

BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2014

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## Belmond-Klemme Community School District

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2013)</b>		
Jim Swenson	President	2013
Sue Berkland	Vice President	2013
Scott Hickman	Board Member	2013
Howard Dorman	Board Member	2013
Curt Stadtlander	Board Member	2015
Abby Young	Board Member	2015
Kate Simonson	Board Member	2015
<b>(After September 2013)</b>		
Lynn Loux	President	2017
Scott Hickman	Vice President	2017
Jim Swenson	Board Member	2017
Howard Dorman	Board Member	2017
Curt Stadtlander	Board Member	2015
Abby Young	Board Member	2015
Kate Simonson	Board Member	2015
<b>School Officials</b>		
Kirk Nelson	Superintendent	2014
Cherie Yoder	District Treasurer/ Business Manager	2014
Lisa Nelson	District Secretary	
Ahlers & Cooney, P.C.	Attorney	2014
Houser, Berkland & Simonson	Attorney	2014
Malloy Law Firm	Attorney	2014

*Belmond-Klemme Community School District*

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
**117 West 3rd Street North, Newton, Iowa 50208-3040**  
**Telephone (641) 792-1910**

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the Belmond-Klemme 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 Belmond-Klemme Community School District, Belmond, Iowa, as of and for the year ended June 30, 2014, 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 Belmond-Klemme Community School District as of June 30, 2014, 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.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 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 Belmond-Klemme Community School District's basic financial statements. We have audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed an unmodified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, 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 March 10, 2015 on our consideration of Belmond-Klemme 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 Belmond-Klemme Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2015  
Newton, Iowa

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

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Belmond-Klemme 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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$8,141,126 in fiscal 2013 to \$8,545,720 in fiscal 2014, while General Fund expenditures increased from \$7,589,016 in fiscal 2013 to \$8,006,616 in fiscal 2014. This allowed the District's General Fund balance to increase from \$1,665,220 in fiscal 2013 to \$2,204,324 in fiscal 2014, a 32.37% increase over the prior year.
- The fiscal year 2014 General Fund revenue increase was attributable to the increase in state source revenues. The increase in expenditures was due mainly to the increase in negotiated salaries and benefits received by District employees.

### **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 Belmond-Klemme Community School District as a whole and present an overall view of the District's finances.

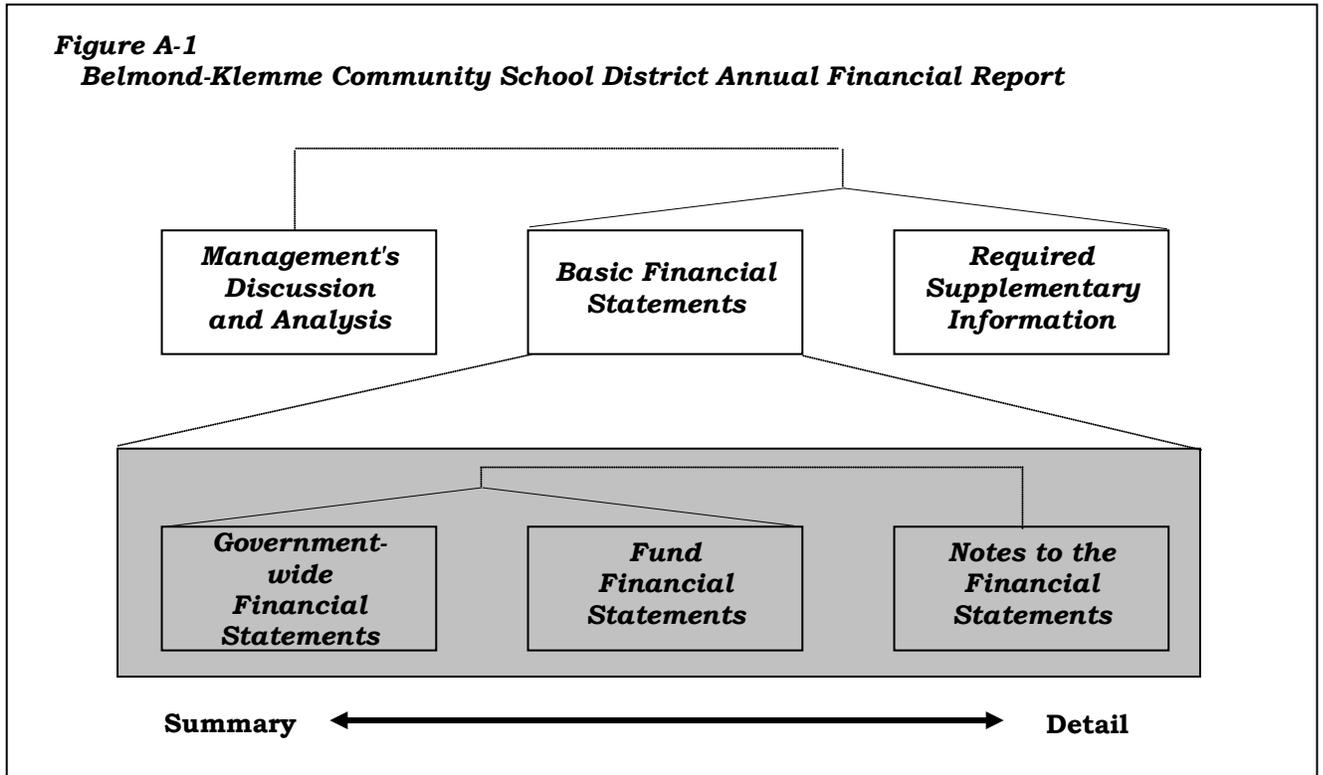
The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Belmond-Klemme Community School District's operations in more detail than the government-wide statements by providing information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

Notes to the 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major 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.

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary 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, e.g., food service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	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	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
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	All additions and deductions 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.

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The two government-wide financial statements report the District's net position and how they have 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 program is included here.

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise fund is the School Nutrition Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund for tracking the District's flex benefit program.

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.

The District's Internal Service Fund, one type of proprietary fund, is the same as its governmental activities, but provides more detail and additional information, such as cash flows. The District currently has one Internal Service Fund accounting for the District's flex benefits plan.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.
- Private Purpose Trust Funds - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Figure A-3** below provides a summary of the District's total net position at June 30, 2014 compared to June 30, 2013.

Figure A-3  
Condensed Statement of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 10,304,612	9,552,524	61,688	45,298	10,366,300	9,597,822	8.01%
Capital assets	12,783,585	12,900,386	78,936	87,173	12,862,521	12,987,559	-0.96%
Total assets	23,088,197	22,452,910	140,624	132,471	23,228,821	22,585,381	2.85%
Long-term liabilities	5,770,866	6,213,268	5,950	4,723	5,776,816	6,217,991	-7.10%
Other liabilities	1,012,798	979,007	33,546	4,990	1,046,344	983,997	6.34%
Total liabilities	6,783,664	7,192,275	39,496	9,713	6,823,160	7,201,988	-5.26%
Deferred inflows of resources	4,214,682	4,240,970	-	-	4,214,682	4,240,970	-0.62%
Net position:							
Net investment in capital assets	7,318,585	6,885,386	78,936	87,173	7,397,521	6,972,559	6.09%
Restricted	3,274,521	2,963,234	-	-	3,274,521	2,963,234	10.50%
Unrestricted	1,496,745	1,171,045	22,192	35,585	1,518,937	1,206,630	25.88%
Total net position	\$ 12,089,851	11,019,665	101,128	122,758	12,190,979	11,142,423	9.41%

The District's combined net position increased by 9.41%, or \$1,048,556, compared to the prior year. A portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by \$311,287 or 10.50% from the prior year. The increase in restricted net position is attributable to increases in fund balance for the Management Levy Fund and the Capital Projects: Statewide Sales, Services and Use Tax.

Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased by \$312,307, or 25.88%. The primary reason for the increase in unrestricted net position is the increase in fund balance of the General Fund.

**Figure A-4** shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4  
Changes in Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2013-14
	2014	2013	2014	2013	2014	2013	
Revenues:							
Program revenues:							
Charges for services	\$ 498,547	472,569	168,169	138,459	666,716	611,028	9.11%
Operating grants and contributions and restricted interest	912,352	806,022	270,731	239,451	1,183,083	1,045,473	13.16%
Capital grants and contributions and restricted interest	3,387	-	-	-	3,387	-	100.00%
General revenues:							
Property tax	4,249,555	4,193,379	-	-	4,249,555	4,193,379	1.34%
Income surtax	22,406	104,124	-	-	22,406	104,124	-78.48%
Statewide sales, services and use tax	672,531	554,877	-	-	672,531	554,877	21.20%
Unrestricted state grants	3,800,975	3,457,125	-	-	3,800,975	3,457,125	9.95%
Unrestricted investment earnings	5,768	7,431	1	1	5,769	7,432	-22.38%
Other	38,964	49,223	3,734	-	42,698	49,223	-13.26%
Total revenues	10,204,485	9,644,750	442,635	377,911	10,647,120	10,022,661	6.23%
Program expenses:							
Governmental activities:							
Instructional	5,686,098	5,641,499	-	-	5,686,098	5,641,499	0.79%
Support services	2,612,847	2,104,677	10,656	7,522	2,623,503	2,112,199	24.21%
Non-instructional programs	7,100	5,717	453,609	355,113	460,709	360,830	27.68%
Long-term debt interest	223,669	229,359	-	-	223,669	229,359	-2.48%
Other expenses	604,585	565,753	-	-	604,585	565,753	6.86%
Total expenses	9,134,299	8,547,005	464,265	362,635	9,598,564	8,909,640	7.73%
Change in net position	1,070,186	1,097,745	(21,630)	15,276	1,048,556	1,113,021	-5.79%
Net position beginning of year	11,019,665	9,921,920	122,758	107,482	11,142,423	10,029,402	11.10%
Net position end of year	\$ 12,089,851	11,019,665	101,128	122,758	12,190,979	11,142,423	9.41%

In fiscal 2014, property tax, statewide sales, services and use tax and unrestricted state grants account for 85.48% of the revenue from governmental activities while charges for service and sales, operating grants and contributions account for 99.16% of the revenue from business type activities. The District's total revenues were approximately \$10.65 million of which approximately \$10.21 million was for governmental activities and approximately \$0.44 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.23% increase in revenues and a 7.73% increase in expenses. Unrestricted state grants funding increased \$343,850 to help fund the increase in expenses. The increase in expenses is related to the increase in support services expenditures.

### Governmental Activities

Revenues for governmental activities were \$10,204,485 and expenses were \$9,134,299 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 5,686,098	5,641,499	0.79%	4,626,503	4,691,935	-1.39%
Support services	2,612,847	2,104,677	24.14%	2,572,441	2,063,487	24.66%
Non-instructional programs	7,100	5,717	24.19%	7,100	5,717	24.19%
Long-term debt interest	223,669	229,359	-2.48%	223,669	229,359	-2.48%
Other expenses	604,585	565,753	6.86%	290,300	277,916	4.46%
	<u>\$ 9,134,299</u>	<u>8,547,005</u>	<u>6.87%</u>	<u>7,720,013</u>	<u>7,268,414</u>	<u>6.21%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$498,547.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$915,739.
- The net cost of governmental activities was financed with \$4,249,555 in property tax, \$22,406 in income surtax, \$672,531 in statewide sales, services and use tax, \$3,800,975 in unrestricted state grants, \$5,768 in interest income and \$38,964 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$442,635 and expenses were \$464,265. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income.

### INDIVIDUAL FUND ANALYSIS

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

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The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$5,104,388, above last year's ending fund balances of \$4,266,383. The primary reason for the increase in combined fund balances in fiscal 2014 is due to the increase in fund balance for the General Fund.

### **Governmental Fund Highlights**

- The District's improved General Fund financial position is the result of many factors. Growth during the year in state source revenues was the primary reason for the increase in revenues. The increase in revenues was enough to offset the increase in expenditures; the net result was an increase in fund balance from \$1,665,220 at June 30, 2013 to \$2,204,324 at June 30, 2014.
- The Capital Projects accounts balance increased from \$1,912,704 at June 30, 2013 to \$2,126,022 at June 30, 2014. The increase in the Capital Projects accounts balance was due mainly to the increase in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund. Increased state source revenues coupled with a decrease in fund expenditures as compared to the previous year led to the increase in the Capital Projects: Statewide Sales, Services, and Use Fund balance.
- The Debt Service Fund decreased from \$120,776 at June 30, 2013 to \$30,525 at June 30, 2014. Decreased revenues into the Debt Service Fund were the primary reason for the decrease in the Debt Service Fund.

### **Proprietary Fund Highlights**

- The School Nutrition Fund net position decreased from \$122,758 at June 30, 2013 to \$101,128 at June 30, 2014, representing a decrease of \$21,630 or 17.62%. An increase of \$64,724 in revenues coupled with a \$101,630 increase in expenses led to the decrease in fund balance.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$431,968 more than budgeted revenues, a variance of 4.19%. The most significant variance resulted from the District receiving more in state sources revenues than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2014, the District had invested \$12,862,521, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.96% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$385,304.

The original cost of the District's capital assets was \$21,127,585. Governmental funds account for \$20,973,546 with the remainder of \$154,039 in the Proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress was \$43,237 at June 30, 2013, compared to \$0 at June 30, 2014. The decrease in construction in progress is due to the completion of an office remodeling project during the year.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total Change June 30, 2013-14
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2014	2013	2014	2013	2014	2013	
Land	\$ 51,314	51,314	-	-	51,314	51,314	0.00%
Construction in progress	-	43,237	-	-	-	43,237	-100.00%
Buildings	12,572,171	12,610,412	-	-	12,572,171	12,610,412	-0.30%
Land improvements	18,008	8,514	-	-	18,008	8,514	111.51%
Machinery and equipment	142,092	186,909	78,936	87,173	221,028	274,082	-19.36%
Total	\$ 12,783,585	12,900,386	78,936	87,173	12,862,521	12,987,559	-0.96%

### Long-Term Debt

At June 30, 2014, the District had \$5,776,816 in general obligation bonds, revenue bonds and other long term debt outstanding. This represents a decrease of 7.10% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- The District had an outstanding balance of \$5,770,866 in general obligation bonds payable at June 30, 2014.
- The District had an outstanding balance of \$830,000 in revenue bonds payable at June 30, 2014.
- At June 30, 2014, the District had a termination benefits outstanding balance of \$121,776 payable from the Special Revenue, Management Levy Fund.
- The District had compensated absences payable from the General Fund of \$18,579 at June 30, 2014.
- At June 30, 2014, the District had an outstanding other postemployment benefits of \$171,461.

Figure A-7

Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total Change June 30, 2013-14
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2014	2012	2014	2012	2014	2013	
General obligation bonds	\$ 4,635,000	4,925,000	-	-	4,635,000	4,925,000	-5.89%
Revenue bonds	830,000	1,090,000	-	-	830,000	1,090,000	-23.85%
Termination benefits	121,776	64,900	-	-	121,776	64,900	87.64%
Compensated absences	18,579	1,983	-	-	18,579	1,983	836.91%
Net OPEB liability	165,511	131,385	5,950	4,723	171,461	136,108	25.97%
Total	\$ 5,770,866	6,213,268	5,950	4,723	5,776,816	6,217,991	-7.10%

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## **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:

- Enrollment changes will have a major effect on the District's General Fund.
- Inadequate funding and state aid cuts by the Legislature have forced the District to deplete its reserves and look for alternative sources of funding and areas to further cut costs.

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

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cherie Yoder, District Treasurer/Business Manager, Belmond-Klemme Community School District, 411 10<sup>th</sup> Avenue NE, Belmond, Iowa, 50421.

BASIC FINANCIAL STATEMENTS

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 5,531,528	37,927	5,569,455
Receivables:			
Property tax:			
Delinquent	61,431	-	61,431
Succeeding year	4,214,682	-	4,214,682
Due from other governments	496,971	11,445	508,416
Inventories	-	12,316	12,316
Capital assets, net of accumulated depreciation	12,783,585	78,936	12,862,521
<b>TOTAL ASSETS</b>	<b>23,088,197</b>	<b>140,624</b>	<b>23,228,821</b>
<b>LIABILITIES</b>			
Accounts payable	170,176	-	170,176
Salaries and benefits payable	812,228	29,883	842,111
Accrued interest payable	30,394	-	30,394
Unearned revenue	-	3,663	3,663
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	300,000	-	300,000
Revenue bonds payable	265,000	-	265,000
Termination benefits payable	121,776	-	121,776
Compensated absences payable	18,579	-	18,579
Portion due after one year:			
General obligation bonds payable	4,335,000	-	4,335,000
Revenue bonds payable	565,000	-	565,000
Net OPEB liability	165,511	5,950	171,461
<b>TOTAL LIABILITIES</b>	<b>6,783,664</b>	<b>39,496</b>	<b>6,823,160</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	4,214,682	-	4,214,682
<b>NET POSITION</b>			
Net investment in capital assets	7,318,585	78,936	7,397,521
Restricted for:			
Categorical funding	516,146	-	516,146
Debt service	192,131	-	192,131
Student activities	44,553	-	44,553
Management levy purposes	587,669	-	587,669
School infrastructure	1,469,134	-	1,469,134
Physical plant and equipment levy	464,888	-	464,888
Unrestricted	1,496,745	22,192	1,518,937
<b>TOTAL NET POSITION</b>	<b>\$ 12,089,851</b>	<b>101,128</b>	<b>12,190,979</b>

SEE NOTES TO FINANCIAL STATEMENTS

**BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 3,157,471	158,706	44,820	-	(2,953,945)	-	(2,953,945)
Special	1,122,929	173,637	144,339	-	(804,953)	-	(804,953)
Other	1,405,698	139,585	398,508	-	(867,605)	-	(867,605)
	5,686,098	471,928	587,667	-	(4,626,503)	-	(4,626,503)
Support services:							
Student	173,898	-	-	-	(173,898)	-	(173,898)
Instructional staff	645,375	25,004	10,400	-	(609,971)	-	(609,971)
Administration	760,777	-	-	-	(760,777)	-	(760,777)
Operation and maintenance of plant	670,941	-	-	3,387	(667,554)	-	(667,554)
Transportation	361,856	1,615	-	-	(360,241)	-	(360,241)
	2,612,847	26,619	10,400	3,387	(2,572,441)	-	(2,572,441)
Non-instructional programs:							
Food service operations	7,100	-	-	-	(7,100)	-	(7,100)
Long-term debt interest	223,669	-	-	-	(223,669)	-	(223,669)
Other expenses:							
AEA flowthrough	314,285	-	314,285	-	-	-	-
Depreciation(unallocated)*	290,300	-	-	-	(290,300)	-	(290,300)
	604,585	-	314,285	-	(290,300)	-	(290,300)
Total governmental activities	9,134,299	498,547	912,352	3,387	(7,720,013)	-	(7,720,013)
Business type activities:							
Support services:							
Instructional staff	4,989	-	-	-	-	(4,989)	(4,989)
Operation and maintenance of plant	5,667	-	-	-	-	(5,667)	(5,667)
	10,656	-	-	-	-	(10,656)	(10,656)
Non-instructional programs:							
Nutrition services	453,609	168,169	270,731	-	-	(14,709)	(14,709)
Total business type activities	464,265	168,169	270,731	-	-	(25,365)	(25,365)
Total	\$ 9,598,564	666,716	1,183,083	3,387	(7,720,013)	(25,365)	(7,745,378)
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 3,700,434	-		3,700,434
Debt service				284,225	-		284,225
Capital outlay				264,896	-		264,896
Income surtax				22,406	-		22,406
Statewide sales, services and use tax				672,531	-		672,531
Unrestricted state grants				3,800,975	-		3,800,975
Unrestricted investment earnings				5,768	1		5,769
Other general revenue				38,964	3,734		42,698
Total general revenues				8,790,199	3,735		8,793,934
Change in net position				1,070,186	(21,630)		1,048,556
Net position beginning of year				11,019,665	122,758		11,142,423
Net position end of year				\$ 12,089,851	101,128		12,190,979

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

SEE NOTES TO FINANCIAL STATEMENTS

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 2,899,438	1,863,315	26,435	739,202	5,528,390
Receivables:					
Property tax:					
Delinquent	48,598	3,812	4,090	4,931	61,431
Succeeding year	2,944,559	262,258	707,865	300,000	4,214,682
Due from other governments	223,906	273,065	-	-	496,971
<b>TOTAL ASSETS</b>	<b>\$ 6,116,501</b>	<b>2,402,450</b>	<b>738,390</b>	<b>1,044,133</b>	<b>10,301,474</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 155,390	14,170	-	616	170,176
Salaries and benefits payable	812,228	-	-	-	812,228
Total liabilities	967,618	14,170	-	616	982,404
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,944,559	262,258	707,865	300,000	4,214,682
Fund balances:					
Restricted for:					
Categorical funding	516,146	-	-	-	516,146
Debt service	-	192,000	30,525	-	222,525
Student activities	-	-	-	44,553	44,553
Management levy purposes	-	-	-	709,445	709,445
School infrastructure	-	1,469,134	-	-	1,469,134
Physical plant and equipment levy	-	464,888	-	-	464,888
Unassigned:					
General	1,688,178	-	-	-	1,688,178
Student activities	-	-	-	(10,481)	(10,481)
Total fund balances	2,204,324	2,126,022	30,525	743,517	5,104,388
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 6,116,501</b>	<b>2,402,450</b>	<b>738,390</b>	<b>1,044,133</b>	<b>10,301,474</b>

SEE NOTES TO FINANCIAL STATEMENTS

BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2014

<b>Total fund balances of governmental funds(page 20)</b>	\$	5,104,388
 <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 not reported as assets in in the governmental funds.		12,783,585
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		3,138
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(30,394)
Long-term liabilities, including bonds payable, compensated absences payable, termination benefits payable, other postemployment benefits payable, payable are not due in the current period and, therefore, are not reported in the governmental funds.		<u>(5,770,866)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>12,089,851</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 3,476,830	264,896	284,225	340,676	4,366,627
Tuition	315,011	-	-	-	315,011
Other	104,782	5,021	215	185,483	295,501
State sources	4,310,835	672,646	123	146	4,983,750
Federal sources	338,262	-	-	-	338,262
<b>TOTAL REVENUES</b>	<b>8,545,720</b>	<b>942,563</b>	<b>284,563</b>	<b>526,305</b>	<b>10,299,151</b>
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,993,517	-	-	105,621	3,099,138
Special	1,120,291	-	-	-	1,120,291
Other	1,219,929	-	-	185,104	1,405,033
	<b>5,333,737</b>	<b>-</b>	<b>-</b>	<b>290,725</b>	<b>5,624,462</b>
Support services:					
Student	173,396	-	-	-	173,396
Instructional staff	541,284	83,122	-	-	624,406
Administration	751,876	625	-	-	752,501
Operation and maintenance of plant	577,879	-	-	45,796	623,675
Transportation	314,159	-	-	6,850	321,009
	<b>2,358,594</b>	<b>83,747</b>	<b>-</b>	<b>52,646</b>	<b>2,494,987</b>
Non-instructional programs:					
Food service operations	-	-	-	7,100	7,100
Capital outlay	-	244,709	-	-	244,709
Other expenditures:					
Long-term debt:					
Principal	-	-	550,000	-	550,000
Interest and fiscal charges	-	-	225,603	-	225,603
AEA flowthrough	314,285	-	-	-	314,285
	<b>314,285</b>	<b>244,709</b>	<b>775,603</b>	<b>-</b>	<b>1,334,597</b>
<b>TOTAL EXPENDITURES</b>	<b>8,006,616</b>	<b>328,456</b>	<b>775,603</b>	<b>350,471</b>	<b>9,461,146</b>
Excess(Deficiency) of revenues over(under) expenditures	539,104	614,107	(491,040)	175,834	838,005
Other financing sources(uses):					
Transfer in	-	-	400,789	-	400,789
Transfer out	-	(400,789)	-	-	(400,789)
Total other financing sources(uses)	-	(400,789)	400,789	-	-
Change in fund balances	539,104	213,318	(90,251)	175,834	838,005
Fund balances beginning of year	1,665,220	1,912,704	120,776	567,683	4,266,383
Fund balances end of year	<b>\$ 2,204,324</b>	<b>2,126,022</b>	<b>30,525</b>	<b>743,517</b>	<b>5,104,388</b>

SEE NOTES TO FINANCIAL STATEMENTS

BELMOND-KLEMM 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, 2014

Change in fund balances - total governmental funds(page 22) \$ 838,005

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

Capital outlay to purchase or build capital assets are reported in 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. The amounts of capital outlay and depreciation expense are as follows:

Capital outlay	\$ 255,666	
Depreciation expense	<u>(372,467)</u>	(116,801)

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. Current year repayments are as follows: 550,000

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. 1,934

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds and is recognized as deferred inflows of resources in the governmental funds. (94,666)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (688)

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.

Compensated absences	\$ (16,596)	
Termination benefits	(56,876)	
Other postemployment benefits	<u>(34,126)</u>	<u>(107,598)</u>

Change in net position of governmental activities(page 19) \$ 1,070,186

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2014

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
<b>ASSETS</b>		
Current assets:		
Cash and pooled investments	\$ 37,927	3,138
Due from other governments	11,445	-
Inventories	12,316	-
	<u>61,688</u>	<u>3,138</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	78,936	-
<b>TOTAL ASSETS</b>	<u>140,624</u>	<u>3,138</u>
<b>LIABILITIES</b>		
Current liabilities:		
Salaries and benefits payable	29,883	-
Unearned revenue	3,663	-
	<u>33,546</u>	<u>-</u>
Noncurrent liabilities:		
Net OPEB liability	5,950	-
<b>TOTAL LIABILITIES</b>	<u>39,496</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	78,936	-
Unrestricted	22,192	3,138
<b>TOTAL NET POSITION</b>	<u>\$ 101,128</u>	<u>3,138</u>

SEE NOTES TO FINANCIAL STATEMENT

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2014

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 168,169	-
Miscellaneous	3,734	55,925
<b>TOTAL OPERATING REVENUES</b>	<b>171,903</b>	<b>55,925</b>
OPERATING EXPENSES:		
Support services:		
Instructional staff:		
Services	4,989	-
Administration:		
Benefits	-	56,614
Operation and maintenance of plant services:		
Services	5,667	-
Total support services	10,656	56,614
Non-instructional programs:		
Food service operations:		
Salaries	137,779	-
Benefits	67,538	-
Supplies	235,455	-
Depreciation	12,837	-
Total non-instructional programs	453,609	-
<b>TOTAL OPERATING EXPENSES</b>	<b>464,265</b>	<b>56,614</b>
<b>OPERATING LOSS</b>	<b>(292,362)</b>	<b>(689)</b>
NON-OPERATING REVENUES:		
State sources	18,089	-
Federal sources	252,642	-
Interest income	1	1
<b>TOTAL NON-OPERATING REVENUES</b>	<b>270,732</b>	<b>1</b>
Change in net position	(21,630)	(688)
Net position beginning of year	122,758	3,826
Net position end of year	\$ 101,128	3,138

SEE NOTES TO FINANCIAL STATEMENTS

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2014

	Business Type Activities: Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 166,842	-
Cash received from miscellaneous	3,734	55,925
Cash payments to employees for services	(174,207)	(56,614)
Cash payments to suppliers for goods or services	(220,438)	-
Net cash used in operating activities	<u>(224,069)</u>	<u>(689)</u>
Cash flows from non-capital financing activities:		
State grants received	18,089	-
Federal grants received	218,761	-
Net cash provided by non-capital financing activities	<u>236,850</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(4,600)	-
Cash flows from investing activities:		
Interest on investments	1	1
Net increase(decrease) in cash and cash equivalents	8,182	(688)
Cash and cash equivalents at beginning of year	29,745	3,826
Cash and cash equivalents at end of year	<u>\$ 37,927</u>	<u>3,138</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (292,362)	(689)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	30,202	-
Depreciation	12,837	-
Increase in inventories	(4,529)	-
Increase in salaries and benefits payable	29,883	-
Decrease in unearned revenue	(1,327)	-
Increase in other post employment benefits	1,227	-
Net cash used in operating activities	<u>\$ (224,069)</u>	<u>(689)</u>

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

During the year ended June 30, 2014, the District received Federal commodities valued at \$30,202.

SEE NOTES TO FINANCIAL STATEMENTS

BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<u>Private Purpose Trust</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 1,550,959
<b>LIABILITIES</b>	<u>-</u>
<b>NET POSITION</b>	
Restricted for scholarships	<u>\$ 1,550,959</u>

SEE NOTES TO FINANCIAL STATEMENTS

BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$ 138,356
Gifts and contributions	39,665
Total additions	<u>178,021</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>31,125</u>
Change in net position	146,896
Net position beginning of year	<u>1,404,063</u>
Net position end of year	<u>\$ 1,550,959</u>

SEE NOTES TO FINANCIAL STATEMENTS

BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

**Note 1. Summary of Significant Accounting Policies**

The Belmont-Klemme Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the cities of Belmont and Klemme, Iowa, the predominate agricultural territory in Wright, Hancock and Franklin Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Belmont-Klemme 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 Belmont-Klemme 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wright and Hancock 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 three categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation plus unspent bond proceeds and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or 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 often has constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's long-term debt.

The District's nonmajor proprietary funds are the Enterprise, School Nutrition Fund, and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's self-funded health insurance plan.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

### **C. Measurement Focus and Basis of Accounting**

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims 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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

#### **D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances**

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

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

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

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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 and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. 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	\$ 2,000
Buildings	10,000
Land improvements	10,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Intangibles	5-10 years
Machinery and equipment	5-15 years

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

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of unspent grant proceeds as well as 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.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation leave for subsequent use or for payment upon 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, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Balances - 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, grantor or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications. Negative unassigned balances may be reported in other governmental funds when expenditures incurred for specific purposes exceed the restricted amounts.

#### **E. Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amount budgeted in the non-instructional programs functional area.

#### **Note 2. Cash and Pooled Investments**

The District's deposits at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,682,644 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Investments in common stock and mutual funds are stated at the approximate fair value based on the closing price for the stock on June 30, 2014. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. At June 30, 2014, the District's investment in common stock and mutual funds that were donated to the District for scholarship awards to students consisted of the following:

Stock/Mutual Fund	Number of Shares	Fair Value
Wells Fargo & Co.	1,632	\$ 85,778
CenterPoint Energy, Inc.	272	6,947
CenturyLink, Inc.	28	1,014
Daimler AG	139	12,999
Exxon Mobil Corp.	400	40,272
Frontier Communications Corp.	43	251
Great Plains Energy, Inc.	202	5,428
NRG Energy, Inc.	26	967
OGE Energy, Inc	400	15,632
Southern Company	250	11,345
Verizon Communications	183	8,954
Federated Fund U.S. Govt. Securities A	20,738	157,402
Federated Clover Value Fund A	14,679	350,085
		<u>\$ 697,074</u>

### **Note 3. Transfers**

The detail of transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales Services and Use Tax	<u>\$ 400,789</u>

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

### **Note 4. Capital Assets**

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 51,314	-	-	51,314
Construction in progress	43,237	207,835	251,072	-
Total capital assets not being depreciated	<u>94,551</u>	<u>207,835</u>	<u>251,072</u>	<u>51,314</u>
Capital assets being depreciated:				
Buildings	16,619,309	251,072	-	16,870,381
Land improvements	14,191	10,481	-	24,672
Machinery and equipment	3,989,829	37,350	-	4,027,179
Total capital assets being depreciated	<u>20,623,329</u>	<u>298,903</u>	<u>-</u>	<u>20,922,232</u>
Less accumulated depreciation for:				
Buildings	4,008,897	289,313	-	4,298,210
Land improvements	5,677	987	-	6,664
Machinery and equipment	3,802,920	82,167	-	3,885,087
Total accumulated depreciation	<u>7,817,494</u>	<u>372,467</u>	<u>-</u>	<u>8,189,961</u>
Total capital assets being depreciated, net	<u>12,805,835</u>	<u>(73,564)</u>	<u>-</u>	<u>12,732,271</u>
Governmental activities capital assets, net	<u>\$ 12,900,386</u>	<u>134,271</u>	<u>251,072</u>	<u>12,783,585</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 149,439	4,600	-	154,039
Less accumulated depreciation	62,266	12,837	-	75,103
Business type activities capital assets, net	<u>\$ 87,173</u>	<u>(8,237)</u>	<u>-</u>	<u>78,936</u>

Depreciation expense was charged by the District as follows:

**Governmental activities:**

Instruction:				
Regular				\$ 14,858
Special				751
Other				6,240
Support services:				
Instructional staff				17,565
Operation and maintenance				12,074
Transportation				30,679
				<u>82,167</u>
Unallocated depreciation				<u>290,300</u>
Total governmental activities depreciation expense				<u>\$ 372,467</u>

**Business type activities:**

Food services				<u>\$ 12,837</u>
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**Note 5. Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b><u>Governmental activities:</u></b>					
General obligation bonds	\$ 4,925,000	-	290,000	4,635,000	300,000
Revenue bonds	1,090,000	-	260,000	830,000	265,000
Termination benefits	64,900	121,776	64,900	121,776	121,776
Compensated absences	1,983	18,579	1,983	18,579	18,579
Net OPEB liability	131,385	34,126	-	165,511	-
Total	<u>\$ 6,213,268</u>	<u>174,481</u>	<u>616,883</u>	<u>5,770,866</u>	<u>705,355</u>
<b><u>Business type activities:</u></b>					
Net OPEB liability	\$ 4,723	1,227	-	5,950	-

**General Obligation Bonds Payable**

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue Dated December 1, 2006				
	Interest Rates		Principal	Interest	Total
2015	4.00	% \$	300,000	182,365	482,365
2016	4.00		320,000	170,365	490,365
2017	4.00		335,000	157,565	492,565
2018	4.00		345,000	145,003	490,003
2019	4.00		360,000	131,893	491,893
2020-2024	4.05-4.20		2,035,000	437,039	2,472,039
2025-2026	4.25-4.30		940,000	56,800	996,800
Total			\$ 4,635,000	1,281,030	5,916,030

**Revenue Bonds Payable**

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue Dated June 24, 2010				
	Interest Rates		Principal	Interest	Total
2015	2.50	% \$	265,000	22,888	287,888
2016	2.75		275,000	16,263	291,263
2017	3.00		290,000	8,700	298,700
Total			\$ 830,000	47,851	877,851

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,920,000 of bonds dated June 24, 2010. The bonds were issued for the purpose of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2017. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 43 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$877,851. For the current year, principal of \$260,000 and interest of \$29,388 was paid on the bonds and total statewide sales, services and use tax revenues were \$672,531.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$192,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) Monthly transfers will be made from the District's Statewide Sales, Services and Use Tax Fund and shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirement of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

### **Termination Benefits**

During the year ended June 30, 2014, the District offered an early retirement incentive to employees for the one year only. Eligible employees had to be at least fifty-five years of age by July 1, 2014 and have either completed ten years of consecutive contracted service with the District or thirty years total contracted service with any other Districts. The application for early retirement was subject to approval by the District's Board of Education.

Early retirement benefits equal 50% of the employee's regular contractual salary in effect during the employee's last year of employment, with a maximum retirement benefit of \$30,000.

The policy requires early retirement benefits be paid in one payment being made on or before December 31, 2014.

At June 30, 2014, the District has obligations to six participants with a total liability of \$121,776. Early retirement expenditures for the year ended June 30, 2014 totaled \$64,900.

### **Note 6. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$395,239, \$361,255, and \$324,853 respectively, equal to the required contributions for each year.

### **Note 7. Other Postemployment 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 91 active and 5 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 Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results 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.

*Actual 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 any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 49,550
Interest on net OPEB obligation	3,403
Adjustment to annual required contribution	<u>(10,480)</u>
Annual OPEB cost	42,473
Contributions made	<u>(7,120)</u>
Increase in net OPEB obligation	35,353
Net OPEB obligation beginning of year	<u>136,108</u>
 Net OPEB obligation end of year	 <u><u>\$ 171,461</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$7,120 to the medical plan.

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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 42,499	16.0%	\$ 100,790
2013	41,633	15.2%	136,108
2014	42,473	16.8%	171,461

*Funded Status and Funding Progress* - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was approximately \$0.297 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$0.297 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4.268 million and the ratio of the UAAL to covered payroll was 7.0%. As of June 30, 2014, 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 events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, 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 valuation and the historical pattern of sharing 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 2.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are \$267 per employee. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 8. Risk Management**

Belmond-Klemme 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 \$314,285 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 10. Deficit Unassigned Balance**

At June 30, 2014, the District had one account in the Student Activity Fund with deficit unassigned balances totaling \$10,481.

**Note 11. Categorical Funding**

The District’s restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
At-risk supplemental weighting	\$ 34,053
Gifted and talented	14,545
Dropout and dropout prevention	30,151
Beginning teacher mentoring	722
Teacher salary supplement	339,017
Four year old preschool state aid	39,877
Professional development for model core curriculum	20,657
Professional development	11,466
Market factor incentives	779
Successful progression for early readers	17,039
Teacher leadership grants	7,840
Total	<u>\$ 516,146</u>

**Note 12. Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 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, the Statement of Net Position is expected to include a significant liability for the government’s proportionate share of the employee pension plan.

**Note 13. Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Net Investment in Capital Assets	Debt Service	Management Levy	Unassigned/ Unrestricted
<b>Fund balance (Exhibit C)</b>	\$ -	222,525	709,445	1,688,178
Invested in capital assets, net of accumulated depreciation	12,783,585	-	-	-
Revenue bond capitalized indebtedness	(830,000)	-	-	-
General obligation bond capitalized indebtedness	(4,635,000)	-	-	-
Termination benefits payable	-	-	(121,776)	-
Accrued interest payable	-	(30,394)	-	-
Internal service fund	-	-	-	3,138
Unassigned student activity account balances	-	-	-	(10,481)
Compensated absences	-	-	-	(18,579)
Net OPEB liability	-	-	-	(165,511)
<b>Net position (Exhibit A)</b>	<u>\$ 7,318,585</u>	<u>192,131</u>	<u>587,669</u>	<u>1,496,745</u>

## **Required Supplementary Information**

BELMOND-KLEMM 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, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,977,139	171,904	5,149,043	5,512,277	5,512,277	(363,234)
State sources	4,983,750	18,089	5,001,839	4,140,488	4,140,488	861,351
Federal sources	338,262	252,642	590,904	657,053	657,053	(66,149)
Total revenues	10,299,151	442,635	10,741,786	10,309,818	10,309,818	431,968
Expenditures/expenses:						
Instruction	5,624,462	-	5,624,462	5,931,131	5,931,131	306,669
Support services	2,494,987	10,656	2,505,643	2,883,000	2,883,000	377,357
Non-instructional programs	7,100	453,609	460,709	431,000	431,000	(29,709)
Other expenditures	1,334,597	-	1,334,597	2,285,453	2,285,453	950,856
Total expenditures/expenses	9,461,146	464,265	9,925,411	11,530,584	11,530,584	1,605,173
Excess(Deficiency) of revenues (over)under expenditures/expenses	838,005	(21,630)	816,375	(1,220,766)	(1,220,766)	2,037,141
Balances beginning of year	4,266,383	122,758	4,389,141	4,315,433	4,315,433	73,708
Balances end of year	\$ 5,104,388	101,128	5,205,516	3,094,667	3,094,667	2,110,849

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2014, expenditures in the non-instructional programs functional area exceeded the amount budgeted.

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN

(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial	Unfunded	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a
			Accrued Liability (AAL) (b)	AAL (UAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 311	\$ 311	0.0%	\$ 4,305	7.2%
2011	July 1, 2009	\$ -	\$ 289	\$ 289	0.0%	\$ 4,270	6.8%
2012	July 1, 2009	\$ -	\$ 289	\$ 289	0.0%	\$ 4,109	7.0%
2013	July 1, 2012	\$ -	\$ 306	\$ 306	0.0%	\$ 3,917	7.8%
2014	July 1, 2012	\$ -	\$ 297	\$ 297	0.0%	\$ 4,268	7.0%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB costs, net OPEB obligation, funded status and funding progress.

## **Supplementary Information**

BELMOND-KLEMME COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2014

	Special Revenue		
	Student Activity	Management Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 34,072	705,130	739,202
Receivables:			
Property tax:			
Delinquent	-	4,931	4,931
Succeeding year	-	300,000	300,000
<b>TOTAL ASSETS</b>	<b>\$ 34,072</b>	<b>1,010,061</b>	<b>1,044,133</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	616	616
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	300,000	300,000
Fund balances:			
Restricted for:			
Student activities	44,553	-	44,553
Management levy purposes	-	709,445	709,445
Unassigned	(10,481)	-	(10,481)
Total fund balances	34,072	709,445	743,517
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 34,072</b>	<b>1,010,061</b>	<b>1,044,133</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BELMOND-KLEMME COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2014

	Special Revenue		
	Student	Management	Total
	Activity	Levy	
REVENUES:			
Local sources:			
Local tax	\$ -	340,676	340,676
Other	183,184	2,299	185,483
State sources	-	146	146
<b>TOTAL REVENUES</b>	<b>183,184</b>	<b>343,121</b>	<b>526,305</b>
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	105,621	105,621
Other	185,104	-	185,104
Support services:			
Operation and maintenance of plant	-	45,796	45,796
Transportation	-	6,850	6,850
Non-instructional programs:			
Food service operations	-	7,100	7,100
<b>TOTAL EXPENDITURES</b>	<b>185,104</b>	<b>165,367</b>	<b>350,471</b>
Change in fund balances	(1,920)	177,754	175,834
Fund balances beginning of year	35,992	531,691	567,683
Fund balances end of year	<b>\$ 34,072</b>	<b>709,445</b>	<b>743,517</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,388,069	475,246	1,863,315
Receivables:			
Property tax:			
Delinquent	-	3,812	3,812
Succeeding year	-	262,258	262,258
Due from other governments	273,065	-	273,065
<b>TOTAL ASSETS</b>	<b>\$ 1,661,134</b>	<b>741,316</b>	<b>2,402,450</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	14,170	14,170
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	262,258	262,258
Fund balances:			
Restricted for:			
Debt service	192,000	-	192,000
School infrastructure	1,469,134	-	1,469,134
Physical plant and equipment	-	464,888	464,888
Total fund balances	1,661,134	464,888	2,126,022
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,661,134</b>	<b>741,316</b>	<b>2,402,450</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	264,896	264,896
Other	920	4,101	5,021
State sources	672,531	115	672,646
<b>TOTAL REVENUES</b>	<b>673,451</b>	<b>269,112</b>	<b>942,563</b>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	-	83,122	83,122
Administration	-	625	625
Capital outlay	-	244,709	244,709
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>328,456</b>	<b>328,456</b>
Excess(Deficiency) of revenues over(under) expenditures	673,451	(59,344)	614,107
Other financing uses:			
Transfer out	(400,789)	-	(400,789)
Change in fund balances	272,662	(59,344)	213,318
Fund balances beginning of year	1,388,472	524,232	1,912,704
Fund balances end of year	\$ 1,661,134	464,888	2,126,022

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Interest	\$ 86	2	-	(88)	-
Pictures	1,501	1,300	721	(2,080)	-
HS Student Activities	784	-	-	-	784
T-Shirt Sales	913	13,559	14,878	1,000	594
Nursing Services	3,750	-	3,750	-	-
Diversity Team	244	384	623	-	5
Special Needs Store	162	90	49	-	203
Elementary Activities	1,356	1,438	2,102	(83)	609
Elementary Band	1,594	-	-	(1,594)	-
Elementary Chorus	699	-	577	-	122
Jump Rope for Heart	-	1,546	1,546	-	-
5th Grade Activities	520	-	116	-	404
BoxTops for Education	5,319	-	5,259	(60)	-
Elementary Art	272	-	-	-	272
Positive Behavior Instructional Supports	-	587	148	143	582
Scholastic Book Fair	9	3,896	3,905	-	-
Archery	608	5	306	-	307
Coaches Vs Cancer	-	2,329	1,631	(698)	-
Student Council	490	2,719	2,381	485	1,313
Drama	918	6,324	5,062	(516)	1,664
Vocal Activity	1,618	1,486	3,656	594	42
Choir Robes	1,773	3,100	5,286	413	-
Band Activity	10	444	1,268	1,820	1,006
Athletics	(19,487)	41,753	32,715	-	(10,481)
Cheerleaders	2,607	1,999	2,515	(302)	1,789
Spanish Club	76	-	-	-	76
Yearbook	3,738	15,162	9,784	15	9,131
FFA	12,508	56,206	56,300	292	12,706
National Honor Society	670	4,138	3,504	(544)	760
After Prom Party CD	3,500	-	-	-	3,500
Junior Class Prom	787	136	805	624	742
Uniform Account	(1,860)	2,240	2,505	2,125	-
Concessions - Student Council/Jr Prom	-	2,566	1,709	(857)	-
Magazine Fundraiser	10,827	19,775	22,003	(657)	7,942
<b>Total</b>	<b>\$ 35,992</b>	<b>183,184</b>	<b>185,104</b>	<b>-</b>	<b>34,072</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BELMOND-KLEMME COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST  
 JUNE 30, 2014

		Private Purpose Trust											
		Belmond-Klemme	LB										
		Foundation	Barkema	Cox	Courson	Heginger	Howell	Solomon	Leinbach	Mattison	Wachenheim	Stockseth	Total
		Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	
<b>ASSETS</b>													
Cash and pooled investments	\$	1,195,173	24,022	5,808	2,361	40,623	163,060	10,679	10,282	10,343	6,758	81,850	1,550,959
<b>LIABILITIES</b>													
		-	-	-	-	-	-	-	-	-	-	-	-
<b>NET POSITION</b>													
Restricted for scholarships	\$	1,195,173	24,022	5,808	2,361	40,623	163,060	10,679	10,282	10,343	6,758	81,850	1,550,959

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

**BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST  
YEAR ENDED JUNE 30, 2014**

	Private Purpose Trust												
	Belmond-Klemme		LB		Courson Scholarship	Heginger Scholarship	Howell Scholarship	Solomon Scholarship	Leinbach Scholarship	Mattison Scholarship	Wachenheim Scholarship	Stockseth Scholarship	Total
	Foundation Scholarship	Barkema Scholarship	Cox Scholarship										
Additions:													
Local sources:													
Interest	\$ 118,653	22	117	58	460	16,894	164	216	215	54	1,503		138,356
Gifts and contributions	14,140	24,000	1,500	-	-	-	-	-	25	-	-	-	39,665
Total additions	132,793	24,022	1,617	58	460	16,894	164	216	240	54	1,503		178,021
Deductions:													
Instruction:													
Regular:													
Scholarships awarded	24,775	-	1,500	-	400	2,000	200	250	200	300	1,500		31,125
Change in net position	108,018	24,022	117	58	60	14,894	(36)	(34)	40	(246)	3		178,021
Net position beginning of year	1,087,155	-	5,691	2,303	40,563	148,166	10,715	10,316	10,303	7,004	81,847		1,404,063
Net position end of year	\$ 1,195,173	24,022	5,808	2,361	40,623	163,060	10,679	10,282	10,343	6,758	81,850		1,550,959

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

**BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 4,366,627	4,851,953	4,802,826	4,475,820	3,792,544	3,477,795	3,397,022	3,391,473	3,143,961	3,010,728
Tuition	315,011	300,541	349,312	353,119	309,118	253,437	278,062	337,280	457,240	228,547
Other	295,501	272,575	373,550	1,236,365	1,192,290	2,467,926	1,072,977	1,217,864	482,802	271,543
State sources	4,983,750	3,954,075	3,724,890	3,559,921	3,137,891	3,847,134	3,654,615	3,425,385	3,407,790	3,194,457
Federal sources	338,262	265,179	436,666	532,457	566,561	363,432	452,036	170,950	141,935	270,606
Total	\$ 10,299,151	9,644,323	9,687,244	10,157,682	8,998,404	10,409,724	8,854,712	8,542,952	7,633,728	6,975,881
Expenditures:										
Current:										
Instruction:										
Regular	\$ 3,099,138	3,077,919	3,057,812	2,978,080	3,001,943	3,013,044	2,918,186	2,754,875	2,780,603	2,557,684
Special	1,120,291	1,267,997	1,211,181	1,179,599	1,189,051	1,193,449	1,155,876	1,091,189	1,101,380	1,013,083
Other	1,405,033	1,179,557	1,004,978	978,773	986,616	990,264	959,088	905,415	913,871	840,606
Support services:										
Student	173,396	103,640	80,984	155,758	157,874	158,483	152,856	146,282	186,191	184,943
Instructional staff	624,406	444,635	332,317	486,114	313,050	278,353	255,652	210,654	318,198	481,458
Administration	752,501	606,408	538,111	622,255	766,063	659,990	829,602	767,274	716,342	632,174
Operation and maintenance of plant	623,675	559,673	534,048	589,820	576,992	557,868	579,071	545,827	528,848	872,689
Transportation	321,009	367,874	285,421	383,646	326,264	268,095	365,530	289,803	387,171	307,041
Central support	-	-	-	-	-	-	-	-	-	-
Non-instructional programs	7,100	5,717	4,918	3,682	4,678	8,017	8,373	7,156	4,722	3,697
Capital outlay	244,709	28,727	1,337,814	3,680,808	539,145	2,497,287	6,078,383	1,245,276	52,278	-
Long-term debt:										
Principal	550,000	855,000	510,000	250,000	235,000	225,000	100,000	-	-	-
Interest and fiscal charges	225,603	236,055	272,253	253,359	236,635	245,198	353,217	-	-	-
Other expenditures:										
AEA flow-through	314,285	287,837	287,967	314,142	313,836	270,167	249,656	242,705	235,017	253,391
Total	\$ 9,461,146	9,021,039	9,457,804	11,876,036	8,647,147	10,365,215	14,005,490	8,206,456	7,224,621	7,146,766

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
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 Belmond-Klemme 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 Belmond-Klemme Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 10, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Belmond-Klemme 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 Belmond-Klemme Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Belmond-Klemme 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 a deficiency in internal control we consider to be material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. 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 items I-A-14 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 deficiencies described in Part I of the accompanying Schedule of Findings and Questioned Costs as items I-B-14 through I-D-14 to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Belmond-Klemme 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, 2014 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.

## **Belmond-Klemme Community School District's Responses to Findings**

Belmond-Klemme Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Belmond-Klemme 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 Belmond-Klemme 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.

March 10, 2015  
Newton, Iowa

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

**Part I: Findings Related to the Basic Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District.

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Financial reporting - preparing, reconciling and approving.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.

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 utilizing current personnel, including elected officials.

Response - The District has hired in July 2014 one staff member for the Business Office in order to help with the segregation of duties. Training currently in Accounts payable for Activities and General funds, putting cash deposits together on a daily basis and recently learning payroll and HR processes. Processes in the Business Office are changing by cross-trained between 3 individuals. Not one individual handles all transaction with cash, receipts, deposits and reconciliations.

Conclusion - Response accepted.

I-B-14 Capital Assets - A record of capital asset acquisitions and retirements are kept, however these changes are not updated for upload to the District's certified annual report. Capital assets are required to be maintained for financial statement presentation.

Recommendation - Capital asset updates should be made on a continuous basis to allow the school officials and outsiders an accurate account of capital assets at any point in time. This is necessary for both an accurate accounting of assets and to ensure a proper amount of insurance is carried to cover the assets in case of loss from fire, vandalism, or theft. The District should have a complete list of additions, deletions, and current assets for reporting purposes.

Response - Capital Assets for food service and Technology have be given to directors to keep updated and current throughout the year. Classroom inventory is still currently done by spreadsheet. This is an ongoing process in getting this inventory updated accurately. Spreadsheets are to be given to teachers and updated at beginning of the year and before checking out at the end of the year.

Conclusion - Response accepted.

I-C-14 Flexible Spending and TSA Bank Accounts - We noted during our audit that the District has bank accounts for the District's Flexible Spending and TSA plans that are not on the District's Uniform Accounting System.

Recommendation - The District needs to include the Flexible Spending and TSA bank account transactions in the District's Uniform Accounting System.

Response - The Flex and TSA bank accounts used for payroll were established and at the time were not added to our Districts accounting system. These 2 accounts are being added to the new current software and will be reconciled on a monthly basis.

Conclusion - Response accepted.

I-D-14 Scholarship Awards - We noted during our audit that scholarship checks were being written to the student only.

Recommendation - Checks written for scholarships should be written to the student and the college the student is attending once the student has provided proof of attendance. If the District wants to write the check directly to the student, the District should issue a 1099 to the student to be in compliance with Internal Revenue Service requirements.

Response - All payments have been changed from only writing check payments to the student. All checks are written to the student and the college/University the student is attending once the student has provided proof of attendance and completion of credits required for each scholarship award.

Conclusion - Response accepted.

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

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

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the certified budget amounts in the non-instructional programs function.

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

Response - The certified budget is being watched in all areas in accordance with Chapter 24.9 of the Code of Iowa so that the expenditures are not exceeding the budget.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-14 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jim Swenson, Board Member Owner, Jim Swenson Auto Body	Repairs	\$547

In accordance with 279.7A of the Code of Iowa, the above transactions with the Board Member do not appear to represent a conflict of interest.

II-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

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

Response - As noted the District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa. District Board Secretary has noted this and will publish in a timely manner.

Conclusion - Response accepted.

II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

- II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds. However, we did note that the District increased its teacher salary supplement carryover balance by \$95,581.66 during fiscal 2014. This increase in carryover balance appears to be more than a de minimis amount allowed by Chapter 281-98.25 of the Code of Iowa.

Recommendation - The District's teacher salary supplement allocation is to be fully expended in the fiscal year for which it is allocated. However, in the event there is a small amount remaining and it would not be cost effective to allocate the remainder the District can carryforward the remainder and add it to the amount to be allocated in the subsequent fiscal year. The District should add its additional carryover to its 2015 allocation to be spent out in fiscal 2015 to be in compliance with Chapter 281-98.25 of the code of Iowa.

Response - We are currently looking for guidance from District lawyer and your recommendations as to who to distribute this amount to teachers.

Conclusion - Response accepted.

- II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 1,388,472
Revenues:		
Sales tax revenues	\$ 672,531	
Other local revenues	920	673,451
Total revenues	<u>                    </u>	<u>2,061,923</u>
Expenditures/transfer out:		
Transfer to another fund:		
Debt service fund		<u>400,789</u>
Ending Balance		<u><u>\$ 1,661,134</u></u>

For the year ended June 30, 2014 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-14 Financial Condition - At June 30, 2014, the District had one account in the Student Activity Fund with a total deficit unassigned balance of \$10,481.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit. The District should consider additional approval of bills from the Student Activity Fund. A workout plan for the deficit accounts should also be considered for the Student Activity Fund.

Response - The Athletic fund continues to be monitored and deficit is becoming positive for FY15. The active role the Booster Clubs have played in the past few years in supporting the school with the purchase/reimbursement of uniforms has helped this deficit decline. We continue to watch our spending and control purchases.

Conclusion - Response accepted.