

BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

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Belmond-Klemme Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Jim Swenson	President	2017
Scott Hickman	Vice President	2017
Lynn Loux	Board Member	2017
Howard Dorman	Board Member	2017
Curt Stadlander	Board Member	2015
Abby Young	Board Member	2015
Kate Simonson	Board Member	2015
School Officials		
Kirk Nelson	Superintendent	2015
Cherie Yoder	Board Treasurer/ Business Manager	2015
Lisa Nelson	Board Secretary	2015
Ahlers & Cooney, P.C.	Attorney	2015
Houser, Berkland & Simonson	Attorney	2015

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Education
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, 2015, and the related Notes to 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 Belmont-Klemme Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 11 to the financial statements, Belmont-Klemme Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 48 through 53 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 Belmont-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 two years ended June 30, 2014 (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 seven 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 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 28, 2016 on our consideration of Belmont-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 Belmont-Klemme Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$8,545,720 in fiscal year 2014 to \$8,503,592 in fiscal year 2015, while General Fund expenditures increased from \$8,006,616 in fiscal year 2014 to \$8,724,715 in fiscal year 2015. This allowed the District's General Fund balance to decrease from \$2,204,324 at June 30, 2014 to \$1,983,201 at June 30, 2015, a 10.03% decrease from the prior year.
- The fiscal year 2015 General Fund revenue decrease was attributable to the decrease in local tax source revenues. The increase in expenditures was due mainly to an increase in expenditures in the instruction functional area.

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 Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

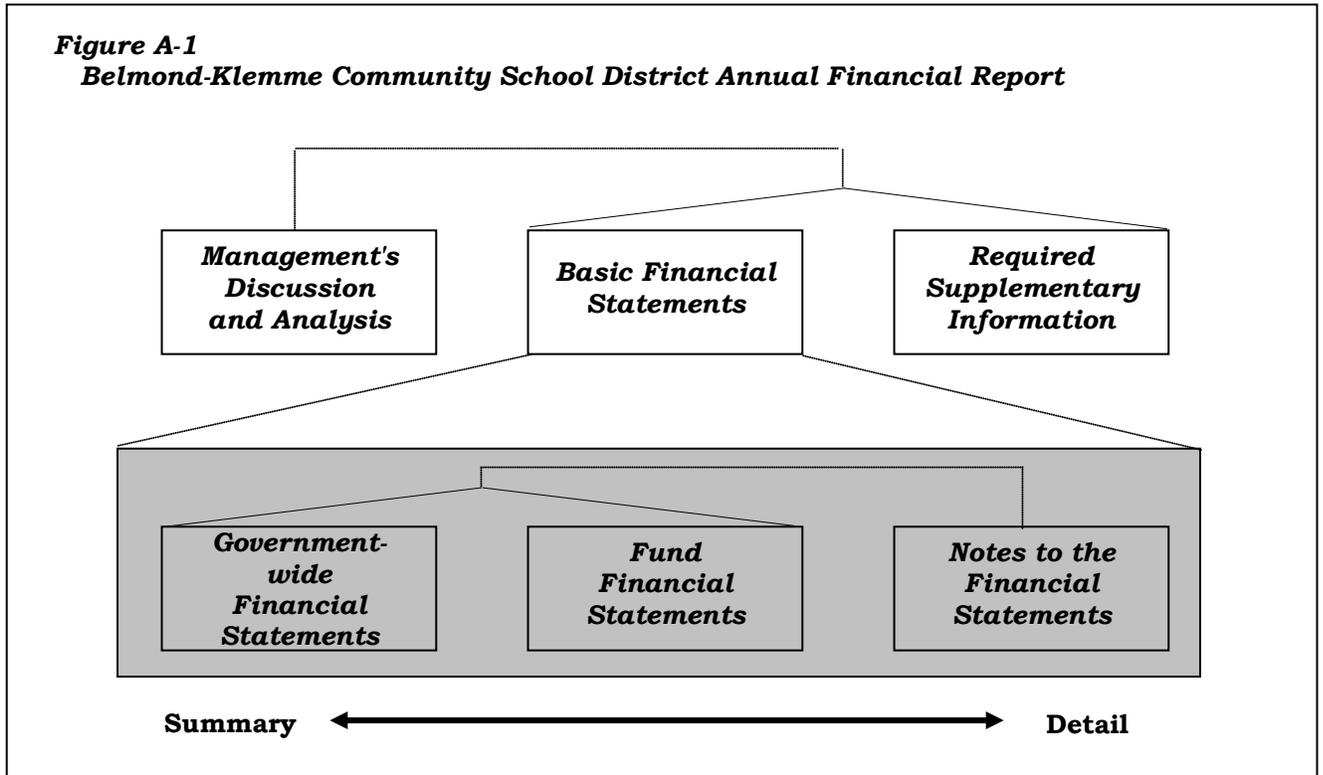


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	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.

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition 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 also utilizes an internal service funds, the other kind of proprietary fund, to report activities associated with the District's employee flexible benefit plan.

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.

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, 2015 compared to June 30, 2014.

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,
	2015	2014	2015	2014	2015	2014	2014-15
		(Not restated)		(Not restated)		(Not restated)	
Current and other assets	\$ 10,902,834	10,304,612	50,927	61,688	10,953,761	10,366,300	5.67%
Capital assets	12,878,294	12,783,585	66,100	78,936	12,944,394	12,862,521	0.64%
Total assets	23,781,128	23,088,197	117,027	140,624	23,898,155	23,228,821	2.88%
Deferred outflows of resources	702,987	-	20,370	-	723,357	-	100.00%
Long-term liabilities	8,194,206	5,770,866	88,828	5,950	8,283,034	5,776,816	43.38%
Other liabilities	1,120,344	1,012,798	6,897	33,546	1,127,241	1,046,344	7.73%
Total liabilities	9,314,550	6,783,664	95,725	39,496	9,410,275	6,823,160	37.92%
Deferred inflows of resources	5,272,499	4,214,682	31,100	-	5,303,599	4,214,682	25.84%
Net position:							
Net investment in capital assets	7,507,363	7,318,585	66,100	78,936	7,573,463	7,397,521	2.38%
Restricted	3,642,382	3,274,521	-	-	3,642,382	3,274,521	11.23%
Unrestricted	(1,252,679)	1,496,745	(55,528)	22,192	(1,308,207)	1,518,937	-186.13%
Total net position	\$ 9,897,066	12,089,851	10,572	101,128	9,907,638	12,190,979	-18.73%

The District's combined net position decreased by 18.73%, or \$2,283,341, 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 \$367,861 or 11.23% from the prior year. The increase in restricted net position is attributable to increases in fund balance for the Debt Service Fund, Management Levy Fund and the Capital Projects: Statewide Sales, Services and Use Tax account.

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 decreased by \$2,827,144, or 186.13%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$3,153,572 and \$98,875, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30,		June 30,		June 30,	June 30,	
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 595,622	498,547	176,854	168,169	772,476	666,716	15.86%
Operating grants, contributions and restricted interest	914,610	912,352	280,177	270,731	1,194,787	1,183,083	0.99%
Capital grants, contributions and restricted interest	3,012	3,387	-	-	3,012	3,387	-11.07%
General revenues:							
Property tax	4,236,114	4,249,555	-	-	4,236,114	4,249,555	-0.32%
Income surtax	117,108	22,406	-	-	117,108	22,406	422.66%
Statewide sales, services and use tax	748,839	672,531	-	-	748,839	672,531	11.35%
Unrestricted state grants	4,156,733	3,800,975	-	-	4,156,733	3,800,975	9.36%
Unrestricted investment earnings	5,371	5,768	1	1	5,372	5,769	-6.88%
Other	25,373	38,964	1,267	3,734	26,640	42,698	-37.61%
Total revenues	10,802,782	10,204,485	458,299	442,635	11,261,081	10,647,120	5.77%
Program expenses:							
Instructional	6,266,971	5,686,098	-	-	6,266,971	5,686,098	10.22%
Support services	2,822,160	2,612,847	4,664	10,656	2,826,824	2,623,503	7.75%
Non-instructional programs	11,206	7,100	445,316	453,609	456,522	460,709	-0.91%
Other expenses	741,658	828,254	-	-	741,658	828,254	-10.46%
Total expenses	9,841,995	9,134,299	449,980	464,265	10,291,975	9,598,564	7.22%
Change in net position	960,787	1,070,186	8,319	(21,630)	969,106	1,048,556	-7.58%
Net position beginning of year, as restated	8,936,279	11,019,665	2,253	122,758	8,938,532	11,142,423	-19.78%
Net position end of year	\$ 9,897,066	12,089,851	10,572	101,128	9,907,638	12,190,979	-18.73%

In fiscal year 2015, property tax, statewide sales, services and use tax and unrestricted state grants accounted for 84.62% of the revenue from governmental activities while charges for service and sales, operating grants and contributions accounted for 99.72% of the revenue from business type activities. The District's total revenues were approximately \$11.26 million of which approximately \$10.80 million was for governmental activities and approximately \$0.46 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.77% increase in revenues and a 7.22% increase in expenses. Unrestricted state grants funding increased \$355,758 to help fund the increase in expenses. The increase in expenses is related to the increase in instructional expenses.

Governmental Activities

Revenues for governmental activities were \$10,802,782 and expenses were \$9,841,995 for the year ended June 30, 2015.

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, 2015 compared to the year ended June 30, 2014.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
		2014	Change		2014	Change
	2015	(Not restated)	2014-15	2015	(Not restated)	2014-15
Instruction	\$ 6,266,971	5,686,098	10.22%	5,108,348	4,626,503	10.41%
Support services	2,822,160	2,612,847	8.01%	2,809,261	2,572,441	9.21%
Non-instructional programs	11,206	7,100	57.83%	11,206	7,100	57.83%
Other expenses	741,658	828,254	-10.46%	399,936	513,969	-22.19%
	<u>\$ 9,841,995</u>	<u>9,134,299</u>	<u>7.75%</u>	<u>8,328,751</u>	<u>7,720,013</u>	<u>7.89%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$595,622.
- Federal and state governments and local sources subsidized certain programs with grants and contributions totaling \$917,622.
- The net cost of governmental activities was financed with \$4,236,114 in property tax, \$117,108 in income surtax, \$748,839 in statewide sales, services and use tax, \$4,156,733 in unrestricted state grants, \$5,371 in interest income and \$25,373 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$458,299 and expenses were \$449,980. 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, investment income and other revenues.

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.

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 \$5,387,586, above last year's ending fund balances of \$5,104,388. The primary reason for the increase in combined fund balances in fiscal year 2015 is due to the increase in fund balance for the Debt Service Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. A decrease during the year in local tax source revenues was the primary reason for the decrease in revenues. Expenditures exceed revenues resulting in a decrease in fund balance of \$221,123 to an ending fund balance of \$1,983,201 at June 30, 2015.
- Revenues exceeded expenditures in the Management Levy Fund resulting in an increase in fund balance from \$709,445 at June 30, 2014 to \$764,694 at June 30, 2015.
- The Capital Projects Fund balance increased from \$2,126,022 at June 30, 2014 to \$2,322,537 at June 30, 2015. The increase in the fund balance was due mainly to the increase in state sales tax source revenues received as compared to the prior year.
- The Debt Service Fund balance increased from \$30,525 at June 30, 2014 to \$282,221 at June 30, 2015. An increase in local tax revenues levied in the Debt Service Fund was the primary reason for the increase in the Debt Service Fund.

Proprietary Fund Highlights

- The School Nutrition Fund net position increased from a restated \$2,253 at July 1, 2014 to \$10,572 at June 30, 2015, representing an increase of \$8,319 or 369.24%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$592,049 more than budgeted revenues, a variance of 5.61%. 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 during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$12,944,394, 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 increase of 0.64% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$603,412.

The original cost of the District's capital assets was \$21,807,655. Governmental funds account for \$21,653,616 with the remainder of \$154,039 accounted for in the Proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$61,822 at June 30, 2015, compared to \$18,008 at June 30, 2014. The increase in land improvements was due to the completion of a track surface project during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 51,314	51,314	-	-	51,314	51,314	0.00%
Buildings	12,333,415	12,572,171	-	-	12,333,415	12,572,171	-1.90%
Land improvements	61,822	18,008	-	-	61,822	18,008	243.30%
Machinery and equipment	431,743	142,092	66,100	78,936	497,843	221,028	125.24%
Total	\$ 12,878,294	12,783,585	66,100	78,936	12,944,394	12,862,521	0.64%

Long-Term Debt

At June 30, 2015, the District had \$8,283,034 in general obligation bonds, revenue bonds and other long term debt outstanding. This represents an increase of 43.38% 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 \$4,565,000 in general obligation bonds at June 30, 2015.
- The District had an outstanding balance of \$565,000 in revenue bonds at June 30, 2015.
- The District had a bus lease of \$223,383 at June 30, 2015, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had a lawnmower lease of \$17,548 at June 30, 2015, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had compensated absences payable from the General Fund of \$19,827 at June 30, 2015.
- At June 30, 2015, the District had a net pension liability of \$2,682,475. \$2,600,927 was attributable to the governmental activities with the remaining \$81,548 attributable to the business type activities.
- At June 30, 2015, the District had a net other postemployment benefits of \$209,801. \$202,521 was attributable to the governmental activities with the remaining \$7,280 attributable to the business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
General obligation bonds	\$ 4,565,000	4,635,000	-	-	4,565,000	4,635,000	-1.51%
Revenue bonds	565,000	830,000	-	-	565,000	830,000	-31.93%
Bus lease	223,383	-	-	-	223,383	-	100.00%
Lawnmower lease	17,548	-	-	-	17,548	-	100.00%
Termination benefits	-	121,776	-	-	-	121,776	-100.00%
Compensated absences	19,827	18,579	-	-	19,827	18,579	6.72%
Net pension liability	2,600,927	-	81,548	-	2,682,475	-	100.00%
Net OPEB liability	202,521	165,511	7,280	5,950	209,801	171,461	22.36%
Total	\$ 8,194,206	5,770,866	88,828	5,950	8,283,034	5,776,816	43.38%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The Iowa school funding formula is highly dependent upon student enrollment. The District currently has a significant number of students that open-enroll out to other Districts.
- The housing market in the area has been stable which has a direct effect on the District's property tax levy.
- One of the major employers in the area has been having unstable hours for employees.

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 Kevin Stein, Business Manager, Belmond-Klemme Community School District, 411 10th Avenue NE, Belmond, Iowa, 50421.

BASIC FINANCIAL STATEMENTS

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 5,949,810	30,462	5,980,272
Receivables:			
Property tax:			
Delinquent	68,981	-	68,981
Succeeding year	4,280,580	-	4,280,580
Income surtax	117,108	-	117,108
Accounts	12,615	92	12,707
Due from other governments	473,740	8,314	482,054
Inventories	-	12,059	12,059
Capital assets, net of accumulated depreciation	12,878,294	66,100	12,944,394
TOTAL ASSETS	23,781,128	117,027	23,898,155
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	702,987	20,370	723,357
LIABILITIES			
Accounts payable	265,031	4,493	269,524
Salaries and benefits payable	845,621	-	845,621
Accrued interest payable	9,692	-	9,692
Unearned revenue	-	2,404	2,404
Long-term liabilities:			
Portion due within one year:			
Bus lease	38,211	-	38,211
Lawnmower lease	3,264	-	3,264
General obligation bonds payable	670,000	-	670,000
Revenue bonds payable	275,000	-	275,000
Compensated absences payable	19,827	-	19,827
Portion due after one year:			
Bus lease	185,172	-	185,172
Lawnmower lease	14,284	-	14,284
General obligation bonds payable	3,895,000	-	3,895,000
Revenue bonds payable	290,000	-	290,000
Net pension liability	2,600,927	81,548	2,682,475
Net OPEB liability	202,521	7,280	209,801
TOTAL LIABILITIES	9,314,550	95,725	9,410,275
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	4,280,580	-	4,280,580
Pension related deferred inflows	991,919	31,100	1,023,019
TOTAL DEFERRED INFLOWS OF RESOURCES	5,272,499	31,100	5,303,599
NET POSITION			
Net investment in capital assets	7,507,363	66,100	7,573,463
Restricted for:			
Categorical funding	241,137	-	241,137
Debt service	464,529	-	464,529
Student activities	41,485	-	41,485
Management levy purposes	764,694	-	764,694
School infrastructure	1,804,462	-	1,804,462
Physical plant and equipment levy	326,075	-	326,075
Unrestricted	(1,252,679)	(55,528)	(1,308,207)
TOTAL NET POSITION	\$ 9,897,066	10,572	9,907,638

SEE NOTES TO FINANCIAL STATEMENTS

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	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
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,801,540	199,141	34,471	-	(3,567,928)	-	(3,567,928)
Special	1,129,761	249,884	199,532	-	(680,345)	-	(680,345)
Other	1,335,670	144,510	331,085	-	(860,075)	-	(860,075)
	6,266,971	593,535	565,088	-	(5,108,348)	-	(5,108,348)
Support services:							
Student	155,291	-	-	-	(155,291)	-	(155,291)
Instructional staff	426,170	-	7,800	-	(418,370)	-	(418,370)
Administration	1,086,510	-	-	-	(1,086,510)	-	(1,086,510)
Operation and maintenance of plant	741,185	-	-	3,012	(738,173)	-	(738,173)
Transportation	413,004	2,087	-	-	(410,917)	-	(410,917)
	2,822,160	2,087	7,800	3,012	(2,809,261)	-	(2,809,261)
Non-instructional programs:							
Food service operations	11,206	-	-	-	(11,206)	-	(11,206)
Long-term debt interest							
	105,110	-	-	-	(105,110)	-	(105,110)
Other expenses:							
AEA flowthrough	341,722	-	341,722	-	-	-	-
Depreciation(unallocated)*	294,826	-	-	-	(294,826)	-	(294,826)
	636,548	-	341,722	-	(294,826)	-	(294,826)
Total governmental activities	9,841,995	595,622	914,610	3,012	(8,328,751)	-	(8,328,751)
Business type activities:							
Support services:							
Instructional staff	3,800	-	-	-	-	(3,800)	(3,800)
Operation and maintenance of plant	864	-	-	-	-	(864)	(864)
	4,664	-	-	-	-	(4,664)	(4,664)
Non-instructional programs:							
Food service operations	445,316	176,854	280,177	-	-	11,715	11,715
Total business type activities	449,980	176,854	280,177	-	-	7,051	7,051
Total	\$ 10,291,975	772,476	1,194,787	3,012	(8,328,751)	7,051	(8,321,700)
General Revenues:							
Property tax levied for:							
General purposes				\$ 3,263,333	-		3,263,333
Debt service				706,894	-		706,894
Capital outlay				265,887	-		265,887
Income surtax				117,108	-		117,108
Statewide sales, services and use tax				748,839	-		748,839
Unrestricted state grants				4,156,733	-		4,156,733
Unrestricted investment earnings				5,371	1		5,372
Other general revenue				25,373	1,267		26,640
Total general revenues				9,289,538	1,268		9,290,806
Change in net position				960,787	8,319		969,106
Net position beginning of year, as restated				8,936,279	2,253		8,938,532
Net position end of year				\$ 9,897,066	10,572		9,907,638

* 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, 2015

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
ASSETS						
Cash and pooled investments	\$ 2,575,508	761,314	2,298,138	270,674	37,268	5,942,902
Receivables:						
Property tax:						
Delinquent	48,239	4,917	4,278	11,547	-	68,981
Succeeding year	2,876,120	422,407	265,420	716,633	-	4,280,580
Income surtax	117,108	-	-	-	-	117,108
Accounts	11,536	-	95	-	984	12,615
Due from other governments	356,595	-	117,145	-	-	473,740
TOTAL ASSETS	\$ 5,985,106	1,188,638	2,685,076	998,854	38,252	10,895,926
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 163,056	1,537	97,119	-	3,319	265,031
Salaries and benefits payable	845,621	-	-	-	-	845,621
Total liabilities	1,008,677	1,537	97,119	-	3,319	1,110,652
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	2,876,120	422,407	265,420	716,633	-	4,280,580
Income surtax	117,108	-	-	-	-	117,108
Total deferred inflows of resources	2,993,228	422,407	265,420	716,633	-	4,397,688
Fund balances:						
Restricted for:						
Categorical funding	241,137	-	-	-	-	241,137
Debt service	-	-	192,000	282,221	-	474,221
Student activities	-	-	-	-	41,485	41,485
Management levy purposes	-	764,694	-	-	-	764,694
School infrastructure	-	-	1,804,462	-	-	1,804,462
Physical plant and equipment	-	-	326,075	-	-	326,075
Unassigned:						
General	1,742,064	-	-	-	-	1,742,064
Student activities	-	-	-	-	(6,552)	(6,552)
Total fund balances	1,983,201	764,694	2,322,537	282,221	34,933	5,387,586
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,985,106	1,188,638	2,685,076	998,854	38,252	10,895,926

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, 2015

Total fund balances of governmental funds(page 20)	\$	5,387,586
 <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 the governmental funds.		12,878,294
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		117,108
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		6,908
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.		(9,692)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 702,987	
Deferred inflows of resources	<u>(991,919)</u>	(288,932)
Long-term liabilities, including bonds payable, compensated absences payable, net pension liability, leases payable, and other postemployment benefits payable are not due in the current period and, therefore, are not reported in the governmental funds.		<u>(8,194,206)</u>
Net position of governmental activities(page 18)	\$	<u><u>9,897,066</u></u>

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, 2015

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
REVENUES:						
Local sources:						
Local tax	\$ 2,958,255	305,078	265,887	706,894	-	4,236,114
Tuition	440,850	-	-	-	-	440,850
Other	94,735	7,079	3,664	574	143,539	249,591
State sources	4,624,287	124	748,948	295	-	5,373,654
Federal sources	385,465	-	-	-	-	385,465
TOTAL REVENUES	8,503,592	312,281	1,018,499	707,763	143,539	10,685,674
EXPENDITURES:						
Current:						
Instruction:						
Regular	3,767,051	182,517	-	-	-	3,949,568
Special	1,167,287	-	-	-	-	1,167,287
Other	1,236,153	-	19,401	-	142,678	1,398,232
	6,170,491	182,517	19,401	-	142,678	6,515,087
Support services:						
Student	159,920	-	-	-	-	159,920
Instructional staff	346,848	-	126,035	-	-	472,883
Administration	813,890	1,027	6,648	45,904	-	867,469
Operation and maintenance of plant	540,801	51,952	22,592	-	-	615,345
Transportation	351,043	10,330	333,317	-	-	694,690
	2,212,502	63,309	488,592	45,904	-	2,810,307
Non-instructional programs:						
Food service operations	-	11,206	-	-	-	11,206
Capital outlay						
	-	-	241,849	-	-	241,849
Other expenditures:						
Long-term debt:						
Principal	-	-	-	645,527	-	645,527
Interest and fiscal charges	-	-	-	125,812	-	125,812
	-	-	-	771,339	-	771,339
Other expenditures:						
AEA flowthrough	341,722	-	-	-	-	341,722
TOTAL EXPENDITURES	8,724,715	257,032	749,842	817,243	142,678	10,691,510
Excess(Deficiency) of revenues over(under) expenditures	(221,123)	55,249	268,657	(109,480)	861	(5,836)
Other financing sources(uses):						
Transfer in	-	-	-	313,600	-	313,600
Transfer out	-	-	(313,600)	-	-	(313,600)
Proceeds from capital leases	-	-	241,458	-	-	241,458
Refunding general obligation bond issuance	-	-	-	4,945,000	-	4,945,000
Discount on refunding general obligation bond issuance	-	-	-	(12,363)	-	(12,363)
Payment to refunding bond escrow agent	-	-	-	(4,885,061)	-	(4,885,061)
Total other financing sources(uses)	-	-	(72,142)	361,176	-	289,034
Change in fund balances	(221,123)	55,249	196,515	251,696	861	283,198
Fund balances beginning of year	2,204,324	709,445	2,126,022	30,525	34,072	5,104,388
Fund balances end of year	\$ 1,983,201	764,694	2,322,537	282,221	34,933	5,387,586

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, 2015

Change in fund balances - total governmental funds(page 22)	\$	283,198
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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	\$ 685,285	
Depreciation expense	<u>(590,576)</u>	94,709
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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 exceeded issuances as follows:		
Issued	\$ (5,186,458)	
Repaid	<u>5,280,527</u>	94,069
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.		
		20,702
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.		
		117,108
Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		
		3,770
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		
		477,618
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	\$ (1,248)	
Termination benefits	121,776	
Pension expense	(213,905)	
Other postemployment benefits	<u>(37,010)</u>	<u>(130,387)</u>
Change in net position of governmental activities(page 19)	\$	<u>960,787</u>

SEE NOTES TO FINANCIAL STATEMENTS

BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
ASSETS		
Current assets:		
Cash and pooled investments	\$ 30,462	6,908
Accounts receivable	92	-
Due from other governments	8,314	-
Inventories	12,059	-
	<u>50,927</u>	<u>6,908</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	66,100	-
TOTAL ASSETS	<u>117,027</u>	<u>6,908</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	20,370	-
LIABILITIES		
Current liabilities:		
Accounts payable	4,493	-
Unearned revenue	2,404	-
Total current liabilities	<u>6,897</u>	<u>-</u>
Noncurrent liabilities:		
Net pension liability	81,548	-
Net OPEB liability	7,280	-
Total noncurrent liabilities	<u>88,828</u>	<u>-</u>
TOTAL LIABILITIES	<u>95,725</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	31,100	-
NET POSITION		
Net investment in capital assets	66,100	-
Unrestricted	(55,528)	6,908
TOTAL NET POSITION	<u>\$ 10,572</u>	<u>6,908</u>

SEE NOTES TO FINANCIAL STATEMENT

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

	Business Type Activities: Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for service	\$ 176,854	-
Miscellaneous	1,267	48,241
TOTAL OPERATING REVENUES	178,121	48,241
OPERATING EXPENSES:		
Support services:		
Instructional staff:		
Services	3,800	-
Administration:		
Benefits	-	44,472
Operation and maintenance of plant:		
Services	864	-
Total support services	4,664	44,472
Non-instructional programs:		
Food service operations:		
Salaries	136,932	-
Benefits	54,383	-
Supplies	241,165	-
Depreciation	12,836	-
Total non-instructional programs	445,316	-
TOTAL OPERATING EXPENSES	449,980	44,472
OPERATING INCOME(LOSS)	(271,859)	3,769
NON-OPERATING REVENUES:		
State sources	3,491	-
Federal sources	276,686	-
Interest income	1	1
TOTAL NON-OPERATING REVENUES	280,178	1
Change in net position	8,319	3,770
Net position beginning of year, as restated	2,253	3,138
Net position end of year	\$ 10,572	6,908

SEE NOTES TO FINANCIAL STATEMENTS

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business Type Activities:		Governmental
	Enterprise Fund		Activities:
	School	Nutrition	Internal Service Fund
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$	175,503	-
Cash received from miscellaneous		1,267	48,241
Cash payments to employees for services		(226,465)	(44,472)
Cash payments to suppliers for goods or services		(203,459)	-
Net cash provided by (used in) operating activities		<u>(253,154)</u>	<u>3,769</u>
Cash flows from non-capital financing activities:			
State grants received		3,491	-
Federal grants received		242,197	-
Net cash provided by non-capital financing activities		<u>245,688</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments		1	1
Net increase(decrease) in cash and pooled investments		(7,465)	3,770
Cash and pooled investments at beginning of year		<u>37,927</u>	<u>3,138</u>
Cash and pooled investments at end of year	\$	<u>30,462</u>	<u>6,908</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$	(271,859)	3,769
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed		37,620	-
Depreciation		12,836	-
Decrease in inventories		257	-
Increase in accounts receivable		(92)	-
Increase in accounts payable		4,493	-
Decrease in salaries and benefits payable		(29,883)	-
Decrease in unearned revenue		(1,259)	-
Decrease in net pension liability		(29,342)	-
Increase in deferred outflows of resources		(8,355)	-
Increase in deferred inflows of resources		31,100	-
Increase in other post employment benefits		1,330	-
Net cash provided by(used in) operating activities	\$	<u>(253,154)</u>	<u>3,769</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$37,620.

SEE NOTES TO FINANCIAL STATEMENTS

BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Private Purpose Trust</u>
ASSETS	
Cash and pooled investments	\$ 1,554,634
LIABILITIES	
	<u>-</u>
NET POSITION	
Held in trust for scholarships	<u>\$ 1,554,634</u>

SEE NOTES TO FINANCIAL STATEMENTS

BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2015

	Private Purpose Trust
Additions:	
Interest	\$ 25,888
Gifts and contributions	54,330
Total additions	80,218
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	57,900
Excess of revenues over expenditures	22,318
OTHER FINANCING USES:	
Unrealized loss	(18,643)
Change in net position	3,675
Net position beginning of year	1,550,959
Net position end of year	\$ 1,554,634

SEE NOTES TO FINANCIAL STATEMENTS

BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 Management Levy Fund is used to account for property tax and other revenues to be used for unemployment benefits, insurance agreements and liability insurance.

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

The 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 flex benefits.

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

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

Capital Assets - Capital assets, which include property, machinery and equipment 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

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

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from

IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current 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 property tax receivables and other receivables not collected within sixty days after year end.

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

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

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, 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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, 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, 2015 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, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,530,665 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, 2015. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. At June 30, 2015, 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	\$ 91,784
CenterPoint Energy, Inc.	272	5,176
CenturyLink, Inc.	28	823
Daimler AG	139	12,707
Exxon Mobil Corp.	400	33,280
Frontier Communications Corp.	43	213
Great Plains Energy, Inc.	202	4,880
NRG Energy, Inc.	26	595
OGE Energy, Inc	400	11,428
Southern Company	250	10,475
Verizon Communications	183	8,530
Federated Fund U.S. Govt. Securities A	20,738	155,951
Federated Clover Value Fund A	14,679	341,424
Total		<u>\$ 677,266</u>

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales Services and Use Tax	<u>\$ 313,600</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 and capital leases.

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 51,314	-	-	51,314
Total capital assets not being depreciated	51,314	-	-	51,314
Capital assets being depreciated:				
Buildings	16,870,381	53,218	-	16,923,599
Land improvements	24,672	46,667	-	71,339
Machinery and equipment	4,027,179	585,400	5,215	4,607,364
Total capital assets being depreciated	20,922,232	685,285	5,215	21,602,302
Less accumulated depreciation for:				
Buildings	4,298,210	291,974	-	4,590,184
Land improvements	6,664	2,853	-	9,517
Machinery and equipment	3,885,087	295,749	5,215	4,175,621
Total accumulated depreciation	8,189,961	590,576	5,215	8,775,322
Total capital assets being depreciated, net	12,732,271	94,709	-	12,826,980
Governmental activities capital assets, net	\$ 12,783,585	94,709	-	12,878,294
<u>Business type activities:</u>				
Machinery and equipment	\$ 154,039	-	-	154,039
Less accumulated depreciation	75,103	12,836	-	87,939
Business type activities capital assets, net	\$ 78,936	(12,836)	-	66,100

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:	
Regular	\$ 15,683
Special	751
Other	8,383
Support services:	
Instructional staff	2,378
Operation and maintenance of plant	7,864
Transportation	260,691
	295,750
Unallocated depreciation	294,826
Total governmental activities depreciation expense	\$ 590,576

Business type activities:

Food service operations	\$ 12,836
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Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance			Balance End of Year	Due Within One Year
	Beginning of Year	Additions	Deletions		
	Restated				
<u>Governmental activities:</u>					
General obligation bonds	\$ 4,635,000	4,945,000	5,015,000	4,565,000	670,000
Revenue bonds	830,000	-	265,000	565,000	275,000
Bus lease	-	223,383	-	223,383	38,211
Lawnmower lease	-	18,075	527	17,548	3,264
Termination benefits	121,776	-	121,776	-	-
Compensated absences	18,579	19,827	18,579	19,827	19,827
Net pension liability	3,536,796	-	935,869	2,600,927	-
Net OPEB liability	165,511	37,010	-	202,521	-
Total	\$ 9,307,662	5,243,295	6,356,751	8,194,206	1,006,302
<u>Business type activities:</u>					
Net pension liability	\$ 110,890	-	29,342	81,548	-
Net OPEB liability	5,950	1,330	-	7,280	-
Total	\$ 116,840	1,330	29,342	88,828	-

General Obligation Bonds Payable

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue Dated February 26, 2015			
	Interest Rates	Principal	Interest	Total
2016	0.40 %	\$ 670,000	46,375	716,375
2017	0.65	670,000	43,695	713,695
2018	0.85	675,000	39,340	714,340
2019	1.05	680,000	33,603	713,603
2020	1.25	690,000	26,462	716,462
2021-2022	1.45-1.60	1,180,000	25,598	1,205,598
		\$ 4,565,000	215,073	4,780,073

Revenue Bonds Payable

Details of the District's June 30, 2015 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
2016	2.75 %	\$ 275,000	16,263	291,263
2017	3.00	290,000	8,700	298,700
Total		\$ 565,000	24,963	589,963

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 39 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$589,963. For the current year, principal of \$265,000 and interest of \$22,888 was paid on the bonds and total statewide sales, services and use tax revenues were \$748,839.

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.

Lawnmower Lease Payable

Details of the District's June 30, 2015 lawnmower lease indebtedness payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund are as follows:

Year Ending June 30,	Lawnmower Lease Dated April 15, 2015				
	Interest Rates		Principal	Interest	Total
2016	5.43	% \$	3,264	873	4,137
2017	5.43		3,445	691	4,136
2018	5.43		3,637	499	4,136
2019	5.43		3,839	297	4,136
2020	5.43		3,363	84	3,447
			<u>\$ 17,548</u>	<u>2,444</u>	<u>19,992</u>

Bus Lease Payable

Details of the District's June 30, 2015 bus lease indebtedness payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund are as follows:

Year Ending June 30,	Bus Lease Dated March 6, 2015				
	Interest Rates		Principal	Interest	Total
2016	2.69	% \$	38,211	6,009	44,220
2017	2.69		39,239	4,981	44,220
2018	2.69		145,933	3,926	149,859
			<u>\$ 223,383</u>	<u>14,916</u>	<u>238,299</u>

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, 2015, the District has no obligations to participants. Early retirement expenditures for the year ended June 30, 2015 totaled \$121,766.

Note 6. Bond Defeasement

On February 26, 2015, the District issued \$4,945,000 in general obligation bonds with interest rates from 0.30 to 1.60 percent to advance refund \$4,635,000 of outstanding December 1, 2006 general obligation bonds with interest rates from 4.00 to 4.30 percent.

The proceeds of the refunding issue have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay the scheduled debt service requirements through May 1, 2016 when the bond become callable.

The District is contingently liable in the remote possibility the escrow account is insufficient to pay the refunding bonds. After the principal and interest on all of the outstanding bonds are paid, any remaining funds in the escrow account, together with any interest thereon, will be returned to the District. The new refunding bonds have been added to the appropriate financial statements and schedule

At June 30, 2015, \$4,335,000 of the refunded December 1, 2006 general obligation bonds are outstanding. Defeasement of principal and interest for the December 1, 2006 general obligation bonds for the year was \$300,000 and \$91,183 respectively. The economic savings for the refunding is \$498,957.

Note 7. Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$490,922.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,682,475 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.066282 percent, which was an increase of 0.001858 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$220,612. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,153	\$ -
Changes of assumptions	118,384	-
Net difference between projected and actual earnings on pension plan investments	-	1,023,019
Changes in proportion and differences between District contributions and proportionate share of contributions	84,898	-
District contributions subsequent to the measurement date	490,922	-
Total	\$ 723,357	\$ 1,023,019

\$490,922 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (201,448)
2017	(201,448)
2018	(201,448)
2019	(201,448)
2020	15,208
	<u>\$ (790,584)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 5,068,461	\$ 2,682,475	\$ 668,455

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$54,589 for legally required employer contributions and \$36,373 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8. 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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 53,162
Interest on net OPEB obligation	4,287
Adjustment to annual required contribution	<u>(10,964)</u>
Annual OPEB cost	46,485
Contributions made	<u>(8,145)</u>
Increase in net OPEB obligation	38,340
Net OPEB obligation beginning of year	<u>171,461</u>
Net OPEB obligation end of year	<u><u>\$ 209,801</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, 2015.

For the year ended June 30, 2015, the District contributed \$8,145 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, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 41,633	15.2%	\$ 136,108
2014	42,473	16.8%	171,461
2015	46,485	17.5%	209,801

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was approximately \$0.282 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$0.282 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5.128 million and the ratio of the UAAL to covered payroll was 5.5%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of 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 for the

Retiree Health Plan presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of 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. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. 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 10. Categorical Funding

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

Program	Amount
At-risk supplemental weighting	\$ 55,191
Gifted and talented	5,450
Teacher salary supplement	137,395
Iowa early intervention block grant	7,554
Successful progression for early readers	6,358
Four year old preschool state aid	712
Professional development for model core curriculum	20,363
Professional development	7,335
Market factor incentives	779
Total	<u>\$ 241,137</u>

Note 11. Accounting Change/Restatement Note

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the

transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 12,089,851	\$ 101,128
Net pension liability at June 30, 2014	(3,536,796)	(110,890)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	383,224	12,015
Net position July 1, 2014, as restated	<u>\$ 8,936,279</u>	<u>\$ 2,253</u>

Note 12. 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 \$341,7225 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 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:

	<u>Net Investment in Capital Assets</u>	<u>Debt Service</u>	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	474,221	-	1,742,064
Invested in capital assets,				
net of accumulated depreciation	12,878,294	-	-	-
Revenue bond capitalized indebtedness	(565,000)	-	-	-
General obligation bond capitalized indebtedness	(4,565,000)	-	-	-
Bus lease payable	(223,383)	-	-	-
Lawnmower lease payable	(17,548)	-	-	-
Accrued interest payable	-	(9,692)	-	-
Income surtax	-	-	-	117,108
Pension related deferred outflows	-	-	-	702,987
Net pension liability	-	-	-	(2,600,927)
Pension related ddeferred inflows	-	-	-	(991,919)
Internal service fund	-	-	-	6,908
Unassigned student activity account balances	-	-	-	(6,552)
Compensated absences	-	-	-	(19,827)
Net OPEB liability	-	-	-	(202,521)
Net position (Exhibit A)	<u>\$ 7,507,363</u>	<u>464,529</u>	<u>-</u>	<u>(1,252,679)</u>

Note 14. Deficit Unassigned Balance/Net Position

At June 30, 2015, the District had one account in the Student Activity Fund with deficit unassigned balances totaling \$6,552. At June 30, 2015 the District had a deficit unrestricted net position of \$1,252,679 in the governmental activities and a deficit unrestricted net position of \$55,528 in the business type activities of the District.

Note 15. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2015, expenditures in the non-instructional programs functional area exceeded the amounts budgeted.

Belmond-Klemme Community School District

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 FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Fund Actual		Original	Final	
Revenues:						
Local sources	\$ 4,926,555	178,122	5,104,677	5,487,185	5,487,185	(382,508)
State sources	5,373,654	3,491	5,377,145	4,680,739	4,680,739	696,406
Federal sources	385,465	276,686	662,151	384,000	384,000	278,151
Total revenues	10,685,674	458,299	11,143,973	10,551,924	10,551,924	592,049
Expenditures/expenses:						
Instruction	6,515,087	-	6,515,087	6,660,000	6,660,000	144,913
Support services	2,810,307	4,664	2,814,971	3,235,000	3,235,000	420,029
Non-instructional programs	11,206	445,316	456,522	410,000	410,000	(46,522)
Other expenditures	1,354,910	-	1,354,910	2,069,716	2,069,716	714,806
Total expenditures/expenses	10,691,510	449,980	11,141,490	12,374,716	12,374,716	1,233,226
Excess(Deficiency) of revenues (over)under expenditures/expenses	(5,836)	8,319	2,483	(1,822,792)	(1,822,792)	1,825,275
Other financing sources (uses), net	289,034	-	289,034	-	-	289,034
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	283,198	8,319	291,517	(1,822,792)	(1,822,792)	2,114,309
Balances beginning of year, as restated	5,104,388	2,253	5,106,641	3,586,893	3,586,893	1,519,748
Balances end of year	\$ 5,387,586	10,572	5,398,158	1,764,101	1,764,101	3,634,057

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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, 2015, expenditures in the non-instructional programs functional area exceeded the amount budgeted.

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 (IN THOUSANDS)
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.066282%
District's proportionate share of the net pension liability	\$ 2,682
District's covered-employee payroll	\$ 5,497
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	48.79%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST 10 FISCAL YEARS
 (IN THOUSANDS)
 REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 491	395	361	325	290	281	259	235	211	219
Contributions in relation to the statutorily required contribution	<u>(491)</u>	<u>(395)</u>	<u>(361)</u>	<u>(325)</u>	<u>(290)</u>	<u>(281)</u>	<u>(259)</u>	<u>(235)</u>	<u>(211)</u>	<u>(219)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
District's covered-employee payroll	\$ 5,497	4,423	4,164	4,027	4,173	4,043	4,079	3,884	3,670	3,809
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

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		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
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%
2015	July 1, 2012	\$ -	\$ 282	\$ 282	0.0%	\$ 5,128	5.5%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB costs, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BELMOND-KLEMME COMMUNITY SCHOOL DISTRICT

Supplementary Information

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 1,879,317	418,821	2,298,138
Receivables:			
Property tax:			
Delinquent	-	4,278	4,278
Succeeding year	-	265,420	265,420
Accounts	-	95	95
Due from other governments	117,145	-	117,145
TOTAL ASSETS	\$ 1,996,462	688,614	2,685,076
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	97,119	97,119
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	265,420	265,420
Fund balances:			
Restricted for:			
Debt service	192,000	-	192,000
School infrastructure	1,804,462	-	1,804,462
Physical plant and equipment	-	326,075	326,075
Total fund balances	1,996,462	326,075	2,322,537
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,996,462	688,614	2,685,076

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
REVENUES:			
Local sources:			
Local tax	\$ -	265,887	265,887
Other	54	3,610	3,664
State sources	748,839	109	748,948
TOTAL REVENUES	748,893	269,606	1,018,499
EXPENDITURES:			
Current:			
Instruction:			
Other	-	19,401	19,401
Support services:			
Instructional staff	55,745	70,290	126,035
Administration	-	6,648	6,648
Operation and maintenance of plant	18,075	4,517	22,592
Transportation	267,603	65,714	333,317
Capital outlay	-	241,849	241,849
TOTAL EXPENDITURES	341,423	408,419	749,842
Excess(Deficiency) of revenues over(under) expenditures	407,470	(138,813)	268,657
Other financing sources(uses):			
Transfer out	(313,600)	-	(313,600)
Proceeds from capital leases	241,458	-	241,458
Total other financing sources(uses)	(72,142)	-	(72,142)
Change in fund balances	335,328	(138,813)	196,515
Fund balances beginning of year	1,661,134	464,888	2,126,022
Fund balances end of year	\$ 1,996,462	326,075	2,322,537

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
HS Student Activities	\$ 784	1,224	-	(30)	1,978
T-Shirt Sales	594	9,975	9,634	-	935
Diversity Team	5	-	-	-	5
Special Needs Store	203	82	45	-	240
Elementary Activities	609	27	150	-	486
Elementary Chorus	122	115	65	-	172
Jump Rope for Heart	-	1,518	1,518	-	-
5th Grade Activities	404	-	134	-	270
Elementary Art	272	-	-	-	272
Positive Behavior Instructional Supports	582	-	582	-	-
Archery	307	-	-	-	307
Student Council	1,313	479	1,418	-	374
Drama	1,664	5,404	5,650	-	1,418
Vocal Activity	42	3,104	2,985	-	161
Band Activity	1,006	4,088	3,620	-	1,474
Athletics	(10,481)	53,803	49,874	-	(6,552)
Cheerleaders	1,789	713	-	-	2,502
Spanish Club	76	-	-	-	76
Yearbook	9,131	6,045	4,268	-	10,908
FFA	12,706	47,017	47,883	-	11,840
National Honor Society	760	2,622	3,412	30	-
After Prom Party CD	3,500	-	-	-	3,500
Band/Vocal Trip	-	325	-	-	325
Junior Class Prom	742	-	932	1,495	1,305
Uniform Account	-	4,087	3,922	-	165
Concessions - Student Council/Jr Prom	-	1,829	334	(1,495)	-
Magazine Fundraiser	7,942	1,082	6,252	-	2,772
Total	\$ 34,072	143,539	142,678	-	34,933

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BELMOND-KLEMME COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST ACCOUNTS
 JUNE 30, 2015

		Private Purpose Trust											
		Belmond-Klemme	LB										
		Foundation	Barkema	Cox	Courson	Heginger	Howell	Solomon	Leinbach	Mattison	Wachenheim	Stockseth	
		Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	
		Total											
ASSETS													
Cash and pooled investments	\$	1,195,121	41,677	5,696	2,320	40,592	149,626	10,692	10,234	10,564	6,633	81,479	1,554,634
LIABILITIES													
		-	-	-	-	-	-	-	-	-	-	-	
NET POSITION													
Held in trust for scholarships	\$	1,195,121	41,677	5,696	2,320	40,592	149,626	10,692	10,234	10,564	6,633	81,479	1,554,634

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

**BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST ACCOUNTS
YEAR ENDED JUNE 30, 2015**

	Private Purpose Trust											Total	
	Belmond-Klemme		LB		Courson Scholarship	Heginger Scholarship	Howell Scholarship	Solomon Scholarship	Leinbach Scholarship	Mattison Scholarship	Wachenheim Scholarship		Stockseth Scholarship
	Foundation Scholarship	Barkema Scholarship	Cox Scholarship	Scholarship									
Additions:													
Interest	\$ 22,150	55	88	59	569	1,102	163	202	196	75	1,229	1,229	25,888
Gifts and contributions	20,305	32,000	-	-	-	2,000	-	-	25	-	-	-	54,330
Total additions	42,455	32,055	88	59	569	3,102	163	202	221	75	1,229	1,229	80,218
Deductions:													
Instruction:													
Regular:													
Scholarships awarded	38,400	14,400	200	100	600	2,000	150	250	-	200	1,600	1,600	57,900
Excess(deficiency) of revenues over(under) expenditures	4,055	17,655	(112)	(41)	(31)	1,102	13	(48)	221	(125)	(371)	(371)	22,318
OTHER FINANCING USES:													
Unrealized loss	(4,107)					(14,536)							(18,643)
Change in net position	(52)	17,655	(112)	(41)	(31)	(13,434)	13	(48)	221	(125)	(371)	(371)	3,675
Net position beginning 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	81,850	1,550,959
Net position end of year	\$ 1,195,121	41,677	5,696	2,320	40,592	149,626	10,692	10,234	10,564	6,633	81,479	81,479	1,554,634

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,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 4,236,114	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
Tuition	440,850	315,011	300,541	349,312	353,119	309,118	253,437	278,062	337,280	457,240
Other	249,591	295,501	272,575	373,550	1,236,365	1,192,290	2,467,926	1,072,977	1,217,864	482,802
State sources	5,373,654	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
Federal sources	385,465	338,262	265,179	436,666	532,457	566,561	363,432	452,036	170,950	141,935
Total	\$ 10,685,674	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
Expenditures:										
Current:										
Instruction:										
Regular	\$ 3,949,568	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
Special	1,167,287	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
Other	1,398,232	1,405,033	1,179,557	1,004,978	978,773	986,616	990,264	959,088	905,415	913,871
Support services:										
Student	159,920	173,396	103,640	80,984	155,758	157,874	158,483	152,856	146,282	186,191
Instructional staff	472,883	624,406	444,635	332,317	486,114	313,050	278,353	255,652	210,654	318,198
Administration	867,469	752,501	606,408	538,111	622,255	766,063	659,990	829,602	767,274	716,342
Operation and maintenance of plant	615,345	623,675	559,673	534,048	589,820	576,992	557,868	579,071	545,827	528,848
Transportation	694,690	321,009	367,874	285,421	383,646	326,264	268,095	365,530	289,803	387,171
Non-instructional programs	11,206	7,100	5,717	4,918	3,682	4,678	8,017	8,373	7,156	4,722
Capital outlay	241,849	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	645,527	550,000	855,000	510,000	250,000	235,000	225,000	100,000	-	-
Interest and fiscal charges	125,812	225,603	236,055	272,253	253,359	236,635	245,198	353,217	-	-
Other expenditures:										
AEA flow-through	341,722	314,285	287,837	287,967	314,142	313,836	270,167	249,656	242,705	235,017
Total	\$ 10,691,510	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 15	\$ 43,105
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	218,861 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 15	14,720
			<u>276,686</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0882-G	145,613
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0882-GC	9,223
			<u>154,836</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 15	<u>21,540</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 15	<u>3,545</u>
AREA EDUCATION AGENCY 267:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 15	<u>38,903</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 15	<u>5,959</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 15	<u>190</u>
TOTAL			<u>\$ 501,659</u>

* - Includes \$37,620 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
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, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 28, 2016.

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 and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses 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 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 deficiencies described in Part II of the accompanying Schedule of Findings as items II-A-15 to II-D-15 be material weaknesses.

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 II of the accompanying Schedule of Findings and Questioned Costs as items II-E-15 through II-H-15 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Belmont-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 IV of the accompanying Schedule of Findings and Questioned Costs.

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

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 and Questioned Costs. Belmont-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 Belmont-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 28, 2016
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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**Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by OMB Circular A-133**

To the Board of Education of Belmond-Klemme Community School District:

Report on Compliance for Each Major Federal Program

We have audited Belmond-Klemme Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Belmond-Klemme Community School District's major federal programs for the year ended June 30, 2015. Belmond-Klemme Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Belmond-Klemme Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Belmond-Klemme Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Belmond-Klemme Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Belmond-Klemme Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of Belmond-Klemme Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Belmond-Klemme Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Belmond-Klemme Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. However, as discussed below, we identified deficiencies in internal control over compliance we consider to be a material weakness and a significant deficiency.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-15 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-15 to be a significant deficiency.

Belmond-Klemme Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Belmond-Klemme Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2016
Newton, Iowa

BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditor's Report

- (a) Unmodified opinions were issued on the financial statements.
- (b) Material weaknesses and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness and a significant deficiency in internal control over major programs were disclosed by the audit
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program were as follows:
 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Belmont-Klemme Community School District did not qualify as a low-risk auditee.

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual 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 - We have three personnel in the business office, the District will review internal controls in place and investigate available alternatives and implement a solution.

Conclusion - Response accepted.

II-B-15 Financial Reporting - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. Material adjustments were required to record current year receivables and payables on the District's Uniform Financial Accounting System. These adjustments are reflected in this report as well as the District's Certified Annual Report filed with the Iowa Department of Education.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the material adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - District staff are attending training to the extent that schedules allow.

Conclusion - Response accepted.

II-C-15 Capital Assets - A record of capital asset acquisitions and retirements are kept, however asset changes are not updated for the District's certified annual report. Adjustments were subsequently made with assistance of the auditor to reflect properly additions and deletions for fiscal year 2015. 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 maintain and update annually a complete list of additions, deletions, and current assets for reporting purposes.

Response - The District will comply with the auditor recommendation.

Conclusion - Response accepted.

II-D-15 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. We also noted the District has investments in stock of Principle Financial Group which are not recorded on the Uniform Accounting System.

Recommendation - The District needs to include the Flexible Spending and TSA bank accounts, and the Principal Financial Group stock and related transactions in the District's Uniform Accounting System. This will enable the District to better reflect its' financial position and give transparency to users of the District's financial statements.

Response - The District will comply with the auditor recommendation.

Conclusion - Response accepted.

II-E-15 Credit Cards - We noted during our audit instances of purchases on the District credit card that were missing supporting documentation or lacking detailed receipts.

Recommendation - The District should review its procedures to ensure that all expenditures are properly supported and credit card purchases are in compliance with the District credit card policy.

Response - The District has reviewed with employees the need for detailed receipts.

Conclusion - Response accepted.

II-F-15 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 - Checks are being written to both the student and the college.

Conclusion - Response accepted.

II-G-15 Purchase Orders - We noted during our audit instances of an administrator approving their own purchase orders.

Recommendation - Better internal controls and procedures are established by having an independent person approve all purchase orders made by the District. This control provides added protection against potentially inappropriate or fraudulent purchases which might otherwise be made by the District.

Response - The District will have an independent person approve purchase orders to the extent possible.

Conclusion - Response accepted.

II-H-15 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying numerous negative student and adult lunch account balances on the books. It was noted that some of the negative accounts appear to be excessive in amount.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The District will monitor and develop procedures as necessary.

Conclusion - Response accepted.

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2015
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-15 Segregation of Duties - One important aspect of internal accounting control is the (2015-001) 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) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 5) Financial reporting - preparing, reconciling and approving.
- 6) 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 and Corrective Action Plan - We have three personnel in the business office, the District will review internal controls in place and investigate available alternatives and implement a solution.

Conclusion - Response accepted.

III-B-15 Free and Reduced Lunch Applications - We noted during our audit that two of the fifteen (2015-002) free and reduced lunch applications tested were marked as approved for free or reduced lunches which were not properly determined and did not have the proper documentation to make an appropriate determination.

Recommendation - The District should review the procedures in place for filing free and reduced lunch applications to ensure that the applications are filed correctly and are properly determine. The District should contact the Department of Education to correct the necessary reports.

Response and Corrective Action Plan - The District will have another individual review the applications.

Conclusion - Response accepted.

BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 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 District will amend the budget as needed.

Conclusion - Response accepted.

IV-B-15 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.

IV-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. We did note during our audit instances of mileage claims that did not appear to be accurately reported. We noted during our audit instances of trips to the same destination were reported as having different mileage totals and it was also noted that some trips were reported as being for longer distances and subsequent mileage reimbursement than maps would indicate.

Recommendation - The District should review its procedures for reimbursing mileage for all district employees to determine that mileage reimbursement requests are reviewed for propriety and the mileage reimbursement is appropriately documented and determined.

Response - The District has reviewed its procedures for reimbursement.

Conclusion - Response accepted.

IV-D-15 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	\$183

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.

IV-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- IV-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV -I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV -J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV -K-15 Categorical Funding - We noted during our audit that the District coded transportation costs to the at-risk supplemental weighting categorical funding, which is not an allowable expense to the grant according to 281-98.18(1) of the Code of Iowa. Additionally it was noted that the District coded more of employees time to the successful progression for early readers grant than the time those employees actually spent with early readers.

The following is the adjustment to the ending restricted balances for categorical funding:

	Restricted Balance on District's CAR	Amount of Expense Adjustment	Audited Ending Restricted Balance
At-risk supplemental weighting	\$ 47,799	7,392	55,191
Successful progression for early readers	3,565	2,792	6,358

Recommendation - The District should review Chapter 98 of the Iowa Administrative Code “Financial Management of Categorical Funding” to better understand the appropriate vs. inappropriate expenditures for Categorical Funding. The District should contact the Iowa Department of Education regarding required corrective action.

Response - The District staff is attending continuing education in the proper accounting for categorical funds.

Conclusion - Response accepted.

- IV -L-15 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Statewide sales and services tax revenue

Beginning Balance		\$	1,661,134
Revenues:			
Sales tax revenues	\$	748,839	
Other local revenues		54	
Lease proceeds		241,458	990,351
Total revenues			<u>2,651,485</u>
Expenditures/transfer out:			
Equipment		340,923	
Other		500	
Transfer to another fund:			
Debt service fund		313,600	655,023
Ending Balance			<u>\$ 1,996,462</u>

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

IV-M-15 Financial Condition - At June 30, 2015, the District had one account in the Student Activity Fund with a total deficit unassigned fund balance of \$6,552. We also noted the District had a deficit unrestricted net position of \$55,528 in the business type activities of the District and a deficit unrestricted net position of \$1,252,679 in the governmental activities of the District. The primary reason for these deficit net position is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

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 account should also be considered. The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The District will continue to monitor the Student Activity Fund. GASB 68 and 71 standards were explained to the Board.

Conclusion - Response accepted.

IV -N-15 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for noncertified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - District coaches are tracking their hours and will be supplied to the business office.

Conclusion - Response accepted.

IV-O-15 Excess Debt Levy - We noted during our audit that the District, as part of the fiscal year 2015 budget process, levied a surplus debt service levy of \$225,000 to be used for a partial repayment of the District's general obligation bonds dated December 1, 2006 when the bonds became callable on June 1, 2016. The money was collected and deposited into escrow on May 1, 2015.

We also noted the District issued advanced refunding general obligation bonds dated February 26, 2015, to advance refund all outstanding general obligation bonds dated December 1, 2006, including the principal intended to be refunded by the surplus levy. The proceeds of the February 26, 2015 issuance were deposited into escrow and are certified to be sufficient to pay the scheduled debt service requirements of the refunded bonds through May 1, 2016, at which time the outstanding refunded bonds will be redeemed at par. (See Note 6 in the Notes to Financial Statements.)

Since the February 26, 2015 issuance is certified sufficient to fulfill all obligations of the December 1, 2006 bonds, the District essentially has an extra \$225,000 of levied property tax revenue sitting in escrow that is no longer needed to refund the 2006 general obligation bonds. As of the date of this audit, the surplus levy is not obligated for any particular use other than debt service and, therefore, the \$225,000 payment to escrow has been removed from the income statement and is shown as cash in the Debt Service Fund.

Recommendation - The District should contact its financial advisor and bond council to determine the appropriate steps and actions required to resolve this matter.

Response - The District has contacted its financial advisor and bond council, the District passed a resolution to use the \$225,000 raised from the fiscal year 2015 debt service levy to redeem part of the general obligation bond dated February 26, 2015.

Conclusion - Response accepted.