

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Brooklyn-Guernsey-Malcom Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Edward Kline	President	2017
Arlene Ford	Vice President	2015
Bob Parker	Board Memeber (Resigned August 2014)	2015
Nancy Hanlon	Board Member (Appointed August 2014)	2015
Cassier Minnaert	Board Member	2015
Larry Pendarvis	Board Member	2015
Laurie Jansen	Board Member	2017
Rodney Horrigan	Board Member	2017
School Officials		
Brad Hohensee	Superintendent	2015
Sharon Schott	District Secretary/ Business Manager	2015
Brian Gruhn	Attorney	2015

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Brooklyn-Guernsey-Malcom Community School District, Brooklyn, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above 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 as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 14 to the financial statements, Brooklyn-Guernsey-Malcolm Community School district adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management’s Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District’s Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Brooklyn-Guernsey-Malcom Community School District’s basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2016 on our consideration of Brooklyn-Guernsey-Malcom Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Brooklyn-Guernsey-Malcom Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 19, 2016
Newton, Iowa

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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,183,582 during fiscal year 2014 to \$5,462,545 during fiscal year 2015, while General Fund expenditures increased from \$5,607,708 during fiscal year 2014 to \$5,892,457 during fiscal year 2015. The District's General Fund balance decreased from \$1,823,899 at June 30, 2014 to \$1,393,987 at June 30, 2015, a 23.58% decrease.
- The District's solvency ratio decreased from 30.79% at June 30, 2014 to 21.06% at June 30, 2015.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

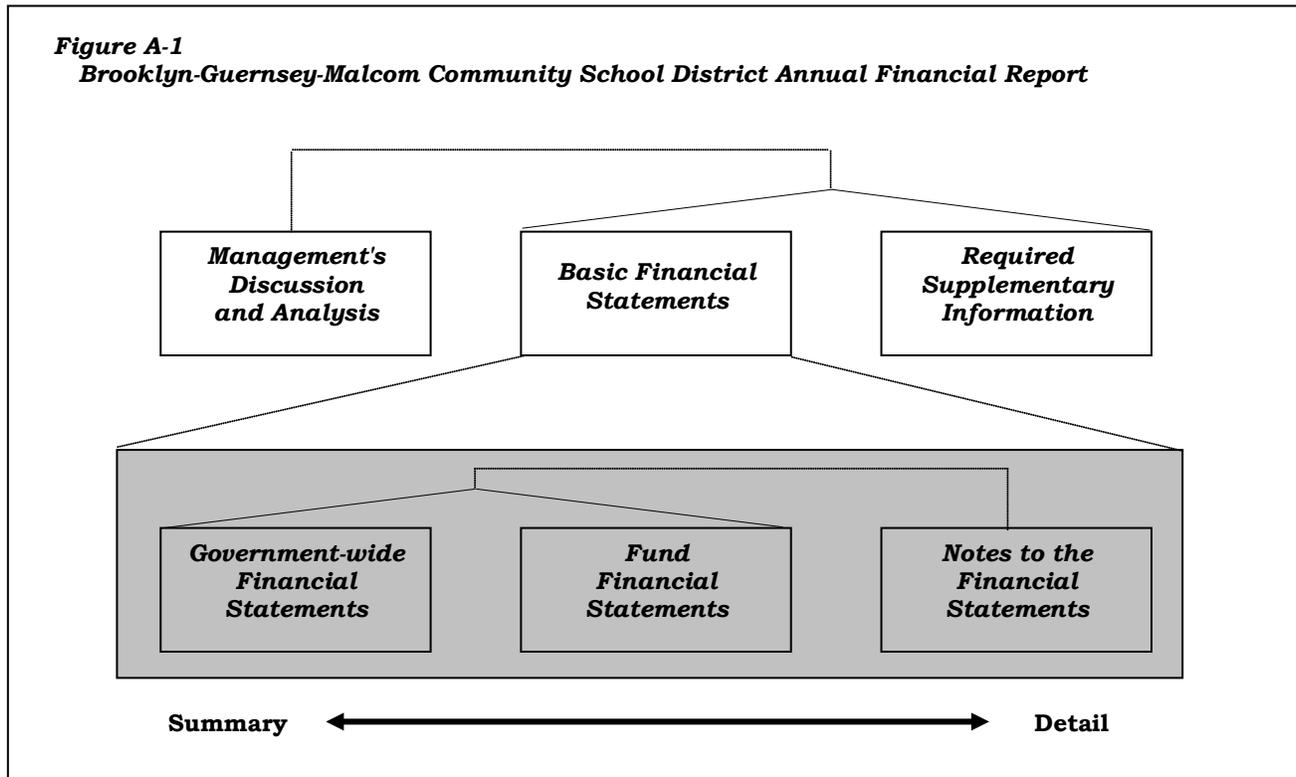


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 service, Wellness Service
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • 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 position • Statement of revenues, expenses and changes in fund net position • 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 deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
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 Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition 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 Fund and 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 two enterprise funds, the School Nutrition Fund and the Wellness Building Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net position at June 30, 2015 compared to June 30, 2014.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Current and other assets	\$ 7,984,993	7,979,995	39,531	36,603	8,024,524	8,016,598	0.10%
Capital assets	6,847,816	6,703,047	41,569	36,697	6,889,385	6,739,744	2.22%
Total assets	14,832,809	14,683,042	81,100	73,300	14,913,909	14,756,342	1.07%
Deferred outflows of resources	394,227	-	13,172	-	407,399	-	100.00%
Long-term liabilities	3,615,214	2,067,942	65,250	1,296	3,680,464	2,069,238	77.87%
Other liabilities	686,234	611,176	15,948	11,172	702,182	622,348	12.83%
Total liabilities	4,301,448	2,679,118	81,198	12,468	4,382,646	2,691,586	62.83%
Deferred inflows of resources	3,676,992	2,809,533	25,120	-	3,702,112	2,809,533	31.77%
Net position:							
Net investment in capital assets	5,337,816	4,773,047	41,569	36,697	5,379,385	4,809,744	11.84%
Restricted	2,987,605	2,821,195	-	-	2,987,605	2,821,195	5.90%
Unrestricted	(1,076,825)	1,600,149	(53,615)	24,135	(1,130,440)	1,624,284	-169.60%
Total net position	\$ 7,248,596	9,194,391	(12,046)	60,832	7,236,550	9,255,223	-21.81%

The District's combined net position decreased by \$2,018,673 or 21.81% as compared to the prior year. The largest portion of the District's net position is 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 position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 5.90% or \$166,410 from the prior year. This increase is mainly attributed to the increase in the ending fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net position - the part of net position that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased 169.60% or \$2,754,724 compared to the prior year. The decrease in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for pensions- an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,394,285 and \$80,940, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides more comprehensive measures of pension expense which is more reflective of the amount employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Figure A-4							
	Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15	
Revenues:								
Program revenues:								
Charges for service	\$ 509,416	474,011	169,546	171,684	678,962	645,695	5.15%	
Operating grants, contributions and restricted interest	522,370	506,552	172,365	158,335	694,735	664,887	4.49%	
General revenues:								
Property tax	2,822,278	2,771,023	-	-	2,822,278	2,771,023	1.85%	
Income surtax	196,640	278,389	-	-	196,640	278,389	-29.37%	
Statewide sales, services and use tax	507,087	500,529	-	-	507,087	500,529	1.31%	
Unrestricted state grants	2,692,726	2,361,337	-	-	2,692,726	2,361,337	14.03%	
Unrestricted investment earnings	15,556	19,929	30	44	15,586	19,973	-21.96%	
Other	31,456	16,460	3,065	2,438	34,521	18,898	82.67%	
Total revenues	7,297,529	6,928,230	345,006	332,501	7,642,535	7,260,731	5.26%	
Program expenses:								
Instruction	4,353,022	4,306,408	-	-	4,353,022	4,306,408	1.08%	
Support services	2,063,585	1,691,608	2,936	6,115	2,066,521	1,697,723	21.72%	
Non-instructional programs	-	-	343,745	352,202	343,745	352,202	-2.40%	
Other expenses	422,695	395,289	-	-	422,695	395,289	6.93%	
Total expenses	6,839,302	6,393,305	346,681	358,317	7,185,983	6,751,622	6.43%	
Excess(Deficiency) of revenues over(under) expenses	458,227	534,925	(1,675)	(25,816)	456,552	509,109	-10.32%	
Transfers	(9,737)	-	9,737	-	-	-	0.00%	
Change in net position	448,490	534,925	8,062	(25,816)	456,552	509,109	-10.32%	
Net position beginning of year, as restated	6,800,106	8,659,466	(20,108)	86,648	6,779,998	8,746,114	-22.48%	
Net position end of year	\$ 7,248,596	9,194,391	(12,046)	60,832	7,236,550	9,255,223	-21.81%	

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 85.22% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.10% of the revenue from business type activities.

The District's total revenues were approximately \$7.64 million of which approximately \$7.30 million was for governmental activities and approximately \$0.34 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.26% increase in revenues and a 6.43% increase in expenses. An increase in unrestricted grant revenue compared to the prior year was the primary cause of the increase in revenues. The increase in expenses is related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$7,297,529 and expenditures were \$6,839,302 for the year end June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 4,353,022	4,306,408	1.08%	3,546,094	3,543,826	0.06%
Support services	2,063,585	1,691,608	21.99%	2,062,736	1,690,201	22.04%
Other expenses	422,695	395,289	6.93%	198,686	178,715	11.17%
Totals	\$ 6,839,302	6,393,305	6.98%	5,807,516	5,412,742	7.29%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$509,416.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$522,370.
- The net cost portion of governmental activities was financed with \$2,822,278 in property tax, \$196,640 in income surtax, \$507,087 in statewide sales, services and use tax, \$2,692,726 in unrestricted state grants, \$15,556 in unrestricted investment earnings and \$31,456 in other general revenues.

Business Type Activities

The District's business type activities are the School Nutrition Fund and the Wellness Building Fund. Revenues of the District's business type activities totaled \$345,006 for fiscal year 2015, which is an increase of 3.76% over the prior year expenses totaled \$ 346,681, a decrease of 3.25% from the prior year. Revenues of these activities were largely comprised of charges for service, federal and state reimbursements and investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

As the District completed the year, its governmental funds reported combined fund balances of \$4,172,719, a decrease of \$212,106 from last year's ending fund balances of \$4,384,825.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,823,899 at June 30, 2014 to \$1,393,987 at June 30, 2015, a 23.57% decrease. Increases in state revenues contributed to a 5.38% increase in total revenues, as compared to the prior year while General Fund expenditures increased 5.08% from the prior year.
- The Management Levy Fund balance increased from \$750,621 at June 30, 2014 to \$882,383 at June 30, 2015. An increase in local taxes received during the year offset the increase in expenditures compared to the prior year and caused the fund balance to increase \$131,762 during fiscal year 2015.
- The Capital Projects Fund combined balance increased from \$1,449,654 at June 30, 2014 to \$1,572,543 at June 30, 2015. Although total expenditures increased compared to the prior year, the increase was not enough to outpace total revenues for the year ensuring an increase in the ending fund balance.

Proprietary Fund Highlights

- The School Nutrition Fund net position increased from a restated deficit net position of \$32,823 at July 1, 2014 to a deficit net position \$30,487 at June 30 2015, representing an increase of 7.12%. The primary reason for the increase in net position to contributed capital during the year.
- The Wellness Building Fund net position increased from \$12,715 at June 30, 2014 to \$18,441 at June 30, 2015 representing an increase of 45.03%. The primary reason for the increase in ending net position is due to the continual increase in charges for service revenue received.

BUDGETARY HIGHLIGHTS

Over the course of the year, Brooklyn-Guernsey-Malcom Community School District amended its budget one time to reflect additional expenditures associated with repairs and School Nutrition Fund.

The District's revenues were \$106,197 more than budgeted revenues, a variance of 1.41%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

In spite of the district's budgetary practice, the certified budget was exceeded in the instruction and support service functional areas as well as in total during the fiscal year 2015.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$6,889,385, 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-5) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$315,032.

The original cost of the District's capital assets was \$11,446,506. Governmental funds accounted for \$11,275,523, with the remainder of \$170,983 accounted for in the proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the Improvements other than building category. At June 30, 2015 the Improvements other than building totaled \$279,519 compared to \$91,492 at June 30, 2014. This increase resulted partially from the installation of fence and sidewalk around a football field during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 148,988	148,988	-	-	148,988	148,988	0.00%
Construction in process	58,500	-	-	-	58,500	-	100.00%
Buildings	5,938,261	6,079,692	-	-	5,938,261	6,079,692	-2.33%
Improvements other than buildings	279,519	91,492	-	-	279,519	91,492	205.51%
Machinery and equipment	422,548	382,875	41,569	36,697	464,117	419,572	10.62%
Total	\$ 6,847,816	6,703,047	41,569	36,697	6,889,385	6,739,744	2.22%

Long-Term Debt

At June 30, 2015, the District had \$3,680,464 in general obligation bonds and other long-term debt outstanding. This represents an increase of 77.87% from last year. (See Figure A-6) 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 \$1,510,000 at June 30, 2015 payable from the Debt Service Fund.

The District had termination benefits payable of \$80,000 at June 30, 2015, payable from the Management Levy Fund.

The District had compensated absences payable of \$67,859 at June 30, 2015, payable from the General Fund.

The District had total net OPEB liability of \$66,833 at June 30, 2015, of which \$65,537 is attributable to governmental activities and \$1,296 is attributable to business type activities.

The District had a total net pension liability of \$1,955,772 at June 30, 2015, of which \$1,891,818 is attributable to governmental activities and \$63,954 is attributable to business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
General obligation bonds	\$ 1,510,000	1,930,000	-	-	1,510,000	1,930,000	-21.76%
Termination benefits	80,000	32,260	-	-	80,000	32,260	147.99%
Compensated absences	67,859	40,145	-	-	67,859	40,145	69.03%
Net pension Liability	1,891,818	-	63,954	-	1,955,772	-	100.00%
Net OPEB Liability	65,537	65,537	1,296	1,296	66,833	66,833	0.00%
Totals	\$ 3,615,214	2,067,942	65,250	1,296	3,680,464	2,069,238	77.87%

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 5-10 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sharon Schott, Business Manager/Board Secretary, Brooklyn-Guernsey-Malcom Community School District, 1090 Jackson Street, Brooklyn, Iowa, 52211.

BASIC FINANCIAL STATEMENTS

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 4,669,165	9,214	4,678,379
Receivables:			
Property tax:			
Delinquent	31,834	-	31,834
Succeeding year	2,933,921	-	2,933,921
Income surtax	193,872	-	193,872
Due from other funds	11,000	-	11,000
Due from other governments	145,201	22,590	167,791
Inventories	-	7,727	7,727
Capital assets, net of accumulated depreciation	6,847,816	41,569	6,889,385
Total assets	14,832,809	81,100	14,913,909
Deferred Outflows of Resources			
Pension related deferred outflows	394,227	13,172	407,399
Liabilities			
Accounts payable	176,921	430	177,351
Salaries and benefits payable	507,560	-	507,560
Accrued interest payable	1,753	-	1,753
Unearned revenues	-	4,518	4,518
Due to other funds	-	11,000	11,000
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	425,000	-	425,000
Termination benefits	80,000	-	80,000
Compensated absences	67,859	-	67,859
Portion due after one year:			
General obligation bonds	1,085,000	-	1,085,000
Net pension liability	1,891,818	63,954	1,955,772
Net OPEB liability	65,537	1,296	66,833
Total liabilities	4,301,448	81,198	4,382,646
Deferred Inflows of Resources			
Unavailable property tax revenue	2,933,921	-	2,933,921
Pension related deferred inflows	743,071	25,120	768,191
Total deferred inflows of resources	3,676,992	25,120	3,702,112
Net Position			
Net investment in capital assets	5,337,816	41,569	5,379,385
Restricted for:			
Categorical funding	290,626	-	290,626
Debt service	230,666	-	230,666
Management levy	802,383	-	802,383
Student activities	91,387	-	91,387
School infrastructure	1,324,078	-	1,324,078
Physical plant and equipment levy	248,465	-	248,465
Unrestricted	(1,076,825)	(53,615)	(1,130,440)
Total net position	\$ 7,248,596	(12,046)	7,236,550

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,639,621	254,958	104,566	(2,280,097)	-	(2,280,097)
Special	728,043	15,318	27,557	(685,168)	-	(685,168)
Other	985,358	238,291	166,238	(580,829)	-	(580,829)
	<u>4,353,022</u>	<u>508,567</u>	<u>298,361</u>	<u>(3,546,094)</u>	<u>-</u>	<u>(3,546,094)</u>
Support services:						
Student	138,313	-	-	(138,313)	-	(138,313)
Instructional staff	187,809	-	-	(187,809)	-	(187,809)
Administration	672,252	-	-	(672,252)	-	(672,252)
Operation and maintenance of plant	792,445	-	-	(792,445)	-	(792,445)
Transportation	272,766	849	-	(271,917)	-	(271,917)
	<u>2,063,585</u>	<u>849</u>	<u>-</u>	<u>(2,062,736)</u>	<u>-</u>	<u>(2,062,736)</u>
Long-term debt interest	13,087	-	-	(13,087)	-	(13,087)
Other expenditures:						
AEA flowthrough	224,009	-	224,009	-	-	-
Depreciation(unallocated)*	185,599	-	-	(185,599)	-	(185,599)
	<u>409,608</u>	<u>-</u>	<u>224,009</u>	<u>(185,599)</u>	<u>-</u>	<u>(185,599)</u>
Total governmental activities	<u>6,839,302</u>	<u>509,416</u>	<u>522,370</u>	<u>(5,807,516)</u>	<u>-</u>	<u>(5,807,516)</u>
Business type activities:						
Support services:						
Operation and maintenance of plant	2,936	-	-	-	(2,936)	(2,936)
Non-instructional programs:						
Food service operations	341,088	161,163	172,365	-	(7,560)	(7,560)
Other enterprise operations	2,657	8,383	-	-	5,726	5,726
	<u>343,745</u>	<u>169,546</u>	<u>172,365</u>	<u>-</u>	<u>(1,834)</u>	<u>(1,834)</u>
Total business type activities	<u>346,681</u>	<u>169,546</u>	<u>172,365</u>	<u>-</u>	<u>(4,770)</u>	<u>(4,770)</u>
Total	<u>\$ 7,185,983</u>	<u>678,962</u>	<u>694,735</u>	<u>(5,807,516)</u>	<u>(4,770)</u>	<u>(5,812,286)</u>
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 2,175,337	-	2,175,337
Debt service				384,070	-	384,070
Capital outlay				262,871	-	262,871
Income surtax				196,640	-	196,640
Statewide sales and services tax				507,087	-	507,087
Unrestricted state grants				2,692,726	-	2,692,726
Unrestricted investment earnings				15,556	30	15,586
Other				31,456	3,065	34,521
Transfer				(9,737)	9,737	-
Total general revenues and transfers				<u>6,256,006</u>	<u>12,832</u>	<u>6,268,838</u>
Changes in net position				448,490	8,062	456,552
Net position beginning of year, as restated				6,800,106	(20,108)	6,779,998
Net position end of year				<u>\$ 7,248,596</u>	<u>(12,046)</u>	<u>7,236,550</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Manage- ment Levy	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 1,894,183	878,670	1,576,595	319,717	4,669,165
Receivables:					
Property tax:					
Delinquent	21,234	3,713	2,798	4,089	31,834
Succeeding year	1,955,663	319,999	298,277	359,982	2,933,921
Income surtax	77,549	-	116,323	-	193,872
Due from other funds	11,000	-	-	-	11,000
Due from other governments	66,771	-	78,430	-	145,201
Total assets	\$ 4,026,400	1,202,382	2,072,423	683,788	7,984,993
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 91,641	-	85,280	-	176,921
Salaries and benefits payable	507,560	-	-	-	507,560
Total liabilities	599,201	-	85,280	-	684,481
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,955,663	319,999	298,277	359,982	2,933,921
Income surtax	77,549	-	116,323	-	193,872
Total deferred inflows of resources	2,033,212	319,999	414,600	359,982	3,127,793
Fund balances:					
Restricted for:					
Categorical funding	290,626	-	-	-	290,626
Debt service	-	-	-	232,419	232,419
Management levy purposes	-	882,383	-	-	882,383
Student activities	-	-	-	91,387	91,387
School infrastructure	-	-	1,324,078	-	1,324,078
Physical plant and equipment	-	-	248,465	-	248,465
Unassigned	1,103,361	-	-	-	1,103,361
Total fund balances	1,393,987	882,383	1,572,543	323,806	4,172,719
Total liabilities, deferred inflows of resources and fund balances	\$ 4,026,400	1,202,382	2,072,423	683,788	7,984,993

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015

Total fund balances of governmental funds(pages 20)		\$ 4,172,719
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are reported as assets in the governmental funds.		6,847,816
Accrued interest payable on long-term liabilities is not due payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(1,753)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payables in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 394,227	
Deferred inflows or resources	<u>(743,071)</u>	(348,844)
Accounts receivable income surtax, are not yet available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		193,872
Long-term liabilities, including general obligation bonds payable, termination benefits payable, compensated absences payable, other post-employment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(3,615,214)</u>
Net position of governmental activities(page 18)		<u><u>\$ 7,248,596</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, 2015

	General	Manage- ment Levy	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,943,507	321,470	352,511	384,070	3,001,558
Tuition	243,889	-	-	-	243,889
Other	69,532	9,669	3,936	238,726	321,863
State sources	3,019,325	1,134	507,996	1,328	3,529,783
Federal sources	183,076	-	-	-	183,076
Total revenues	<u>5,459,329</u>	<u>332,273</u>	<u>864,443</u>	<u>624,124</u>	<u>7,280,169</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,469,512	32,260	128,427	-	2,630,199
Special	740,482	-	-	-	740,482
Other	735,851	-	10,620	227,584	974,055
	<u>3,945,845</u>	<u>32,260</u>	<u>139,047</u>	<u>227,584</u>	<u>4,344,736</u>
Support services:					
Student	127,154	-	12,943	-	140,097
Instructional staff	176,305	-	5,400	-	181,705
Administration	599,933	-	53,611	-	653,544
Operation and maintenance of plant	616,449	160,581	-	-	777,030
Transportation	202,762	7,670	88,850	-	299,282
	<u>1,722,603</u>	<u>168,251</u>	<u>160,804</u>	<u>-</u>	<u>2,051,658</u>
Non-instructional programs:					
Food service operations	-	-	9,737	-	9,737
Capital outlay	-	-	431,966	-	431,966
Long-term debt:					
Principal	-	-	-	420,000	420,000
Interest and fiscal charges	-	-	-	13,385	13,385
	<u>-</u>	<u>-</u>	<u>-</u>	<u>433,385</u>	<u>433,385</u>
Other expenditures:					
AEA flowthrough	224,009	-	-	-	224,009
Total expenditures	<u>5,892,457</u>	<u>200,511</u>	<u>741,554</u>	<u>660,969</u>	<u>7,495,491</u>
Excess(Deficiency) of revenues over (under) expenditures	(433,128)	131,762	122,889	(36,845)	(215,322)
Other financing sources:					
Sales of equipment	3,216	-	-	-	3,216
Change in fund balances	(429,912)	131,762	122,889	(36,845)	(212,106)
Fund balances beginning of year	1,823,899	750,621	1,449,654	360,651	4,384,825
Fund balances end of year	<u>\$ 1,393,987</u>	<u>882,383</u>	<u>1,572,543</u>	<u>323,806</u>	<u>4,172,719</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, 2015

Change in fund balances - total governmental funds(pages 22) \$ (212,106)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Capital outlay	\$ 448,338	
Depreciation expense	<u>(303,569)</u>	144,769

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 420,000

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. 298

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 290,176

Income surtax accounts receivable is not available to finance expenditures of the current year and, therefore, is recognized as deferred inflows of resources in the governmental funds. 17,360

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	\$ (47,740)	
Compensated absences	(27,714)	
Pension expense	<u>(136,553)</u>	<u>(212,007)</u>

Change in net position of governmental activities(page 19) \$ 448,490

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type Activities:		
	Nonmajor Enterprise Funds		
	School Nutrition	Wellness Building	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 12	9,202	9,214
Due from other governments	22,590	-	22,590
Inventories	7,727	-	7,727
Total current assets	<u>30,329</u>	<u>9,202</u>	<u>39,531</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	31,900	9,669	41,569
Total assets	<u>62,229</u>	<u>18,871</u>	<u>81,100</u>
Deferred Outflows of Resources			
Pension related deferred outflows	13,172	-	13,172
Liabilities			
Current liabilities:			
Accounts payable	-	430	430
Unearned revenues	4,518	-	4,518
Due to other funds	11,000	-	11,000
Total current liabilities	<u>15,518</u>	<u>430</u>	<u>15,948</u>
Noncurrent liabilities:			
Net Pension liability	63,954	-	63,954
Net OPEB liability	1,296	-	1,296
Total noncurrent liabilities	<u>65,250</u>	<u>-</u>	<u>65,250</u>
Total liabilities	<u>80,768</u>	<u>430</u>	<u>81,198</u>
Deferred Inflows of Resources			
Pension related deferred inflows	25,120	-	25,120
Net Position			
Net investment in capital assets	31,900	9,669	41,569
Unrestricted	(62,387)	8,772	(53,615)
Total net position	<u>\$ (30,487)</u>	<u>18,441</u>	<u>(12,046)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business Type Activities:		
	Nonmajor Enterprise Funds		
	School Nutrition	Wellness Building	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 161,163	8,383	169,546
Miscellaneous	3,065	-	3,065
Total operating revenues	<u>164,228</u>	<u>8,383</u>	<u>172,611</u>
Operating expenses:			
Support services:			
Operation and maintenance of plant:			
Services	2,936	-	2,936
	<u>2,936</u>	<u>-</u>	<u>2,936</u>
Non-instructional programs:			
Food service operations:			
Salaries	112,711	-	112,711
Benefits	7,007	-	7,007
Services	1,739	-	1,739
Supplies	209,372	-	209,372
Depreciation	10,259	-	10,259
	<u>341,088</u>	<u>-</u>	<u>341,088</u>
Other enterprise operations:			
Services	-	517	517
Supplies	-	936	936
Depreciation	-	1,204	1,204
	<u>-</u>	<u>2,657</u>	<u>2,657</u>
Total non-instructional programs	<u>341,088</u>	<u>2,657</u>	<u>343,745</u>
Total operating expenses	<u>344,024</u>	<u>2,657</u>	<u>346,681</u>
Operating income(loss)	<u>(179,796)</u>	<u>5,726</u>	<u>(174,070)</u>
Non-operating revenues:			
State sources	2,664	-	2,664
Federal sources	169,701	-	169,701
Interest income	30	-	30
Total non-operating revenues	<u>172,395</u>	<u>-</u>	<u>172,395</u>
Excess(deficiency) of revenues over(under) expenses	(7,401)	5,726	(1,675)
Other financing sources:			
Capital contributions	<u>9,737</u>	<u>-</u>	<u>9,737</u>
Change in net position	2,336	5,726	8,062
Net position beginning of year, as restated	<u>(32,823)</u>	<u>12,715</u>	<u>(20,108)</u>
Net position end of year	<u>\$ (30,487)</u>	<u>18,441</u>	<u>(12,046)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business Type Activities:		
	Nonmajor Enterprise Funds		
	School Nutrition	Wellness Building	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 161,509	-	161,509
Cash received from memberships	-	8,383	8,383
Cash received from miscellaneous	3,065	-	3,065
Cash payments to employees for services	(124,756)	-	(124,756)
Cash payments to suppliers for goods or services	(184,657)	(1,023)	(185,680)
Net cash provided by(used in) operating activities	(144,839)	7,360	(137,479)
Cash flows from non-capital financing activities:			
Borrowing from General Fund	4,000	-	4,000
State grants received	2,664	-	2,664
Federal grants received	137,678	-	137,678
Net cash provided by non-capital financing activities	144,342	-	144,342
Cash flows from capital and related financing activities:			
Purchase of capital assets	-	(6,598)	(6,598)
Cash flows from investing activities:			
Interest on investments	30	-	30
Net increase(decrease) in cash and pooled investments	(467)	762	295
Cash and pooled investments beginning of year	479	8,440	8,919
Cash and pooled investments end of year	\$ 12	9,202	9,214
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (179,796)	5,726	(174,070)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	26,478	-	26,478
Depreciation	10,259	1,204	11,463
Decrease in inventories	2,912	-	2,912
Increase in accounts payable	-	430	430
Decrease in net pension liability	(26,409)	-	(26,409)
Increase in deferred outflows of resources	(3,749)	-	(3,749)
Increase in deferred inflows of resources	25,120	-	25,120
Increase in unearned revenue	346	-	346
Net cash provided by (used in) operating activities	\$ (144,839)	7,360	(137,479)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$26,478 of federal commodities.

During the year ended June 30, 2015, the District received \$9,737 in capital contributions from the Capital Projects: Physical Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 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 Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 Management Fund is utilized to account for the District's termination benefits, workmen's comprehensive claims, and payments for the District's property insurance.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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

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 reported as nonoperating revenues and expenses.

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Furniture and equipment	5-12 years

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

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 Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

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

Unearned Revenues - Unearned revenues are moneys 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 Position 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, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction and support services functions as well as in total.

Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2015 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. As of June 30, 2015, the District had no investments.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	School Nutrition	\$ 11,000

The loan from the General Fund to the School Nutrition Fund was to repay the General fund for salaries and benefits paid during the year.

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 148,988	-	-	148,988
Construction in progress	-	58,500	-	58,500
Total capital assets not being depreciated	<u>148,988</u>	<u>58,500</u>	<u>-</u>	<u>207,488</u>
Capital assets being depreciated/amortized:				
Buildings	8,811,711	-	-	8,811,711
Improvements other than buildings	133,481	232,195	-	365,676
Machinery and equipment	1,804,616	157,643	71,611	1,890,648
Total capital assets being depreciated	<u>10,749,808</u>	<u>389,838</u>	<u>71,611</u>	<u>11,068,035</u>
Less accumulated depreciation/amortization for:				
Buildings	2,732,019	141,431	-	2,873,450
Improvements other than buildings	41,989	44,168	-	86,157
Machinery and equipment	1,421,741	117,970	71,611	1,468,100
Total accumulated depreciation/amortization	<u>4,195,749</u>	<u>303,569</u>	<u>71,611</u>	<u>4,427,707</u>
Total capital assets being depreciated/amortized, net	<u>6,554,059</u>	<u>86,269</u>	<u>-</u>	<u>6,640,328</u>
Governmental activities capital assets, net	<u>\$ 6,703,047</u>	<u>144,769</u>	<u>-</u>	<u>6,847,816</u>
Business type activities:				
Machinery and equipment	\$ 154,648	16,335	-	170,983
Less accumulated depreciation	117,951	11,463	-	129,414
Business type activities capital assets, net	<u>\$ 36,697</u>	<u>4,872</u>	<u>-</u>	<u>41,569</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 5,111
Other	44,516
Support services:	
Transportation	68,343
	<u>117,970</u>
Unallocated depreciation	185,599
Total governmental activities depreciation	<u>\$ 303,569</u>
Business type activities:	
Food service operations	\$ 10,259
Other enterprise operations	1,204
Total business type activities depreciation	<u>\$ 11,463</u>

Note 5. Long-Term Liabilities

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

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,930,000	-	420,000	1,510,000	425,000
Termination benefits	32,260	80,000	32,260	80,000	80,000
Compensated absences	40,145	67,859	40,145	67,859	67,859
Net pension liability	2,673,028	-	781,210	1,891,818	-
Net OPEB liability	65,537	-	-	65,537	-
Total	\$ 4,740,970	147,859	1,273,615	3,615,214	572,859
Business type activities:					
Net pension liability	\$ 90,363	-	26,409	63,954	-
Net OPEB liability	1,296	-	-	1,296	-
Total	91,659	-	26,409	65,250	-

General Obligation Bonds

Details of the District's June 30, 2015 General Obligation bond indebtedness is as follows:

Year Ending June 30,	Bond issue April 1, 2013			
	Interest Rates	Principal	Interest	Total
2016	0.50-0.55 %	\$ 425,000	9,983	434,983
2017	0.60-0.65	425,000	7,660	432,660
2018	0.75-0.85	425,000	4,845	429,845
2019	0.90-1.00	235,000	1,690	236,690
Total		\$ 1,510,000	24,178	1,534,178

Termination Benefits

In November 2014, the District approved a voluntary early retirement plan for certified full-time employees. The plan was only offered to employees for one year. Eligible employees must have completed at least thirteen years of service to the District and must have reached age fifty-five on or before June 30, 2015. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits were equal a percentage of the basic yearly salary plus an additional one day's pay for every 2 days of unused accumulated sick leave with a maximum benefit not to exceed \$20,000. The percentage of basic yearly salary varied depending upon years of service for each retiree.

Early retirement benefits were to be deposited into a Health Savings Account on July 15, 2015. At June 30, 2015, the District has obligations to four participants with a total liability of \$80,000. Actual early retirements benefits paid for the year ended June 30, 2015 totaled \$ 32,260.

Note 6. Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees'

Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

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

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

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

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$299,831.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$1,955,772 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.048325 percent, which was an increase of 0.000480 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$141,170. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,255	\$ -
Changes of assumptions	86,313	-
Net difference between projected and actual earnings on pension plan investments	-	745,875
Changes in proportion and differences between District contributions and proportionate share of contributions	-	22,316
District contributions subsequent to the measurement date	299,831	-
Total	<u>\$ 407,399</u>	<u>\$ 768,191</u>

\$299,831 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (166,550)
2017	(166,550)
2018	(166,550)
2019	(166,550)
2020	5,577
	<u>\$ (660,623)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 3,695,377	\$ 1,955,772	\$ 487,366

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$32,808 for legally required employer contributions and \$21,860 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7. Other Post-employment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 41 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

GASB Statement No. 45 allows Districts with fewer than 100 employees included on the District's health plan to use the Alternative Measurement Method to determine the net OPEB liability. Those Districts with fewer than 100 members are required to get new actuarial valuations every three years barring a substantial change in the plan. Under the Alternative Measurement Method, the net OPEB liability remains the same until the District is required to renew their actuarial valuation. The net OPEB liability as of the most recent valuation July 1, 2012, is \$66,833. The District is scheduled to need a new valuation dated July 1, 2015 for fiscal year 2016.

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, 2015.

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, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	21,034	98.13	66,833
2014	-	0.00	66,833
2015	-	0.00	66,833

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$197,449 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$197,449. The covered payroll (annual payroll of active employees covered by the plan) was \$2,110,187, and the ratio of the UAAL to covered payroll was 9.36%. As of June 30, 2015 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents 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, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 5%.

Mortality rates are from the Expectation of Life table prepared by the National Center for Health Statistics updated in 2008.

The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 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.

Note 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 \$224,009 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's restricted balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Limited english proficient	\$ 35,524
Home school assistance program	29,847
Four-year-old preschool state aid	49,015
Beginning teacher mentoring and induction program	2,354
Teacher salary supplement	263
Successful progression for early readers	24,776
Professional development for model core curriculum	40,301
Professional development	101,858
Teacher leadership grants	6,688
Total	<u>\$ 290,626</u>

Note 11. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	Net Investment in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	882,383	232,419	1,103,361
Capital assets, net of accumulated debt	6,847,816	-	-	-
General obligation bond capitalized indebtedness	(1,510,000)	-	-	-
Termination benefits payable	-	(80,000)	-	-
Accrued interest payable	-	-	(1,753)	-
Income surtax	-	-	-	193,872
Compensated absences payable	-	-	-	(67,859)
Pension related deferred outflows	-	-	-	394,227
Net pension liability	-	-	-	(1,891,818)
Pension related deferred inflows	-	-	-	(743,071)
Net OPEB liability	-	-	-	(65,537)
Net position (Exhibit A)	<u>\$ 5,337,816</u>	<u>802,383</u>	<u>230,666</u>	<u>(1,076,825)</u>

Note 12. Construction Commitment

The District entered into a contract totaling \$650,000 for an Energy Project. As of June 30, 2015, costs of \$ 58,500 had been incurred against the contract. The balance of \$591,500 remaining at June 30, 2015 will be paid as work on the projects progress.

Note 13. Deficit Balances

At June 30, 2015 the District had a deficit unrestricted net position of \$ 62,387 and total deficit net position of \$30,487 in the Enterprise, School Nutrition Fund. The district also had a deficit unrestricted net position of \$53,615 and total deficit net position of \$12,046 in its business type activities. Lastly, the District has a deficit unrestricted net position unrestricted net position of \$1,076,825 in its governmental activities at June 30, 2015.

Note 14. Accounting Change/Restatement

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

	Governmental Activities	Business Type Activities		
		School Nutrition	Wellness Building	Total
Net position June 30, 2014, as previously reported	\$ 9,194,391	\$ 48,117	12,715	60,832
Net pension liability at June 30, 2014	(2,673,028)	(90,363)	-	(90,363)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	278,743	9,423	-	9,423
Net position July 1, 2014, as restated	<u>\$ 6,800,106</u>	<u>\$ (32,823)</u>	<u>12,715</u>	<u>(20,108)</u>

Note 15. Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed appropriations at the functional area level. During the year ended June 30, 2015 expenditures in the instructional and support services functional areas exceeded the amounts budgeted. The district also exceeded its budget in total.

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, 2015

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,567,310	172,641	3,739,951	4,112,810	4,112,810	(372,859)
State sources	3,529,783	2,664	3,532,447	3,060,168	3,060,168	472,279
Federal sources	183,076	169,701	352,777	346,000	346,000	6,777
Total revenues	<u>7,280,169</u>	<u>345,006</u>	<u>7,625,175</u>	<u>7,518,978</u>	<u>7,518,978</u>	<u>106,197</u>
Expenditures/Expenses:						
Instruction	4,344,736	-	4,344,736	4,050,000	4,000,000	(344,736)
Support services	2,051,658	2,936	2,054,594	1,991,000	1,800,000	(254,594)
Non-instructional programs	9,737	343,745	353,482	347,000	417,424	63,942
Other expenditures	1,089,360	-	1,089,360	1,026,040	1,101,291	11,931
Total expenditures/expenses	<u>7,495,491</u>	<u>346,681</u>	<u>7,842,172</u>	<u>7,414,040</u>	<u>7,318,715</u>	<u>(523,457)</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(215,322)	(1,675)	(216,997)	104,938	200,263	(417,260)
Other financing sources, net	<u>3,216</u>	<u>9,737</u>	<u>12,953</u>	<u>1,200</u>	<u>1,200</u>	<u>11,753</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(212,106)	8,062	(204,044)	106,138	201,463	(405,507)
Balances beginning of year, as restated	<u>4,384,825</u>	<u>(20,108)</u>	<u>4,364,717</u>	<u>4,148,649</u>	<u>4,148,649</u>	<u>216,068</u>
Balances end of year	<u>\$ 4,172,719</u>	<u>(12,046)</u>	<u>4,160,673</u>	<u>4,254,787</u>	<u>4,350,112</u>	<u>(189,439)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except 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.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment reclassifying expenditures between functions and decreasing total expenditures by \$95,325.

During the year ended June 30, 2015 the amounts of expenditures in the instruction and support services functions exceed the amounts budgeted as well as in total.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.048325%
District's proportionate share of the net pension liability	\$ 1,955,772
District's covered-employee payroll	\$ 3,357,577
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.25%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

Note: Only the current fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 299,832	287,852	273,677	243,780	213,191	200,324	191,021	177,703	160,854	153,457
Contributions in relation to the statutorily required contribution	(299,832)	(287,852)	(273,677)	(243,780)	(213,191)	(200,324)	(191,021)	(177,703)	(160,854)	(153,457)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 3,357,577	3,223,427	3,156,597	3,020,818	3,067,496	2,882,360	3,008,205	2,937,240	2,797,461	2,668,817
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

For 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	-	\$ 650,000	650,000	0.00%	\$1,879,865	35.58%
2011	July 1, 2009	-	650,000	650,000	0.00	1,911,574	34.00
2012	July 1, 2009	-	650,000	650,000	0.00	1,940,915	33.49
2013	July 1, 2012	-	197,449	197,449	0.00	3,055,607	6.46
2014	July 1, 2012	-	197,449	197,449	0.00	2,831,859	6.97
2015	July 1, 2012	-	197,449	197,449	0.00	2,110,187	9.36

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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue		Total
	Student Activity	Debt Service	
ASSETS			
Cash and pooled investments	\$ 91,386	228,331	319,717
Receivables:			
Property tax:			
Delinquent	-	4,089	4,089
Succeeding year	-	359,982	359,982
TOTAL ASSETS	\$ 91,386	592,402	683,788
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	359,982	359,982
Fund balances:			
Restricted for:			
Student activities	91,386	-	91,386
Debt service	-	232,420	232,420
Total liabilities	91,386	232,420	323,806
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 91,386	592,402	683,788

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, 2015

	<u>Special Revenue</u>		
	<u>Student Acitivity</u>	<u>Debt Service</u>	<u>Total</u>
REVENUES:			
Local sources:			
Local tax	\$ -	384,070	384,070
Other	238,178	548	238,726
State sources	-	1,328	1,328
TOTAL REVENUES	<u>238,178</u>	<u>385,946</u>	<u>624,124</u>
EXPENDITURES:			
Current:			
Instruction:			
Other	227,584	-	227,584
Long-term Debt:			
Principal	-	420,000	420,000
Interest and fiscal charges	-	13,385	13,385
TOTAL EXPENDITURES	<u>227,584</u>	<u>433,385</u>	<u>660,969</u>
Change in fund balances	10,594	(47,439)	(36,845)
Fund balances beginning of year	<u>80,792</u>	<u>279,859</u>	<u>360,651</u>
Fund balances end of year	<u>\$ 91,386</u>	<u>232,420</u>	<u>323,806</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,245,648	330,947	1,576,595
Receivables:			
Property tax:			
Delinquent	-	2,798	2,798
Succeeding year	-	298,277	298,277
Income surtax	-	116,323	116,323
Due from other governments	78,430	-	78,430
Total assets	\$ 1,324,078	748,345	2,072,423
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	85,280	85,280
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	298,277	298,277
Income surtax	-	116,323	116,323
Total deferred inflows of resources	-	414,600	414,600
Fund balances:			
Restricted for:			
School infrastructure	1,324,078	-	1,324,078
Physical plant and equipment	-	248,465	248,465
Total fund balances	1,324,078	248,465	1,572,543
Total liabilities, deferred inflows of resources and fund balances	\$ 1,324,078	748,345	2,072,423

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, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	352,511	352,511
Other	2,799	1,137	3,936
State sources	507,087	909	507,996
Total revenues	<u>509,886</u>	<u>354,557</u>	<u>864,443</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	128,427	128,427
Other	-	10,620	10,620
Support services:			
Student	-	12,943	12,943
Instructional Staff	-	5,400	5,400
Administration	49,736	3,875	53,611
Transportation	-	88,850	88,850
Capital outlay	798	431,168	431,966
Non-instructional programs:			
Food service operations	-	9,737	9,737
Total expenditures	<u>50,534</u>	<u>691,020</u>	<u>741,554</u>
Change in fund balances	459,352	(336,463)	122,889
Fund balances beginning of year	<u>864,726</u>	<u>584,928</u>	<u>1,449,654</u>
Fund balances end of year	<u>\$ 1,324,078</u>	<u>248,465</u>	<u>1,572,543</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, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Dramatics	\$ 2,844	-	-	2,844
Vocal music	519	1,981	2,059	441
JH vocal music	100	-	-	100
Athletics	10	78,740	78,278	472
Athletics resale	64	300	22	342
Volleyball	1,211	1,933	2,370	774
Band instrument rent	585	60	-	645
Cross Country	-	324	324	-
Pool activity	1,502	7,645	4,613	4,534
Boys basketball	2,143	2,365	1,686	2,822
Football	8,084	33,487	32,908	8,663
Baseball	-	4,706	4,292	414
Wrestling	11,586	25,192	25,882	10,896
Girls basketball	42	3,803	2,723	1,122
Girls softball	486	1,004	1,004	486
Girls track	226	3,129	2,502	853
Boys track	143	612	-	755
Student council	5,970	24,739	18,381	12,328
JH student council	1,052	2,268	2,259	1,061
Elementary student council	6,688	3,095	1,263	8,520
Silver spirit poms	3,684	8,021	11,217	488
Elementary student welfare	2,783	125	-	2,908
Echo	13,052	9,936	8,274	14,714
HS cheerleaders	668	3,992	4,249	411
JH cheerleaders	10	-	-	10
FCA	1,007	-	75	932
SADD	2,724	7,120	8,079	1,765
Elementary resale	559	-	-	559
Special athletics	8,841	6,196	7,062	7,975
Class of 2018	-	340	-	340
Class of 2015	2,739	-	2,739	-
Class of 2016	1,090	6,695	5,323	2,462
Class of 2017	380	370	-	750
Total	\$ 80,792	238,178	227,584	91,386

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 3,001,558	3,081,210	3,338,026	3,176,101	3,237,905	3,136,471	3,329,029	3,066,344	2,931,745	2,742,108
Tuition	243,889	199,855	198,435	217,995	230,428	244,615	259,621	320,477	289,126	296,371
Other	321,863	322,020	330,137	300,223	339,917	236,274	378,494	506,606	424,472	376,436
State sources	3,529,783	3,185,380	2,803,773	2,864,247	2,713,550	2,117,917	2,613,488	3,036,124	2,829,923	2,773,812
Federal sources	183,076	171,563	171,871	144,151	487,642	372,100	179,990	152,640	166,225	182,283
Total	\$ 7,280,169	6,960,028	6,842,242	6,702,717	7,009,442	6,107,377	6,760,622	7,082,191	6,641,491	6,371,010
Expenditures:										
Instruction:										
Regular	\$ 2,630,199	2,531,179	2,304,954	2,454,690	2,304,028	2,357,727	2,171,706	2,156,979	2,042,454	1,964,190
Special	740,482	702,134	674,171	694,742	664,663	660,099	536,793	560,735	660,103	713,857
Other	974,055	888,548	891,291	796,689	814,676	532,056	648,533	610,788	593,690	606,715
Support services:										
Student	140,097	120,438	115,995	105,615	96,815	182,999	116,261	93,514	89,542	89,609
Instructional staff	181,705	118,492	142,357	129,138	122,030	102,001	186,218	146,706	122,087	145,801
Administration	653,544	519,530	488,383	468,740	414,926	426,457	485,082	493,757	494,613	546,602
Operation and maintenance										
of plant	777,030	758,094	679,354	627,286	661,656	654,806	550,488	559,981	668,427	567,990
Transportation	299,282	304,772	190,538	271,280	199,370	216,493	360,210	198,252	188,412	319,541
Non-instructional:										
Food service operations	9,737	-	-	-	-	-	-	-	-	-
Capital outlay	431,966	464,193	812,071	1,018,901	226,598	264,871	566,564	338,505	131,752	406,230
Long-term debt:										
Principal	420,000	420,000	2,680,000	360,000	350,000	335,000	3,855,000	260,000	490,227	488,589
Interest	13,385	15,244	127,847	107,445	117,970	128,120	325,898	338,877	359,162	372,197
Other expenditures:										
AEA flow-through	224,009	216,574	211,089	218,716	239,984	236,155	209,354	207,745	198,257	190,359
Total	\$ 7,495,491	7,059,198	9,318,050	7,253,242	6,212,716	6,096,784	10,012,107	5,965,839	6,038,726	6,411,680

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Brooklyn-Guernsey-Malcom Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 19, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which 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 I of the accompanying Schedule of Findings as item I-B-15 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 which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Brooklyn-Guernsey-Malcom Community School District's Responses to Findings

Brooklyn-Guernsey-Malcom Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Brooklyn-Guernsey-Malcom Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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 19, 2016
Newton, Iowa

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-15 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. One individual has control over one or more of the following areas for the district:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Receipts - collecting, recording, depositing, journalizing, posting, and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing, and recording.
- 4) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.

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 -Segregation of Duties: We review the segregation of duties each year to see if there is anything that we can change. We have required that a deposit is verified by another person before it goes down to the bank. If at all possible we try to have someone that does not make the deposit take it down, such as the Superintendent or another Secretary. We have the bank reconciliations done by both secretaries each month.

The timesheets are confirmed by the employees each month. If they have a department head, they check the timecards as well. The pay rates and deductions are handed out to the employees at the beginning of the year for them to verify.

Purchase order requisitions are given to the principals or Athletic directors for approval. The purchase order is then done by Kay and sent out. The items when received are verified by the person that requested the items and the packing slip is given to the office to attach with the invoice. All of the checks are listed and given to the Board for review before they are sent out. The Board members come in before the meeting to go thru the bills each month. These board members are varied each month.

Conclusion - Response accepted

I-B-15 Supporting Documentation - During our audit, we noted instances of purchases made with the District credit card that lacked supporting documentation beyond the credit card statement. Per board policy 401.10, employees using District credit cards must submit a detailed receipt.

BROOKLYN-GUERNSEY-MALCOM COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Recommendation - Chapter 279.29 of the Code of Iowa requires the Board of Directors to audit and allow all bills prior to payment. That would be impossible without an invoice or some other form of supporting documentation. In addition, the District has a policy in place for credit card usage, which states in part that the users of the credit cards must submit detailed receipts for purchases made. The District should review procedures in place with personnel using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements.

Response - We will be more diligent in obtaining the invoices or screen shots for the payment of items obtained online.

Conclusion - Response accepted

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-15 Certified Budget - District expenditures for the year ended June 30, 2015 exceeded the certified budgeted amounts in the instructional and support service functional area as well as in total.

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

Response - We will make sure that our estimates for the remainder of the year include all possibilities and amend the budget if we are getting close to the amounts that were stated in the budget.

Conclusion - Response accepted.

- II-B-15 Questionable Disbursements - Noted the District purchased gift cards from the High School Student Council account with in the Student Activity Fund. Giving gift certificates/cards does not allow the board to “audit and allow” final purchases in accordance with Iowa Code Section 279.29 and does not appear to meet public purpose as defined in the Attorney General’s opinion dated April 25, 1979.

Recommendation - Gift cards are not an appropriate District purchase since Iowa Code Sections 279.29 requires district to ‘audit and allow’ all bills. The gift cards and cash prizes do not provide the board with eh ability to perform the required function of approval of the final purchase. The District should refrain from purchasing gift cards for any purpose, and should refrain from paying cash individuals to be in accordance with the Attorney General’s opinion dated April 25, 1979.

Response - We will try to meet the Attorney General’s opinion dated April 25, 1979, and not purchase gift cards for any purpose in the future.

Conclusion – Response accepted.

- II-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted.

- II-D-15 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Arlene Ford, Board Member		
Son owns Loren Ford Trucking	Purchased services	\$559
Daughter in-law is a preschool teacher	Employee	\$44,465
Grandson is a custodian	Employee	\$4,311
Brad Hohensee, Superintendent		
Son performed construction for District	Purchased service	\$132
Wife performed construction for District	Purchased service	\$80
Wife is a teacher	Employee	\$44,235
Brother, owns Hohensee Construction	Purchased service	\$1,500
Self, performed construction for the District	Purchased service	\$1,846
Cassie Minnaert, Board Member		
Brother in-law owns Minnaert Concrete	Purchased services	\$13,580
Ed Kline, Board President		
Son performed construction for District	Purchased services	\$443
Son is a Officiate	Purchased services	\$585
Ray Holder, Teacher		
Son is an Assistant coach	Purchased Service	\$2,163
Self, coach	Purchased Service	\$599
Jody James, Associate		
Husband is an athletic official	Purchased Service	\$1,260

In accordance with an 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.

In accordance with Attorney General's opinion dated July 2, 1990, the above transactions with Superintendent, Brad Hohensee does not appear to be a conflict of interest.

- II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-15 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-15 Supplementary Weighting - We noted variances in the supplementary weighting data certified to the Department of Education. Supplementary weighting was overstated by 0.287 for the 2014-15 count.

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.

- II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-15 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds
- II-L-15 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 864,726
Revenues:		
Sales tax revenues	\$ 507,087	
Other local revenues	2,799	509,886
	<u> </u>	<u>1,374,612</u>
Expenditures/transfers out:		
School infrastructure construction	348	
Other	50,186	50,534
	<u> </u>	<u> </u>
Ending balance		<u><u>\$ 1,324,078</u></u>

For the year ended June 30, 2015 the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-15 Officiating Contracts - We noted during our audit that the Board President was not signing all officiating contracts. According to 291.1 of the code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into the District to comply with Chapter 291.1 of the code of Iowa.

Response - We will make sure that the officiating contracts are signed by the Board President.

Conclusion - Response accepted.

- II-N-15 Financial Condition - The District has the following deficit balances at June 30, 2015. The district had a deficit unrestricted net position of \$62,357 and total deficit net position of \$ 30,487 in the Enterprise, School Nutrition Fund. The District also has a deficit unrestricted net position of \$53,615 and total deficit net position of \$12,046 in its business type activities. The District also had a deficit unrestricted net position of \$1,076,825 in its governmental activities. The primary reason for these deficit balances is due to the implementation of GASB statements No. 68 and No.71 during the year.

Recommendation - The district should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB statements No. 68 and No. 71 will affect the District's financial moving forward.

Response - We will try to educate our Board of Education and the District's Administration so that they understand how GASB statements No. 68 & 71 affect the District in the future.

Conclusion – Response accepted.