

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Brooklyn-Guernsey-Malcom Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
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	2011
Sharon Schott	District Secretary/ Business Manager	2011
Brian Gruhn	Attorney	2011

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

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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, 2011, 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, 2011, 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 February 24, 2012 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 seven years ended June 30, 2010 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, 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.

Handwritten signature in black ink, reading "Nolte, Cornman & Johnson PC". The signature is written in a cursive, professional style.

NOLTE, CORNMAN & JOHNSON, P.C.

February 24, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,626,005 in fiscal 2010 to \$5,384,056 in fiscal 2011, while General Fund expenditures increased from \$4,936,604 in fiscal 2010 to \$5,202,513 in fiscal 2011. This resulted in an increase in the District's fund balance from \$2,177,982 in fiscal 2010 to \$2,359,525 in fiscal 2011, representing an 8.33% increase.
- The District's solvency ratio (unassigned fund balance/general fund revenues) decreased from 47.08% for fiscal year 2010 to 38.80% for fiscal year 2011.

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.

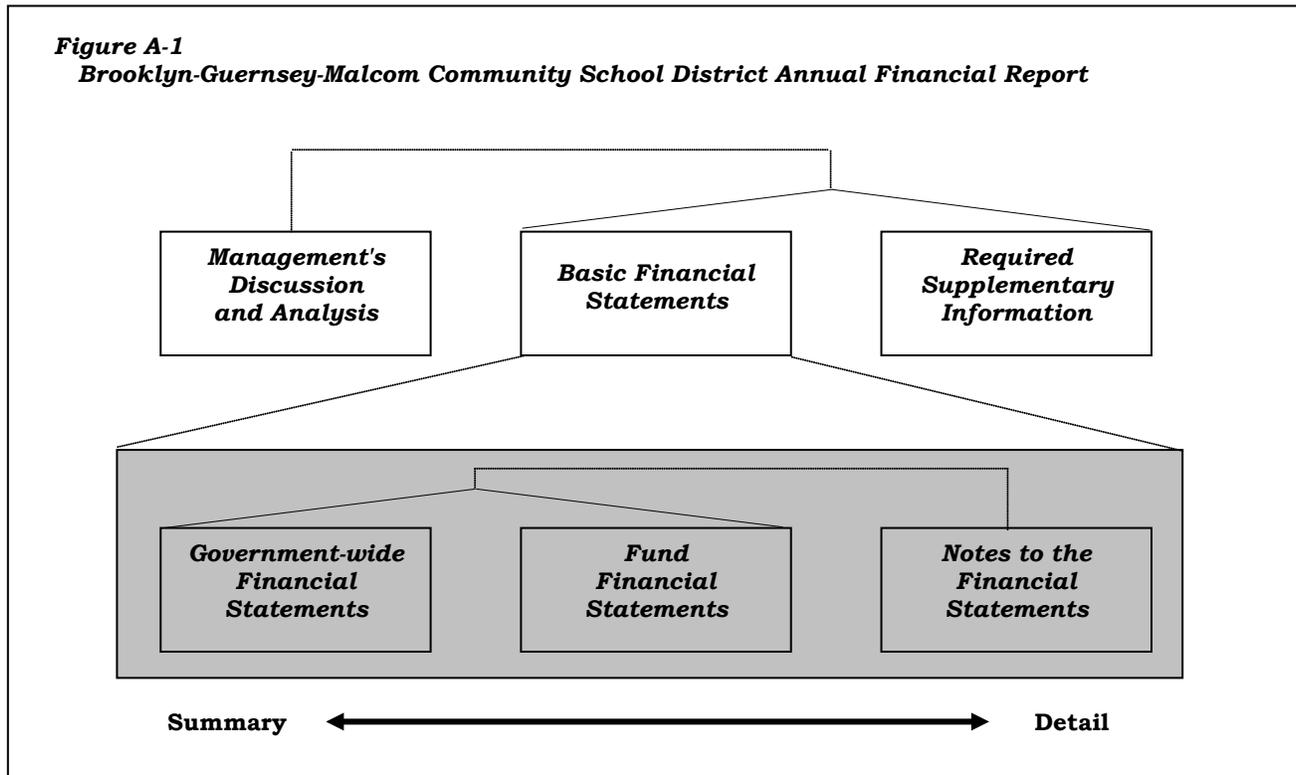


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents 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, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total Change June 30, 2010-11
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	
Current and other assets	\$ 8,451,999	7,855,556	\$ 81,661	80,721	\$ 8,533,660	7,936,277	7.53%
Capital assets	5,476,965	5,530,004	58,450	69,513	5,535,415	5,599,517	-1.14%
Total assets	13,928,964	13,385,560	140,111	150,234	14,069,075	13,535,794	3.94%
Long-term obligations	3,247,009	4,280,463	0	0	3,247,009	4,280,463	-24.14%
Other liabilities	3,121,714	3,190,202	3,868	6,826	3,125,582	3,197,028	-2.23%
Total liabilities	6,368,723	7,470,665	3,868	6,826	6,372,591	7,477,491	-14.78%
Net assets:							
Invested in capital assets, net of related debt	2,436,965	2,140,004	58,450	69,513	2,495,415	2,209,517	12.94%
Restricted	3,005,919	2,484,583	0	0	3,005,919	2,484,583	20.98%
Unrestricted	2,117,357	1,290,308	77,793	73,895	2,195,150	1,364,203	60.91%
Total net assets	\$ 7,560,241	5,914,895	\$ 136,243	143,408	\$ 7,696,484	6,058,303	27.04%

The District's combined net assets increased by 27.04% 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 20.98% or \$521,336 from the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased approximately 60.91% or \$830,947 compared to the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 432,496	460,156	\$ 173,583	181,403	606,079	641,559	-5.53%
Operating grants and contributions and restricted interest	563,522	972,547	151,733	144,785	715,255	1,117,332	-35.99%
General revenues:							
Property tax	2,447,298	2,398,131	0	0	2,447,298	2,398,131	2.05%
Income surtax	217,544	433,131	0	0	217,544	433,131	-49.77%
Statewide sales, service and use tax	416,250	357,610	0	0	416,250	357,610	16.40%
Nonspecific program federal funding	292,939	0	0	0	292,939	0	100.00%
Unrestricted state grants	2,356,456	1,517,470	0	0	2,356,456	1,517,470	55.29%
Other	126,124	33,938	107	105	126,231	34,043	270.80%
Transfers	0	(4,056)	0	4,056	0	0	0.00%
Total revenues	<u>6,852,629</u>	<u>6,168,927</u>	<u>325,423</u>	<u>330,349</u>	<u>7,178,052</u>	<u>6,499,276</u>	<u>10.44%</u>
Program expenses:							
Governmental activities:							
Instructional	3,111,805	3,629,783	5,073	15,907	3,116,878	3,645,690	-14.51%
Support services	1,564,871	1,603,782	13,299	5,910	1,578,170	1,609,692	-1.96%
Non-instructional programs	0	0	314,216	299,840	314,216	299,840	4.79%
Other expenses	530,607	676,117	0	0	530,607	676,117	-21.52%
Total expenses	<u>5,207,283</u>	<u>5,909,682</u>	<u>332,588</u>	<u>321,657</u>	<u>5,539,871</u>	<u>6,231,339</u>	<u>-11.10%</u>
Change in net assets	1,645,346	259,245	(7,165)	8,692	1,638,181	267,937	511.41%
Net assets beginning of year, as restated	<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>
Net assets end of year	<u>\$ 7,560,241</u>	<u>5,914,895</u>	<u>\$ 136,243</u>	<u>143,408</u>	<u>7,696,484</u>	<u>6,058,303</u>	<u>27.04%</u>

In fiscal 2011, property tax, income surtax and statewide sales and services tax and unrestricted state grants account for 79.35% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.97% of the revenue from business type activities.

The District's total revenues were approximately \$7.18 million of which \$6.85 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 10.44% increase in revenues and a 11.10% decrease in expenses. Unrestricted state grants increased \$838,986 and property tax increased \$205,980.

Governmental Activities

Revenues for governmental activities were \$6,852,629 and expenditures were \$5,207,283.

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		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 3,111,805	3,629,783	-14.27%	2,357,255	2,433,964	-3.15%
Support services	1,564,871	1,603,782	-2.43%	1,563,387	1,603,053	-2.47%
Other expenses	530,607	676,117	-21.52%	290,623	439,962	-33.94%
Totals	<u>\$ 5,207,283</u>	<u>5,909,682</u>	<u>-11.89%</u>	<u>4,211,265</u>	<u>4,476,979</u>	<u>-5.94%</u>

- A portion of the cost financed by users of the District's programs was \$432,496.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$563,522.
- The net cost portion of governmental activities was financed with \$2,447,298 in property tax, \$217,544 in income surtax, \$416,250 in statewide sales and service tax, \$292,939 in nonspecific program federal funding, \$2,356,456 in unrestricted state grants, \$20,428 in unrestricted investment earnings and \$105,696 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 \$325,423 in 2011, which is a decrease of 1.49% over the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses increased 3.40% to \$332,588 for business type activities in 2011.

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 \$5,149,289, an increase of \$819,119 from last year's ending fund balances of \$4,330,170.

Governmental Fund Highlights

- The General Fund has gone from a fund balance in FY 2010 of \$2,177,982 to a fund balance for FY 2011 of \$2,359,525. This was the result of receiving more in state sources than the prior year.
- The Capital Projects Accounts total balance increased from \$1,489,413 at June 30, 2010, to \$1,982,250 at June 30, 2011 in part to the reclassification of the Physical Plant and Equipment Levy Fund as a Capital Project due to the implementation of GASB statement number 54. The Statewide Sales, Services and Use Tax Fund revenues increased from \$358,682 at June 30, 2010 to \$474,481 at June 30, 2011 and expenditures decreased \$365,051 at June 30, 2010 to \$323,849 at June 30, 2011. The Physical Plant and Equipment Levy Fund revenues increased from \$331,988 at June 30, 2010 to \$414,067 at June 30, 2011 and expenditures decreased from \$96,589 at June 30, 2010 to \$71,862 at June 30, 2011.
- The Debt Service Fund balance increased from \$213,709 at June 30, 2010 to \$223,388 at June 30, 2011. Revenues increased from \$464,787 at June 30, 2010 to \$477,649 at June 30, 2011 and expenditures increased from \$463,120 at June 30, 2010 to \$467,970 at June 30, 2011.

Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$134,882 at June 30, 2010 to \$132,161 at June 30, 2011, representing a decrease of 2.02%.
- The Preschool Fund had net assets of \$813 at June 30, 2010 which decreased at June 30, 2011 to net assets of \$0.
- The Wellness Building Fund ended fiscal 2011 with net assets of \$4,082 as compared to net assets of \$7,713 for fiscal 2010.

BUDGETARY HIGHLIGHTS

The District's revenues were \$179,179 less than budgeted revenues, a variance of 2.39%. 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$5,535,415, 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 \$311,983.

The original cost of the District's capital assets was \$9,198,426. Governmental funds account for \$9,052,269, 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 construction in progress category. At June 30, 2010 the construction in progress category totaled \$71,340 compared to \$0 at June 30, 2011. The District completed their construction of the expansion of the school.

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,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 148,988	148,988	\$ 0	0	\$ 148,988	148,988	0.00%
Construction in Process	0	71,340	0	0	0	71,340	-100.00%
Buildings	4,955,343	4,882,446	0	0	4,955,343	4,882,446	1.49%
Improvements other than buildings	30,746	27,456	0	0	30,746	27,456	11.98%
Machinery and equipment	341,888	399,774	58,450	69,513	400,338	469,287	-14.69%
Total	\$ 5,476,965	5,530,004	\$ 58,450	69,513	\$ 5,535,415	5,599,517	-1.14%

Long-Term Debt

At June 30, 2011, the District had \$3,928,402 in general obligation and other long-term debt outstanding. This represents a decrease of 8.22% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$3,040,000 at June 30, 2011.

The District had compensated absences payable of \$840,278 at June 30, 2011, which will be paid primarily out of the General Fund.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Fund of \$54,250 at June 30, 2011.

The District also has a net OPEB liability of \$48,124 in the governmental activities.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2011	2010	2010-11
General obligation	\$ 3,040,000	3,390,000	-10.32%
Early retirement	54,250	31,185	73.96%
Compensated absences	104,635	840,278	-87.55%
Net OPEB Liability	48,124	19,000	100.00%
Totals	<u>\$ 3,247,009</u>	<u>4,280,463</u>	<u>-24.14%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced declining enrollment for a few years and expects the trend to continue for the next 6-10 years.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- 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 Brooklyn-Guernsey-Malcom 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, 2011

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,501,445	66,888	5,568,333
Receivables:			
Property tax:			
Delinquent	25,981	0	25,981
Succeeding year	2,544,030	0	2,544,030
Income surtax	217,544	0	217,544
Accounts	17,644	0	17,644
Due from other governments	145,355	0	145,355
Inventories	0	14,773	14,773
Capital assets, net of accumulated depreciation	5,476,965	58,450	5,535,415
Total Assets	13,928,964	140,111	14,069,075
Liabilities			
Accounts payable	87,709	0	87,709
Salaries and benefits payable	452,860	0	452,860
Accrued interest payable	36,548	0	36,548
Deferred revenue:			
Succeeding year property tax	2,544,030	0	2,544,030
Other	567	0	567
Unearned revenue	0	3,868	3,868
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	360,000	0	360,000
Early retirement	54,250	0	54,250
Compensated absences	104,635	0	104,635
Portion due after one year:			
General obligation bonds	2,680,000	0	2,680,000
Net OPEB Liability	48,124	0	48,124
Total Liabilities	6,368,723	3,868	6,372,591
Net Assets			
Invested in capital assets, net of related debt	2,436,965	58,450	2,495,415
Restricted for:			
Categorical funding	270,405	0	270,405
Debt service	223,388	0	223,388
Management levy	451,942	0	451,942
Student activities	77,934	0	77,934
Physical plant and equipment levy	1,140,740	0	1,140,740
School infrastructure	841,510	0	841,510
Unrestricted	2,117,357	77,793	2,195,150
Total Net Assets	\$ 7,560,241	136,243	7,696,484

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Expenses	Operating Grants, Contributions and Restricted Interest		Govern- mental Activities	Business Type Activities	Total
		Services				
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,640,514	218,520	186,338	(1,235,656)	0	(1,235,656)
Special	664,663	34,383	69,375	(560,905)	0	(560,905)
Other	806,628	178,933	67,001	(560,694)	0	(560,694)
	<u>3,111,805</u>	<u>431,836</u>	<u>322,714</u>	<u>(2,357,255)</u>	<u>0</u>	<u>(2,357,255)</u>
Support services:						
Student	97,802	0	0	(97,802)	0	(97,802)
Instructional staff	122,524	0	300	(122,224)	0	(122,224)
Administration	417,932	0	0	(417,932)	0	(417,932)
Operation and maintenance of plant	702,286	0	0	(702,286)	0	(702,286)
Transportation	224,327	660	524	(223,143)	0	(223,143)
	<u>1,564,871</u>	<u>660</u>	<u>824</u>	<u>(1,563,387)</u>	<u>0</u>	<u>(1,563,387)</u>
Other expenditures:						
Long-term debt interest	115,345	0	0	(115,345)	0	(115,345)
AEA flowthrough	239,984	0	239,984	0	0	0
Depreciation(unallocated)*	175,278	0	0	(175,278)	0	(175,278)
	<u>530,607</u>	<u>0</u>	<u>239,984</u>	<u>(290,623)</u>	<u>0</u>	<u>(290,623)</u>
Total governmental activities	5,207,283	432,496	563,522	(4,211,265)	0	(4,211,265)
Business Type activities:						
Preschool						
Instruction:						
Regular	5,073	200	4,064	0	(809)	(809)
Wellness Building						
Support services:						
Student services	13,299	9,668	0	0	(3,631)	(3,631)
Non-instructional programs:						
Nutrition services	314,216	163,715	147,669	0	(2,832)	(2,832)
Total business type activities	<u>332,588</u>	<u>173,583</u>	<u>151,733</u>	<u>0</u>	<u>(7,272)</u>	<u>(7,272)</u>
Total	<u>\$ 5,539,871</u>	<u>606,079</u>	<u>715,255</u>	<u>(4,211,265)</u>	<u>(7,272)</u>	<u>(4,218,537)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,875,537	0	1,875,537
Debt service				346,347	0	346,347
Capital outlay				225,414	0	225,414
Income surtax				217,544	0	217,544
Statewide sales and services tax				416,250	0	416,250
Nonspecific program federal funding				292,939	0	292,939
Unrestricted state grants				2,356,456	0	2,356,456
Unrestricted investment earnings				20,428	107	20,535
Other				105,696	0	105,696
Total general revenues				<u>5,856,611</u>	<u>107</u>	<u>5,856,718</u>
Changes in net assets				1,645,346	(7,165)	1,638,181
Net assets beginning of year				5,914,895	143,408	6,058,303
Net assets end of year				<u>\$ 7,560,241</u>	<u>136,243</u>	<u>7,696,484</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 2,786,042	1,911,366	219,911	584,126	5,501,445
Receivables:					
Property tax:					
Delinquent	18,288	4,216	3,477	0	25,981
Succeeding year	1,769,783	211,802	342,445	220,000	2,544,030
Income surtax	108,772	108,772	0	0	217,544
Accounts	17,644	0	0	0	17,644
Due from other governments	75,223	70,132	0	0	145,355
Total Assets	\$ 4,775,752	2,306,288	565,833	804,126	8,451,999
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 84,245	3,464	0	0	87,709
Salaries and benefits payable	452,860	0	0	0	452,860
Deferred revenue:					
Succeeding year property tax	1,769,783	211,802	342,445	220,000	2,544,030
Income surtax	108,772	108,772	0	0	217,544
Other	567	0	0	0	567
Total liabilities	2,416,227	324,038	342,445	220,000	3,302,710
Fund balances:					
Restricted for:					
Categorical funding	270,405	0	0	0	270,405
Debt Service	0	0	223,388	0	223,388
Management levy purposes	0	0	0	506,192	506,192
Student activities	0	0	0	77,934	77,934
School infrastructure	0	841,510	0	0	841,510
Physical plant and equipment	0	1,140,740	0	0	1,140,740
Unassigned	2,089,120	0	0	0	2,089,120
Total fund balances	2,359,525	1,982,250	223,388	584,126	5,149,289
Total Liabilities and Fund Balances	\$ 4,775,752	2,306,288	565,833	804,126	8,451,999

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, 2011

Total fund balances of governmental funds(pages 20)	\$ 5,149,289
<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.	5,476,965
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.	(36,548)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	217,544
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 governmental funds.	<u>(3,247,009)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 7,560,241</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, 2011

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,844,919	828,842	346,347	217,797	3,237,905
Tuition	230,428	0	0	0	230,428
Other	89,227	59,590	444	190,656	339,917
State sources	2,709,447	116	3,858	129	2,713,550
Federal sources	487,642	0	0	0	487,642
Total revenues	<u>5,361,663</u>	<u>888,548</u>	<u>350,649</u>	<u>408,582</u>	<u>7,009,442</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,254,888	35,913	0	13,227	2,304,028
Special	664,663	0	0	0	664,663
Other	642,103	0	0	172,573	814,676
	<u>3,561,654</u>	<u>35,913</u>	<u>0</u>	<u>185,800</u>	<u>3,783,367</u>
Support services:					
Student	96,815	0	0	0	96,815
Instructional staff	122,030	0	0	0	122,030
Administration	414,926	0	0	0	414,926
Operation and maintenance of plant	567,734	6,200	0	87,722	661,656
Transportation	199,370	0	0	0	199,370
	<u>1,400,875</u>	<u>6,200</u>	<u>0</u>	<u>87,722</u>	<u>1,494,797</u>
Other expenditures:					
Facilities acquisitions	0	226,598	0	0	226,598
Long-term debt:					
Principal	0	0	350,000	0	350,000
Interest	0	0	117,970	0	117,970
AEA flowthrough	239,984	0	0	0	239,984
	<u>239,984</u>	<u>226,598</u>	<u>467,970</u>	<u>0</u>	<u>934,552</u>
Total expenditures	<u>5,202,513</u>	<u>268,711</u>	<u>467,970</u>	<u>273,522</u>	<u>6,212,716</u>
Excess(deficiency) of revenue over(under) expenditures	159,150	619,837	(117,321)	135,060	796,726
Other financing sources(uses):					
Transfers in	0	0	127,000	0	127,000
Transfers out	0	(127,000)	0	0	(127,000)
Sales of equipment and materials	22,393	0	0	0	22,393
Total other financing sources(uses)	<u>22,393</u>	<u>(127,000)</u>	<u>127,000</u>	<u>0</u>	<u>22,393</u>
Net change in fund balances	181,543	492,837	9,679	135,060	819,119
Fund balances beginning of year, as restated	<u>2,177,982</u>	<u>1,489,413</u>	<u>213,709</u>	<u>449,066</u>	<u>4,330,170</u>
Fund balances end of year	<u>\$ 2,359,525</u>	<u>1,982,250</u>	<u>223,388</u>	<u>584,126</u>	<u>5,149,289</u>

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
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(pages 22) \$ 819,119

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

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

Capital outlays	\$ 247,881	
Depreciation expense	<u>(300,920)</u>	(53,039)

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. 350,000

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. 2,625

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (156,813)

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:

Compensated absences	\$ 735,643	
Early retirement	(23,065)	
Net OPEB liability	<u>(29,124)</u>	<u>683,454</u>

Changes in net assets of governmental activities(page 19) \$ 1,645,346

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	School Nutrition	Wellness Building	Total
Assets			
Cash and pooled investments	\$ 62,806	4,082	66,888
Inventories	14,773	0	14,773
Capital assets, net of accumulated depreciation	58,450	0	58,450
Total Assets	136,029	4,082	140,111
Liabilities			
Unearned revenues	3,868	0	3,868
Total Liabilities	3,868	0	3,868
Net Assets			
Invested in capital assets	58,450	0	58,450
Unrestricted	73,711	4,082	77,793
Total Net Assets	\$ 132,161	4,082	136,243

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, 2011

	School Nutrition	Pre- school	Wellness Building	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 158,282	0	0	158,282
Donations	0	4,064	0	4,064
Miscellaneous	5,433	200	9,668	15,301
TOTAL OPERATING REVENUES	<u>163,715</u>	<u>4,264</u>	<u>9,668</u>	<u>177,647</u>
OPERATING EXPENSES:				
Instruction:				
Regular:				
Salaries	0	4,159	0	4,159
Benefits	0	838	0	838
Supplies	0	76	0	76
Total instruction	<u>0</u>	<u>5,073</u>	<u>0</u>	<u>5,073</u>
Support services:				
Student services:				
Services	0	0	1,283	1,283
Supplies	0	0	12,016	12,016
Total support services	<u>0</u>	<u>0</u>	<u>13,299</u>	<u>13,299</u>
Non-instructional programs:				
Salaries	107,326	0	0	107,326
Benefits	21,182	4	0	21,186
Services	2,570	0	0	2,570
Supplies	172,071	0	0	172,071
Depreciation	11,063	0	0	11,063
Total non-instructional	<u>314,212</u>	<u>4</u>	<u>0</u>	<u>314,216</u>
TOTAL OPERATING EXPENSES	<u>314,212</u>	<u>5,077</u>	<u>13,299</u>	<u>332,588</u>
OPERATING INCOME (LOSS)	<u>(150,497)</u>	<u>(813)</u>	<u>(3,631)</u>	<u>(154,941)</u>
NON-OPERATING REVENUES:				
State sources	2,927	0	0	2,927
Federal sources	144,742	0	0	144,742
Interest income	107	0	0	107
TOTAL NON-OPERATING REVENUES	<u>147,776</u>	<u>0</u>	<u>0</u>	<u>147,776</u>
Excess(deficiency of revenues over(under) expenditures	<u>(2,721)</u>	<u>(813)</u>	<u>(3,631)</u>	<u>(7,165)</u>
Changes in net assets	<u>(2,721)</u>	<u>(813)</u>	<u>(3,631)</u>	<u>(7,165)</u>
Net assets beginning of year	<u>134,882</u>	<u>813</u>	<u>7,713</u>	<u>143,408</u>
Net assets end of year	<u>\$ 132,161</u>	<u>0</u>	<u>4,082</u>	<u>136,243</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition	Pre- school	Wellness Building	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 157,889	0	0	157,889
Cash received from miscellaneous operating activities	5,433	4,264	9,668	19,365
Cash payments to employees for services	(128,508)	(7,255)	0	(135,763)
Cash payments to suppliers for goods or services	(148,367)	(76)	(13,610)	(162,053)
Net cash provided by(used in) operating activities	<u>(113,553)</u>	<u>(3,067)</u>	<u>(3,942)</u>	<u>(120,562)</u>
Cash flows from non-capital financing activities:				
State grants received	2,927	0	0	2,927
Federal grants received	116,819	0	0	116,819
Net cash provided by non-capital financing activities	<u>119,746</u>	<u>0</u>	<u>0</u>	<u>119,746</u>
Cash flows from investing activities:				
Interest on investments	107	0	0	107
Net increase (decrease) in cash and cash equivalents	6,300	(3,067)	(3,942)	(709)
Cash and cash equivalents at beginning of year	56,506	3,067	8,024	67,597
Cash and cash equivalents at end of year	<u>\$ 62,806</u>	<u>0</u>	<u>4,082</u>	<u>66,888</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (150,497)	(813)	(3,631)	(154,941)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	27,923	0	0	27,923
Depreciation	11,063	0	0	11,063
Increase in inventories	(1,649)	0	0	(1,649)
Decrease in accounts payable	0	0	(311)	(311)
Decrease in salaries and benefits payable	0	(2,254)	0	(2,254)
Decrease in unearned revenue	(393)	0	0	(393)
Net cash provided by(used in) operating activities	<u>\$ (113,553)</u>	<u>(3,067)</u>	<u>(3,942)</u>	<u>(120,562)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$27,923.

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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, 2011. 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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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, 2011 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.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,082,614 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, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 127,000</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed to pay the principal and interest on the District's general obligation bond indebtedness.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 146,157	0	0	146,157
Less accumulated depreciation	76,644	11,063	0	87,707
Business type activities capital assets, net	<u>\$ 69,513</u>	<u>(11,063)</u>	<u>0</u>	<u>58,450</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 148,988	0	0	148,988
Construction in progress	71,340	0	71,340	0
Total capital assets not being depreciated	220,328	0	71,340	148,988
Capital assets being depreciated/amortized:				
Buildings	6,996,394	245,990	0	7,242,384
Improvements other than buildings	60,193	5,475	0	65,668
Machinery and equipment	1,529,025	67,756	1,552	1,595,229
Total capital assets being depreciated	8,585,612	319,221	1,552	8,903,281
Less accumulated depreciation/amortization for:				
Buildings	2,113,948	173,093	0	2,287,041
Improvements other than buildings	32,737	2,185	0	34,922
Machinery and equipment	1,129,251	125,642	1,552	1,253,341
Total accumulated depreciation/amortization	3,275,936	300,920	1,552	3,575,304
Total capital assets being depreciated/amortized, net	5,309,676	18,301	0	5,327,977
Governmental activities capital assets, net	\$ 5,530,004	18,301	71,340	5,476,965

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 19,227
Other		894
Support services:		
Administration		371
Operation and maintenance of plant		43,168
Transportation		61,982
		125,642
Unallocated depreciation		175,278
Total governmental activities depreciation/amortization expense		\$ 300,920
Business type activities:		
Food services		\$ 11,063

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 3,390,000	0	350,000	3,040,000	360,000
Early retirement	31,185	54,250	31,185	54,250	54,250
Compensated absences	840,278	104,635	840,278	104,635	104,635
Net OPEB liability	19,000	29,124	0	48,124	0
Total	\$ 4,280,463	188,009	1,221,463	3,247,009	518,885

General Obligation

Details of the District's June 30, 2011 General Obligation bond indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue March 1, 2004		
		Principal	Interest	Total
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		\$ 3,040,000	483,030	3,523,030

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, 2011, the District paid \$31,185 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 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$213,191, \$200,324, and \$191,021, 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.

The District provides postemployment benefits for eligible participants enrolled in its plans. The benefits are provided in the form of (1) an implicit rate subsidy where retirees receive health insurance coverage by paying a combined retiree/active rate, and (2) an explicit subsidy where eligible retirees receive a one-time cash benefit which may be used to offset premiums and/or health costs, as well as a monthly premium subsidy.

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 Districts OPEB cost for the year ended June 30, 2011, 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	855
Adjustment to annual required contribution	(731)
Annual OPEB cost	<u>75,124</u>
Contributions made	<u>(46,000)</u>
Increase in net OPEB obligation	29,124
Net OPEB obligation beginning of year	<u>19,000</u>
Net OPEB obligation end of year	<u>\$ 48,124</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, 2011.

For the year ended June 30, 2011, the District contributed \$46,000 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, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 75,000	74.67%	\$ 19,000
June 30, 2011	75,124	61.23%	48,124

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$1,911,574, and the ratio of the UAAL to covered payroll was 34.00%. As of June 30, 2011 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 \$239,984 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's restricted balance for categorical funding at June 30, 2011 is comprised of the following programs:

Project	Amount
High School Assistance Program	\$ 17,479
Dropout Prevention	76,740
LEP Weighting	19,171
Statewide Voluntary Preschool	14,693
Talented And Gifted	39,885
Teacher Mentoring	2,225
At-Risk Supplemental Weighting	12,781
Teacher Quality	19,952
Professional Development	67,479
Total restricted for categorical funding	<u><u>\$ 270,405</u></u>

(11) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 690,878	798,535
Change in fund type classification per implementation of GASB Statement No. 54	798,535	(798,535)
Balances July 1, 2010, as restated	<u><u>\$ 1,489,413</u></u>	<u><u>-</u></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, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,808,250	177,754	3,986,004	4,014,603	4,014,603	(28,599)
State sources	2,713,550	2,927	2,716,477	3,169,441	3,169,441	(452,964)
Federal sources	487,642	144,742	632,384	330,000	330,000	302,384
Total revenues	<u>7,009,442</u>	<u>325,423</u>	<u>7,334,865</u>	<u>7,514,044</u>	<u>7,514,044</u>	<u>(179,179)</u>
Expenditures/Expenses:						
Instruction	3,783,367	5,073	3,788,440	4,917,000	4,917,000	1,128,560
Support services	1,494,797	13,299	1,508,096	2,274,000	2,274,000	765,904
Non-instructional programs	0	314,216	314,216	375,000	375,000	60,784
Other expenditures	934,552	0	934,552	1,310,783	1,310,783	376,231
Total expenditures/expenses	<u>6,212,716</u>	<u>332,588</u>	<u>6,545,304</u>	<u>8,876,783</u>	<u>8,876,783</u>	<u>2,331,479</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	796,726	(7,165)	789,561	(1,362,739)	(1,362,739)	2,152,300
Other financing sources, net	<u>22,393</u>	<u>0</u>	<u>22,393</u>	<u>0</u>	<u>0</u>	<u>22,393</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	819,119	(7,165)	811,954	(1,362,739)	(1,362,739)	2,174,693
Balance beginning of year	<u>4,330,170</u>	<u>143,408</u>	<u>4,473,578</u>	<u>4,565,690</u>	<u>4,565,690</u>	<u>(92,112)</u>
Balance end of year	<u>\$ 5,149,289</u>	<u>136,243</u>	<u>5,285,532</u>	<u>3,202,951</u>	<u>3,202,951</u>	<u>2,082,581</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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, 2011

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%	\$ 1,879,865	34.58%
2011	July 1, 2009	0	650,000	650,000	0.00%	1,911,574	34.00%

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, 2011

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 506,192	77,934	584,126
Receivables:			
Property tax:			
Succeeding year	220,000	0	220,000
Total Assets	\$ 726,192	77,934	804,126
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	220,000	0	220,000
Total Liabilities	220,000	0	220,000
Fund balances:			
Restricted for:			
Management levy purposes	506,192	0	506,192
Student activities	0	77,934	77,934
Total fund balances	506,192	77,934	584,126
Total Liabilities and Fund Balances	\$ 726,192	77,934	804,126

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 217,797	0	217,797
Other	6,385	184,271	190,656
State sources	129	0	129
TOTAL REVENUES	<u>224,311</u>	<u>184,271</u>	<u>408,582</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	13,227	0	13,227
Other	0	172,573	172,573
Support services:			
Operation and maintenance of plant	87,722	0	87,722
TOTAL EXPENDITURES	<u>100,949</u>	<u>172,573</u>	<u>273,522</u>
Excess of revenues over expenditures	123,362	11,698	135,060
Fund balances beginning of year, as restated	<u>382,830</u>	<u>66,236</u>	<u>449,066</u>
Fund balances end of year	<u>\$ 506,192</u>	<u>77,934</u>	<u>584,126</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 773,517	1,137,849	1,911,366
Receivables:			
Property tax:			
Delinquent	0	4,216	4,216
Succeeding year	0	211,802	211,802
Income surtax	0	108,772	108,772
Due from other governments	70,132	0	70,132
Total Assets	\$ 843,649	1,462,639	2,306,288
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,139	1,325	3,464
Deferred revenue:			
Succeeding year property tax	0	211,802	211,802
Income surtax	0	108,772	108,772
Total Liabilities	2,139	321,899	324,038
Fund balances:			
Restricted for:			
School infrastructure	841,510	0	841,510
Physical plant and equipment	0	1,140,740	1,140,740
Total fund balances	841,510	1,140,740	1,982,250
Total Liabilities and Fund Balances	\$ 843,649	1,462,639	2,306,288

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 416,250	412,593	828,843
Other	58,231	1,358	59,589
State sources	0	116	116
TOTAL REVENUES	<u>474,481</u>	<u>414,067</u>	<u>888,548</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	27,928	7,985	35,913
Support services:			
Operation and maintenance of plant	0	6,200	6,200
Other expenditures:			
Facilities acquisitions	168,921	57,677	226,598
TOTAL EXPENDITURES	<u>196,849</u>	<u>71,862</u>	<u>268,711</u>
Excess of revenues over expenditures	277,632	342,205	619,837
Other financing uses:			
Transfers out	(127,000)	0	(127,000)
Excess of revenues and other financing sources over expenditures and other financing sources	150,632	342,205	492,837
Fund balances beginning of year, as restated	690,878	798,535	1,489,413
Fund balances end of year	<u>\$ 841,510</u>	<u>1,140,740</u>	<u>1,982,250</u>

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, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Dramatics	\$ 2,844	0	0	2,844
Vocal music	1,891	1,552	221	3,222
JH vocal music	100	0	0	100
Band uniform cleaning	947	0	0	947
Athletics	5,605	67,466	71,523	1,548
Athletics resale	416	300	546	170
Volleyball	798	1,679	2,070	407
Band instrument rent	315	120	0	435
Pool activity	11,534	6,411	4,431	13,514
Boys basketball	1,883	4,479	5,315	1,047
Football	5,651	17,354	15,332	7,673
Wrestling	2,539	13,730	15,196	1,073
Girls basketball	36	1,826	1,859	3
Girls softball	386	935	1,184	137
Girls track	484	2,319	2,244	559
Boys track	94	1,825	1,685	234
Student council	8,447	8,916	9,256	8,107
JH student council	854	4,137	4,043	948
Elementary student council	5,401	4,187	2,769	6,819
Silver spirit poms	1,045	3,380	1,818	2,607
Elementary student council camp	857	5,420	4,058	2,219
Elementary student welfare	1,735	2,355	2,713	1,377
Echo	50	10,925	3,923	7,052
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	1,129	9,373	9,731	771
JH cheerleaders	10	0	0	10
FCA	1,290	0	68	1,222
Elementary resale	559	0	0	559
Special athletics	6,107	8,868	6,937	8,038
AFS	170	0	0	170
Class of 2011	320	1,626	1,946	0
Class of 2012	2,172	4,538	3,705	3,005
Class of 2013	170	180	0	350
Class of 2014	0	370	0	370
Total	<u>\$ 66,236</u>	<u>184,271</u>	<u>172,573</u>	<u>77,934</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 EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 3,237,905	3,136,471	3,329,029	3,066,344	2,931,745	2,742,108	2,776,594	2,682,910
Tuition	230,428	244,615	259,621	320,477	289,126	296,371	287,051	277,792
Other	339,917	236,274	378,494	506,606	424,472	376,436	207,620	207,714
State sources	2,713,550	2,117,917	2,613,488	3,036,124	2,829,923	2,773,812	2,704,103	2,464,710
Federal sources	487,642	372,100	179,990	152,640	166,225	182,283	191,741	571,600
Total	\$ 7,009,442	6,107,377	6,760,622	7,082,191	6,641,491	6,371,010	6,167,109	6,204,726
Expenditures:								
Instruction:								
Regular	\$ 2,304,028	2,357,727	2,171,706	2,156,979	2,042,454	1,964,190	2,048,735	2,091,818
Special	664,663	660,099	536,793	560,735	660,103	713,857	620,979	549,516
Other	814,676	532,056	648,533	610,788	593,690	606,715	287,395	438,253
Support services:								
Student	96,815	182,999	116,261	93,514	89,542	89,609	43,073	42,443
Instructional staff	122,030	102,001	186,218	146,706	122,087	145,801	115,767	108,106
Administration	414,926	426,457	485,082	493,757	494,613	546,602	509,434	511,743
Operation and maintenance of plant	661,656	654,806	550,488	559,981	668,427	567,990	420,102	619,082
Transportation	199,370	216,493	360,210	198,252	188,412	319,541	163,817	302,023
Other expenditures:								
Facilities acquisitions	226,598	264,871	566,564	338,505	131,752	406,230	621,754	1,216,670
Long Term Debt:								
Principal	350,000	335,000	3,855,000	260,000	490,227	488,589	641,902	966,725
Interest	117,970	128,120	325,898	338,877	359,162	372,197	409,159	359,404
AEA flow-through	239,984	236,155	209,354	207,745	198,257	190,359	186,460	183,434
Total	\$ 6,212,716	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, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF EDUCATION:			
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY 11	\$ 36,260
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	23,026
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	121,716 *
			<u>144,742</u>
POWESHEIK COUNTY:			
DIRECT AND COUNTER-CYCLICAL PAYMENTS PROGRAM	10.055	FY 11	411
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
PROMOTION OF THE ARTS-PARTNERSHIP AGREEMENTS (NATIONAL ENDOWMENT OF THE ARTS)	45.025	FY 11	200
TITLE I PART A CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	55,828
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 11	2,267
			<u>58,095</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	3,786
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 11	22,171
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 11	3,608
STATE FISCAL STABILIZATION CLUSTER:			
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	155,683
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - GOVERNMENT SERVICES, REVOCERY ACT	84.397	FY 11	26,184
			<u>181,867</u>
EDUCATION JOB FUNDS	84.410	FY 11	111,545
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER (IDEA):			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 11	27,221
ARRA - SPECIAL EDUCATION GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 11	37,140
			<u>64,361</u>
TOTAL			<u>\$ 627,046</u>

* - Includes \$27,923 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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 24, 2012. 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-11 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-11 and II-C-11 to be a significant deficiency.

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, 2011 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.

February 24, 2012

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on 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 Brooklyn-Guernsey-Malcom Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Brooklyn-Guernsey-Malcom Community School District's major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 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 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 a 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 Findings and Questioned Costs as item III-A-11 to be a material weakness.

Brooklyn-Guernsey-Malcom Community School District's responses to the 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 Sample 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.

February 24, 2012

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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:
 - Clustered Programs:
 - ARRA Cluster:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act
 - CFDA Number 84.397 - ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act
 - Nutrition Cluster:
 - 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, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We are constantly looking at the segregation of duties along with time constraints and budget concerns. We currently have each deposit reviewed by another individual before it goes to the bank that initializes the deposit ticket before it leaves the office. Bank deposits are usually carried down to the bank by the Superintendent. Pre-numbered cash receipts are being used for general fund cash transactions. Vouchers for invoices on lunch and activity are signed by the corresponding head (cook, coach, advisor or athletic director) before the invoices are processed. In the other funds, the Superintendent signs off on all invoices before they are processed. A listing of all checks are given to the Superintendent and Board on a monthly basis. Bank reconciliations are done by the opposite secretary. The Superintendent's Secretary does the general fund, management fund, wellness fund, PPEL fund, SAVE fund and Debt Service fund bank reconciliations and the Board Secretary does the Lunch and Activity fund bank reconciliations.

Conclusion - Response accepted.

II-B-11 Student Activity - We noted that the Student Activity Fund had several old student activity accounts which are not being closed when the accounts become inactive.

Recommendation - The district should review Student Activity Fund accounts at the end of each year and close out inactive accounts.

Response - We are closing out the old activity fund accounts that are inactive.

Conclusion - Response accepted.

II-C-11 Gate Admissions - We noted during our audit pre-numbered tickets were being used, but that the tickets were not being reconciled following the event.

Recommendation - The District should review internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - We have instructed the Athletic Director that all gate admissions must be reconciled before the funds are given to the Superintendent’s Secretary.

Conclusion - Response accepted.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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

CFDA Number 84.397: ARRA - State Fiscal Stabilization Fund - Government Services,
Recovery Act

Federal Award Year: 2011

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: 2011

U.S. Department of Agriculture

Passed through the Iowa Department of Education

III-A-11 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 - We are constantly looking at the segregation of duties along with time constraints and budget concerns. We currently have each deposit reviewed by another individual before it goes to the bank that initializes the deposit ticket before it leaves the office. Bank deposits are usually deposited by the Superintendent. Pre-numbered cash receipts are being used for general fund cash transactions. Vouchers for invoices on lunch and activity are signed by the corresponding head (cook, coach, advisor or athletic director) before the invoices are processed. In the other funds, the Superintendent signs off on all invoices before they are processed. A listing of all checks are given to the Superintendent and Board on a monthly basis for approval before checks are done. Bank reconciliations are done by the opposite secretary. The Superintendent's Secretary does the general fund, management fund, wellness fund, PPEL fund, SAVE fund, and Debt Service fund bank reconciliations and the Board Secretary does the Lunch and Activity fund bank reconciliations.

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-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.

IV-B-11 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-11 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-11 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 Husband owns Ford's Repair Service	Purchased services	\$93
Arlene Ford, Board Member Son owns Loren Ford Trucking	Supplies	\$2,230
Brad Hohensee, Superintendent Son worked as a custodian	Purchased services	\$634
Brad Hohensee, Superintendent Daughter officiated athletic events	Purchased Services	\$375
Rick Radcliffe, Principal Wife worked as an accompanist	Purchased services	\$1,275
Rick Radcliffe, Principal Daughter worked as a custodian	Purchased services	\$648

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-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-11 Certified Enrollment - We noted variances in the basic enrollment data certified to the Department of Education. The ELL funding was overstated by 1.98 students.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-H-11 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Iowa Department of Education. The number certified to the Iowa Department of Education was overstated by 1.95 for the fall of 2010.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-I-11 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-11 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-11 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 690,878
Revenues:		
Sales tax revenues	416,250	
Other local revenues	58,231	474,481
		<u>1,165,359</u>
Expenditures/transfers out:		
School infrastructure construction	96,518	
Other	100,331	
Transfers to other funds:		
Debt service fund	127,000	
Total expenditures and transfers		<u>323,849</u>
Ending balance		<u>\$ 841,510</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.66434	\$ 127,000