatics	2,844	0	0	2,844
Vocal music	1,007	3,579	2,695	1,891
JH vocal music	100	0	0	100
Band Resale	20	492	512	0
Band uniform cleaning	1,248	0	301	947
Athletics	7,286	59,836	61,517	5,605
Athletics resale	757	602	943	416
Volleyball	460	3,389	3,051	798
Band instrument rent	180	135	0	315
Pool activity	10,150	5,896	4,512	11,534
Boys basketball	0	2,855	972	1,883
Football	6,053	12,279	12,681	5,651
Wrestling	1,165	9,581	8,207	2,539
Girls basketball	30	1,396	1,390	36
Girls softball	380	453	447	386
Girls track	807	2,916	3,239	484
Boys track	180	180	266	94
Student council	6,569	15,509	13,631	8,447
JH student council	597	4,129	3,872	854
Elementary student council	5,834	4,256	4,689	5,401
Silver spirit poms	51	3,015	2,021	1,045
Elementary student council camp	892	5,166	5,201	857
Elementary student welfare	1,145	3,404	2,814	1,735
Echo	12	12,442	12,404	50
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	90	5,691	4,652	1,129
JH cheerleaders	10	0	0	10
FCA	1,317	0	27	1,290
Elementary resale	559	0	0	559
Special athletics	4,314	11,420	9,627	6,107
AFS	170	0	0	170
Class of 2010	3,566	539	4,105	0
Class of 2011	1,006	3,878	4,564	320
Class of 2012	340	1,832	0	2,172
Class of 2013	0	170	0	170
Total	<u>\$ 59,536</u>	<u>175,040</u>	<u>168,340</u>	<u>66,236</u>

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 SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 3,136,471	3,329,029	3,066,344	2,931,745	2,742,108	2,776,594	2,682,910
Tuition	244,615	259,621	320,477	289,126	296,371	287,051	277,792
Other	236,274	378,494	506,606	424,472	376,436	207,620	207,714
State sources	2,117,917	2,613,488	3,036,124	2,829,923	2,773,812	2,704,103	2,464,710
Federal sources	372,100	179,990	152,640	166,225	182,283	191,741	571,600
Total	\$ 6,107,377	6,760,622	7,082,191	6,641,491	6,371,010	6,167,109	6,204,726
Expenditures:							
Instruction:							
Regular	\$ 2,357,727	2,171,706	2,156,979	2,042,454	1,964,190	2,048,735	2,091,818
Special	660,099	536,793	560,735	660,103	713,857	620,979	549,516
Other	532,056	648,533	610,788	593,690	606,715	287,395	438,253
Support services:							
Student	182,999	116,261	93,514	89,542	89,609	43,073	42,443
Instructional staff	102,001	186,218	146,706	122,087	145,801	115,767	108,106
Administration	426,457	485,082	493,757	494,613	546,602	509,434	511,743
Operation and maintenance of plant	654,806	550,488	559,981	668,427	567,990	420,102	619,082
Transportation	216,493	360,210	198,252	188,412	319,541	163,817	302,023
Other expenditures:							
Facilities acquisitions	264,871	566,564	338,505	131,752	406,230	621,754	1,216,670
Long Term Debt:							
Principal	335,000	3,855,000	260,000	490,227	488,589	641,902	966,725
Interest	128,120	325,898	338,877	359,162	372,197	409,159	359,404
AEA flow-through	236,155	209,354	207,745	198,257	190,359	186,460	183,434
Total	\$ 6,096,784	10,012,107	5,965,839	6,038,726	6,411,680	6,068,577	7,389,217

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF EDUCATION:			
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY 10	\$ 36,260
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	19,188
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	117,589
			<u>136,777</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I PART A CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	51,213
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	31,697
			<u>82,910</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	4,480
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	1,412
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 10	23,015
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 09	3,991
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	154,893
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER (IDEA):			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	27,547
ARRA - SPECIAL EDUCATION GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	37,509
			<u>65,056</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
IOWA DEPARTMENT OF HUMAN SERVICES			
SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV	93.938	FY 10	83
TOTAL			<u>\$ 508,877</u>

* - Includes \$31,907 of non-cash awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Brooklyn-Guernsey-Malcom Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 5, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as Item II-A-10 to be 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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.


NOLTE, CORNMAN & JOHNSON, P.C.

January 5, 2011

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 Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Brooklyn-Guernsey-Malcom Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Brooklyn-Guernsey-Malcom Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Brooklyn-Guernsey-Malcom Community School District's management. Our responsibility is to express an opinion on Brooklyn-Guernsey-Malcom Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Brooklyn-Guernsey-Malcom Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Brooklyn-Guernsey-Malcom Community School District's compliance with those requirements.

In our opinion, Brooklyn-Guernsey-Malcom Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Brooklyn-Guernsey-Malcom Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Brooklyn-Guernsey-Malcom Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Brooklyn-Guernsey-Malcom Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over compliance that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Finding and Questionable Costs as item III-A-10 as a material weakness.

Brooklyn-Guernsey-Malcom Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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, and is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

January 5, 2011

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

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund - Education State Grants, Recovery Act.
 - Clustered Programs:
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Brooklyn-Guernsey-Malcom Community School District did not qualify as a low-risk auditee.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-10 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 - Cash receipts are being reviewed by another person. The second person verifies that the deposit matches the money received and signs off on the cash receipts report. Cash receipts are not always deposited by the same person that fills out the receipts. Cash receipts for fundraisers are filled out by the sponsor and then verified by an additional employee to make sure they match. Bank statements are reviewed by a third person verifying that the checks indicated were written and that the bank account balances. All bills are verified by another individual before they are processed. They have to sign off on the invoices before they are entered into the system.

Conclusion - Response accepted.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund – Education State Grants,
Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2010
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the duties of two individuals include preparing checks and recording the transactions in the general ledger.

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

Response - There is a purchase order procedure. The person that wishes to make a purchase fills out a requisition form. This form needs to be approved by an administrator who issues a purchase order or may request that a secretary issue a purchase order. Purchase orders are placed in the District office to match up with the invoice. When an invoice comes in, one pulls the purchase order and attaches the invoice. All bills are verified by another individual before they are processed. For the activity bills, a sponsor has to verify that the items are received and that it is ok to process the bills. For the lunch account, all bills are signed off by the kitchen that the items have been received and are ok to process. For all other funds, the invoices are reviewed by the Superintendent, who initials each bill. There is a schedule of Board members who come in each month and physically review each invoice before it is paid. A listing of the bills is given to each board member before the meeting to see what is going to be paid. We will start providing them with a listing of checks that are written so that they can see the actual checks written.

Conclusion - Response accepted

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.
- IV-B-10 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.
- IV-C-10 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.
- IV-D-10 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	\$498
Dave Collum, Head Custodian Brother owns Collum Electric	Supplies	\$6,901
Brad Hohensee, Superintendent Son worked on Baseball Field	Purchased services	\$57
Rick Radcliffe, Principal Daughter worked on Grounds	Purchased services	\$287

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.

- IV-E-10 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.
- IV-F-10 Board Minutes - We noted during our audit that one transfer requiring Board approval had not been approved by the board as required.

Recommendation - The District should seek approval from the Board for all transfers that need to be made for the retirement of debt.

Response - We will make sure that all the internal transfers for debt are approved by the board before they are done.

Conclusion - Response accepted.

IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-10 Supplementary Weighting – No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 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.

IV-J-10 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.

IV-K-10 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales and Services Tax - We noted during our audit 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. The District purchased several items, including desks and chairs, which were below the single unit price of \$500.

Recommendation - The District should review Chapter 298.3 of the Code of Iowa with regard to allowable expenditures. The District should make a corrective transfer of \$1,324.68.

Response – The corrective transfer was done and we have reviewed the code section to make sure that all items are over \$500 a piece.

Conclusion - Response accepted.

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, 2010, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$ 188,922
Statewide sales and service tax revenue		357,610
Expenditures/transfers out:		
School Infrastructure		
Equipment	98,189	
Other improvements	247,197	
Debt Service for school infrastructure:		
General Obligation debt	20,000	365,386
		<hr/>
Ending Balance		<u>\$ 181,146</u>

As a result of the statewide sales, service and use tax revenue received during the year ended June 30, 2010 the District reduced the following levy:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 0.10951	\$20,000

IV-M-10 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - We will make sure that all contracts will be signed by the Board President.

Conclusion - Response accepted.