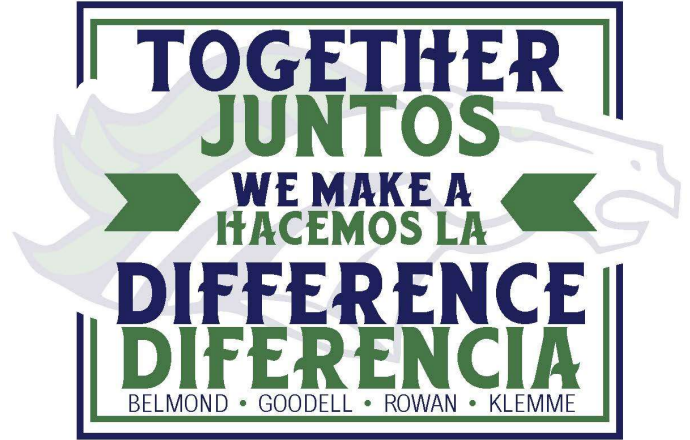


# Belmond-Klemme Community School District

## Financial Health Analysis



Presented to the  
Belmond-Klemme Board of Directors  
Thursday, January 23, 2025

Prepared for the  
Belmond-Klemme Board of Directors

Prepared by  
Jenn Peter, Superintendent

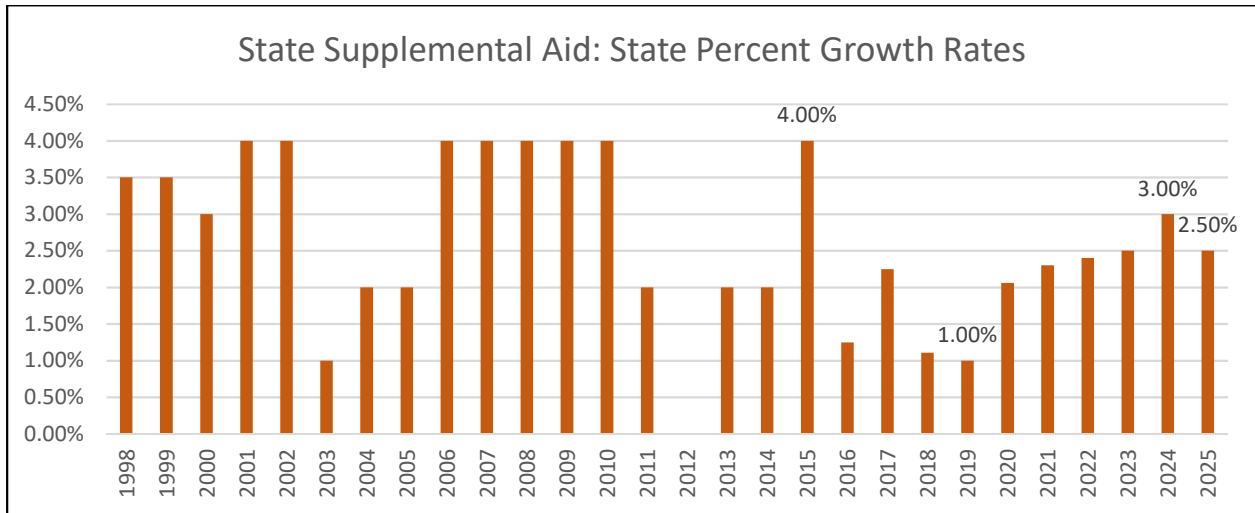
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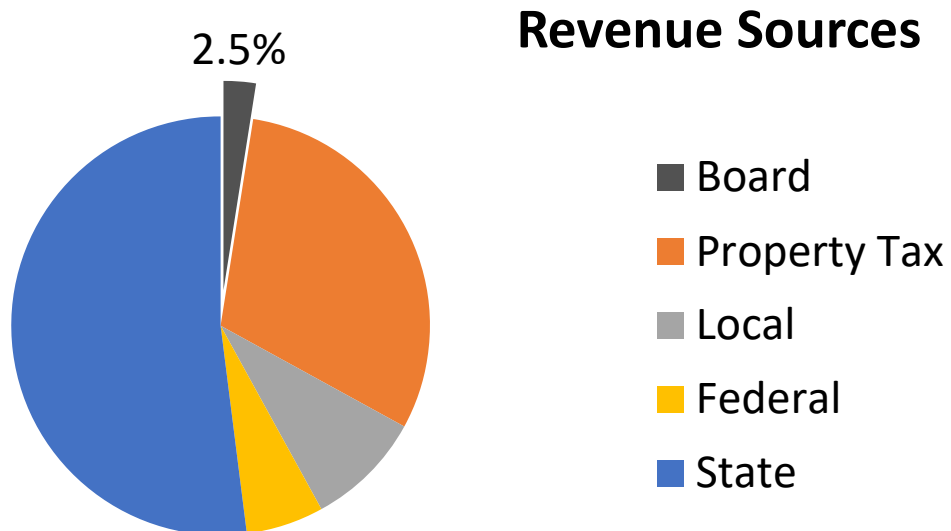
## Fact One: The Iowa Legislature Controls Budget Growth.

Unlike city councils and county commissions, Iowa’s public schools do not control their increases in funding. Each year, the Iowa Legislature determines the annual increase in dollars available per student. This is called “Supplemental State Aid.”

The Supplemental State Aid granted by the state has not kept pace with the rate at which either the state economy has grown or the rate at which state revenues have grown.



Only 2.5% of budget revenue for the Belmond-Klemme school district is controlled by the school board.



## Fact Two: Equalization in Funding

In the 1970’s, the State Legislature established a law that the “cost per pupil” across the state will *be equal* to ensure every student equal access to a quality education. The cost per pupil for Belmond-Klemme CSD for the last few years is listed below along with the projection for Fiscal Year 2026.

Fiscal Year	Cost per Pupil	Growth Rate	Rate of Inflation	
2016	\$6,451	1.25%	2.10%	
2017	\$6,596	2.25%	2.10%	
2018	\$6,669	1.11%	1.90%	
2019	\$6,736	1.00%	2.30%	
2020	\$6,880	2.06%	1.40%	
2021	\$7,048	2.30%	7.00%	*Projected
2022	\$7,227	2.40%	6.50%	
2023	\$7,413	2.50%	3.40%	
2024	\$7,635	3.00%	<b>2.40%*</b>	
2025	\$7,826	2.50%	<b>2.90%*</b>	
2026	\$7,904*	1.00%*	<b>3.30%*</b>	

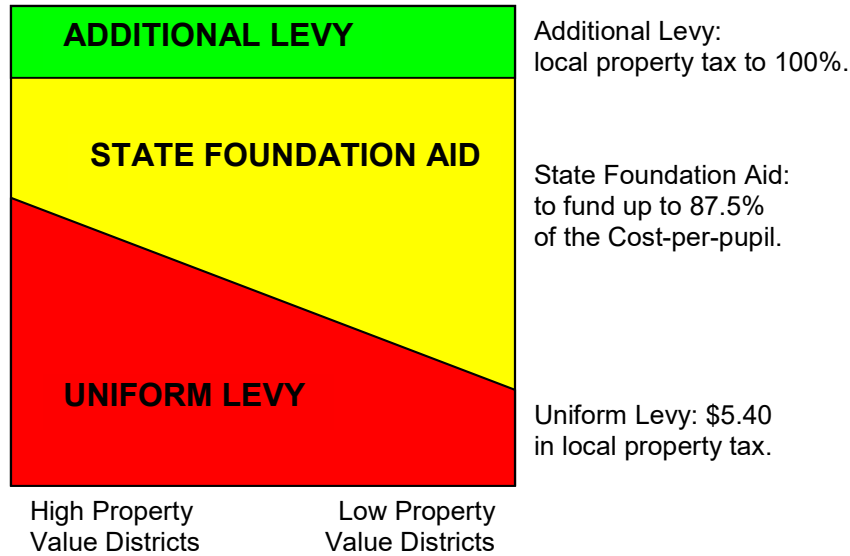
### ***Of course, funding is not equal across the state . . .***

In fact, of Iowa’s 325 public school districts, roughly half receive a cost per pupil greater than Belmond-Klemme, which is at the state minimum. Listed below are some area schools and what they are receiving this year in per-pupil funding.

Area Per-pupil Amounts are as Follows:		<p><b><i>What could we do with another \$80,000?</i></b></p> <p>That is how much more we would have if we were funded at the same rate as our neighbor to the east, CAL.</p>
▪	\$7,961 CAL	
▪	\$7,917 Northwood-Kensett	
▪	\$7,909 Eagle Grove	
▪	\$7,900 North Iowa	
▪	\$7,863 Mason City	
▪	\$7,859 Des Moines	
▪	\$7,847 West Fork	
▪	\$7,826 Clarion-Goldfield-Dows	
▪	\$7,840 Algona	
▪	\$7,826 Garner-Hayfield-Ventura	
▪	\$7,826 Fort Dodge	
▪	\$7,826 West Hancock	
▪	<b>\$7,826 <i>Belmond-Klemme</i></b>	

### Fact Three: Balance

The ratio of property tax and state aid supporting a district’s budget varies by district. The graphic below is intended to depict a sliding scale where the less revenue the \$5.40 levy generates the more the state sends the district in Foundation Aid.



Districts with higher taxable valuations per pupil will have lower overall tax rates, will generate more property tax dollars on a per pupil basis, and will generate less state aid through the school aid formula on a per pupil basis than districts with lower taxable valuations per pupil. Districts with lower taxable valuations per pupil will generally have higher overall tax rates, will generate less property tax dollars on a per pupil basis, and will generate more state aid through the school aid formula than districts with higher per taxable valuations per pupil.

The table below provides information pertaining to taxable valuation per pupil for area schools.

District	Budget Enrollment	Net Taxable Valuation Per Pupil	District Total Tax Rate
Garner-Hayfield-Ventura	845	\$ 801,658	\$ 9.87
CAL	285	\$ 643,778	\$ 11.54
West Fork	750	\$ 642,022	\$ 11.25
West Hancock	580	\$ 589,610	\$ 9.63
Clarion-Goldfield-Dows	975	\$ 607,709	\$ 13.61
Belmond-Klemme	747	\$ 472,174	\$ 11.01
Hampton-Dumont	1,091	\$ 423,170	\$ 12.97
Eagle Grove	980	\$ 399,731	\$ 12.36
<b>State Median</b>	<b>674</b>	<b>\$ 502,220</b>	<b>\$ 12.95</b>

You will note that the student enrollment of B-K is above the state median, but our Net Taxable Valuation Per Pupil is below the state median. Despite a lower valuation, our tax rate is still below the median.

## Fact Four: Restricted Funds

***“Restricted funds” cannot be used to support the General Operating Fund.***

The General Operating Fund is the fund that provides for the instructional needs of the students. It pays the salaries, purchases the textbooks, fuels the buses, heats the buildings, and pays for maintenance and upkeep. It is the fund that is determined primarily by the student enrollment count. Other funds are “restricted funds” and cannot be used to support the General Operating Fund.

The following is a list of some (but not all) of the restricted funds which the Belmond-Klemme school board currently has in place:

- **Management Fund.** This funds early retirement, unemployment compensation, tort liability, and insurance (except for health insurance).
- **Physical Plant and Equipment Levy (PPEL).** This funds asbestos projects, purchase of grounds, improvement of grounds, purchase of buildings, purchase of equipment exceeding \$500 in value, payment of building debts, et cetera.
- **Secure an Advanced Vision for Education (SAVE).** Similar to the PPEL, this fund comes from the one-cent state-wide sales tax.
- **Student Activity Fund.** This supports our school co-curricular activities program.
- **School Nutrition Fund.** The school breakfast and lunch program.

Money from the General Fund can be moved into any of these funds (except the Activity Fund) to supplement them; however, money from these funds cannot be moved into the General Fund for any reason. State law demands this.

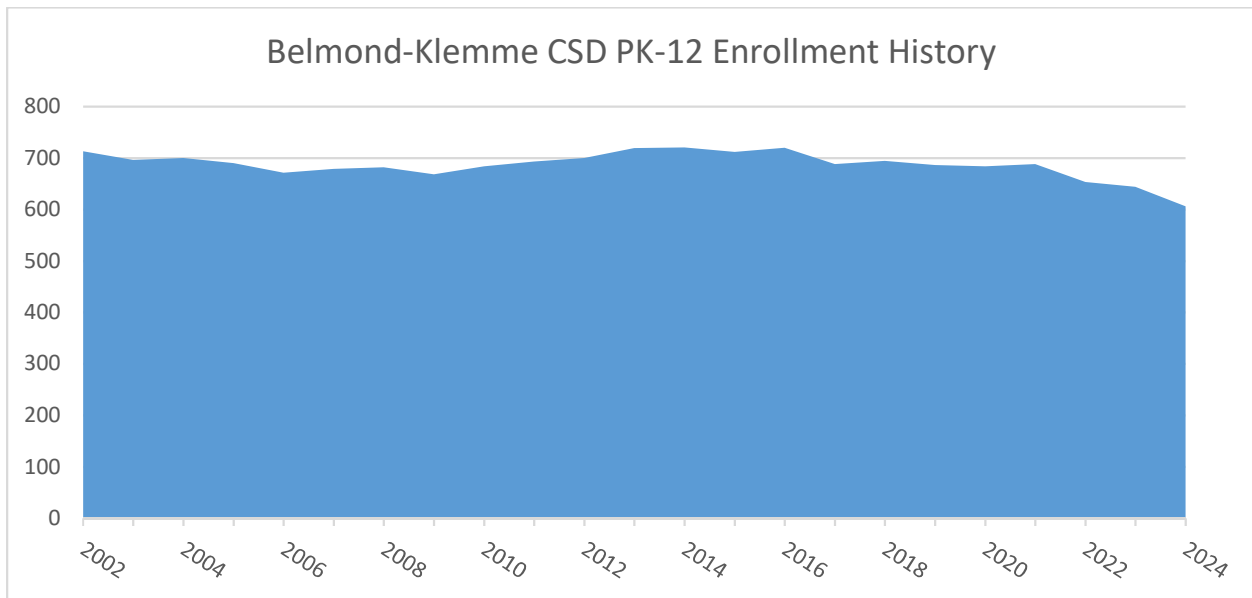
The Belmond-Klemme board currently has the Cash Reserve Levy in place to replace revenue lost from the General Fund due to delinquent taxes, tax exemptions (such as the Homestead Tax Exemption), or state assessments (such as the Juvenile Detention Home assessment). It can also be used to fund a deficit in our Special Education and English Learner programs.

The Cash Reserve Levy, however, cannot be used to exceed the maximum spending authority imposed on Belmond-Klemme by the State of Iowa.

## Enrollment Trend

### Financial Information and Computation:

Year	Certified Enrolled	Non-res. Students	Served PreK – 12
October 2017	798	27	688
October 2018	792	43	694
October 2019	775	45	686
October 2020	766	51	684
October 2021	756	57	688
October 2022	740	54	653
October 2023	747	45	644
October 2024	705	34	606



**Purpose:** The number of students enrolled on October 1 determines the school district’s budget.

**Trend:** Declining

**Target:** Prosperous districts often enjoy steady to rising enrollment.

**Need/concern:** Belmond-Klemme Schools enjoyed a period of steady enrollment. Like most of the state, recent years have shown declining numbers. This will directly impact funding.

**Corrective Action:** Evaluate the causes of declining enrollment. Consider ways to maximize the use of district facilities and resources without negatively impacting educational programs.

## Financial Solvency Ratio

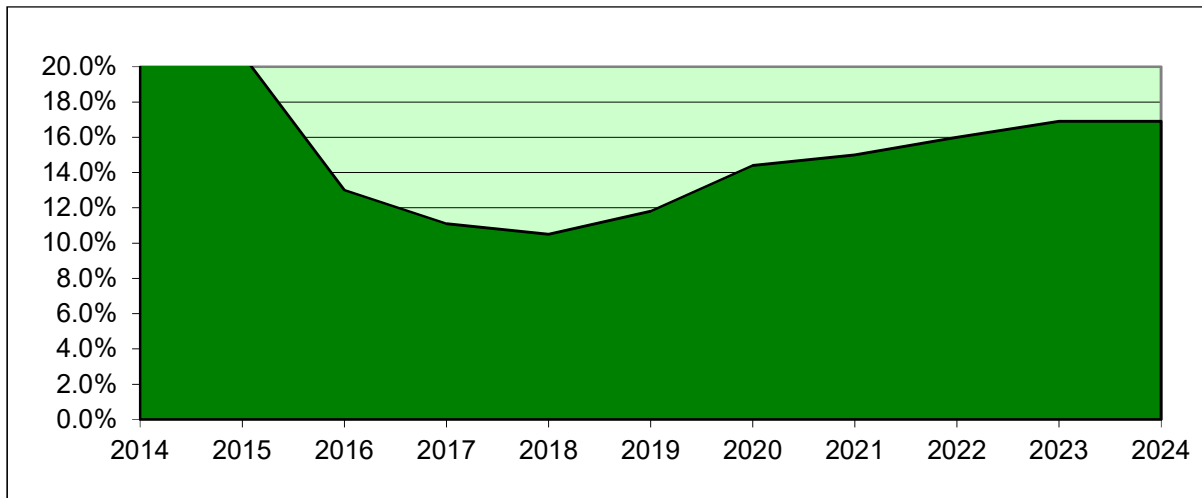
Schools need a cash reserve because state aid does not arrive on a regular basis.

**Formula:** 
$$\frac{\text{Assigned + Unassigned General Fund Balance}}{\text{Actual Total General Fund Revenue - AEA \$}} = \text{Financial Solvency Ratio}$$

### Financial Information and Computation:

Year	Ratio
2019	11.8%
2020	14.4%
2021	16.4%
2022	19.5%
2023	16.9%
2024	16.9%

**Note:** the state median in FY23 was 21.4%.



**Purpose:** A solvency ratio is a mathematical formula used to determine if a school, business, or person has adequate cash on hand to cover all expenses.

**Trend:** Steady

**Target:** The Iowa Association of School Boards recommends these targets:

▪ Target Solvency Position	7 to 17 %
▪ Acceptable Solvency Position	0 to 6.99%
▪ Solvency Alert	-3 to 0%
▪ Solvency Concern	-3% & lower

**Need/concern:** We remain in a strong cash position.

**Corrective Action:** Adjust with the cash reserve levy as necessary.

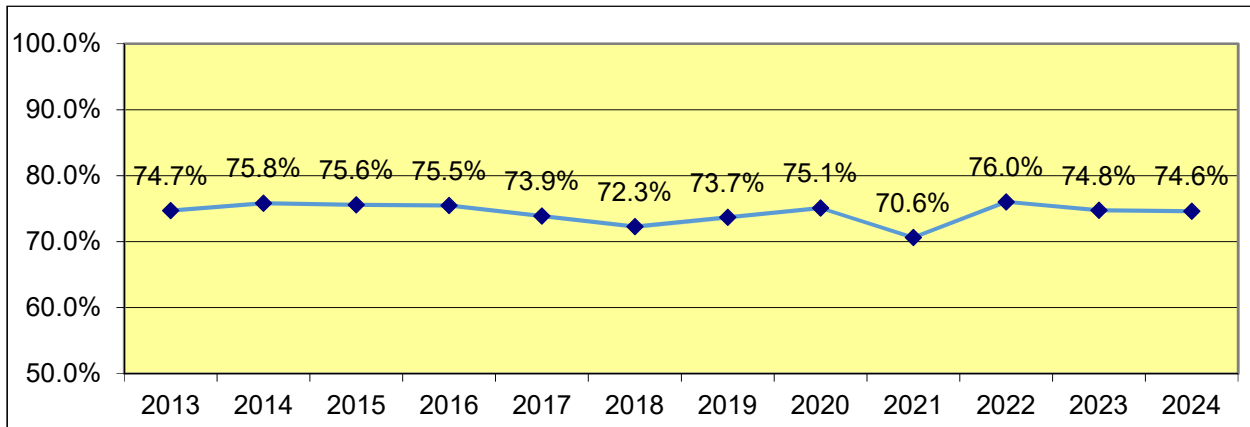
## Employee Cost Ratio

The Belmond-Klemme Community School District budget is “people intensive” with approximately 75% of all costs allocated to employee salaries and benefits.

**Formula:** 
$$\frac{\text{Wage and Benefit Costs}}{\text{Total General Fund Expenditures}} = \text{Employee Cost Ratio}$$

### Financial Information and Computation:

Year	Ratio
2022	76.0%
2023	74.8%
2024	74.6%



**Purpose:** This measures the percentage of the budget dedicated to staffing costs which is the single largest category of expenditures in the general fund.

**Trend:** Steady

**Target:** 80% or less.

**Need/concern:** The current employee cost ratio is typical of an Iowa school district.

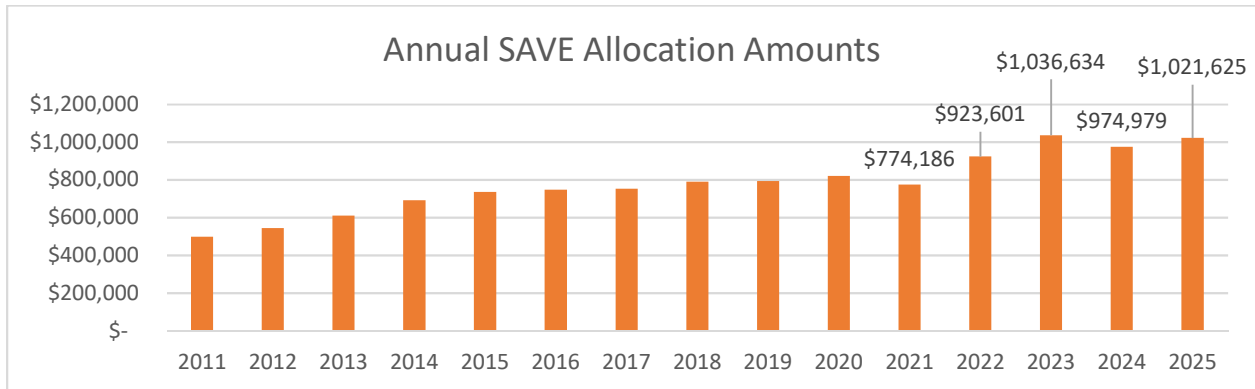
**Corrective Action:** Adjusted by reducing staff or increasing revenues or both.



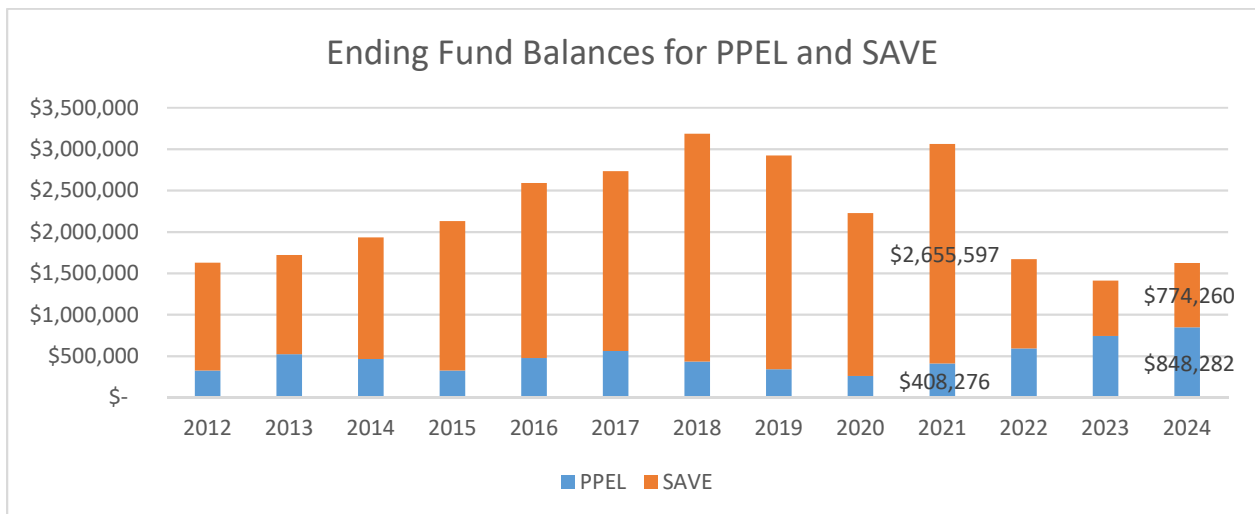
## SAVE: The One-cent Sales Tax

**Secure an Advanced Vision for Education (SAVE)** is a one-cent sales tax source of funding for school district infrastructure needs or property tax relief.

### Annual SAVE Allocation Amounts:



### History of Year-ending Fund Balances for Facilities and Equipment:



**Trend:** Stabilizing. The large reduction in funds during 2022 was due to \$1.8 million in bonds being used for a major reinvestment in our secondary building.

**Need/concern:** Create a long-term facility plan to focus spending on necessary repairs and improvements.

**Corrective Action:** Carefully consider upcoming projects to keep spending within existing funds and current revenues.

## Unspent Authorized Budget to Maximum Authorized Budget



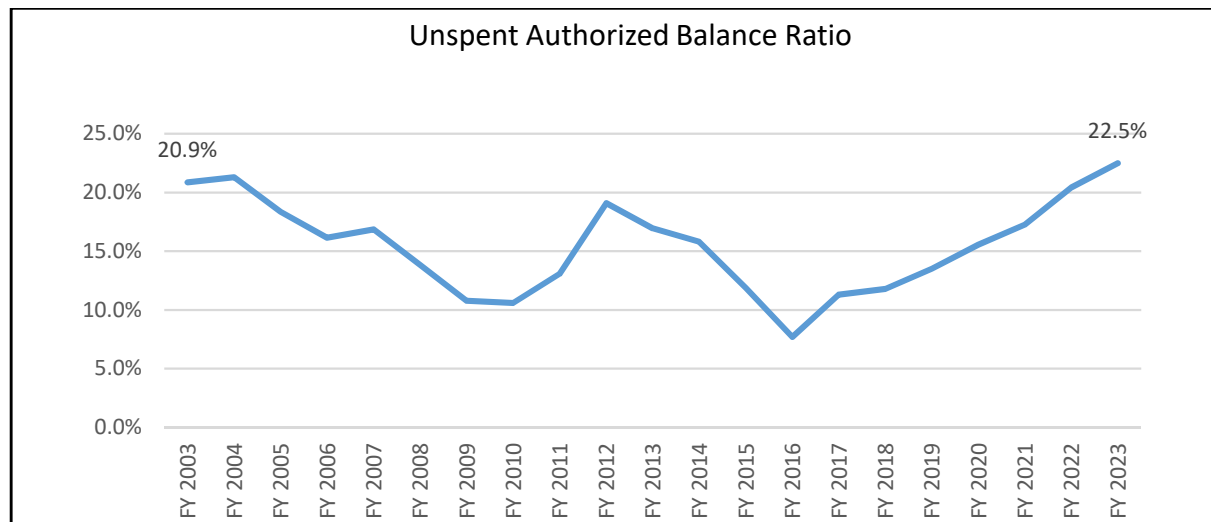
*It is unlawful for a school district to exceed its Maximum Authorized Budget which is the same as having a negative Unspent Authorized Budget.*

**Formula:** 
$$\frac{\text{Unspent Authorized Budget}}{\text{Maximum Authorized Budget}} = \text{Unspent Balance Ratio}$$

### Financial Information and Computation:

Year	Unspent Balance Ratio
2020	15.6%
2021	17.3%
2022	20.4%
2023	22.5%
2024	<i>Est. 25.9%</i>

**Note for 2023:**  
 The state median was 20%.  
 The state average was 23%.



**Purpose:** Similar to the solvency ratio, a district must maintain an adequate percentage of unspent balance to meet all possible costs in a single year.

**Trend:** Rising.

**Target:** IASB recommends that the unspent balance exceed 5% and should be maintained between 5% and 15% of total general fund spending authority.

**Need/concern:** There is concern as our present rate of funding from the state is not sufficient to cover the rising costs of goods, services, and employee costs.

**Corrective Action:** We need to control expenses.

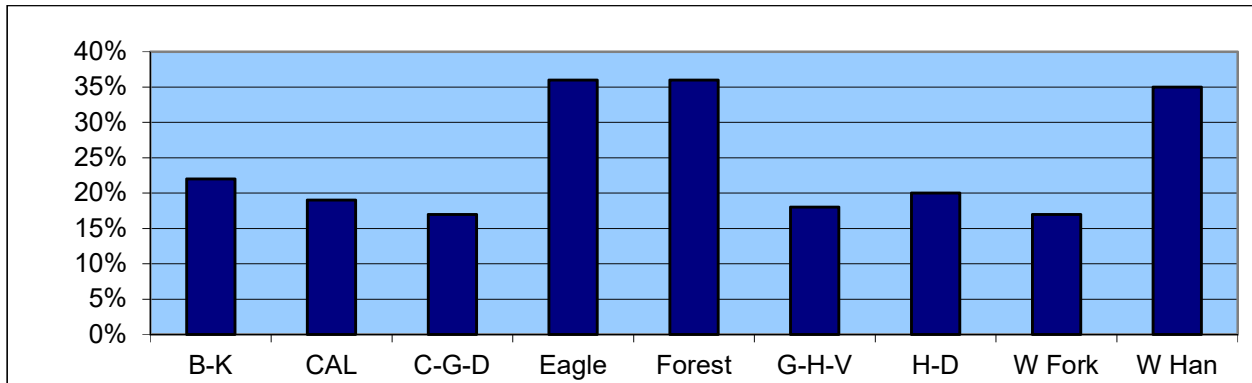
## Unspent Authorized Budget (UAB) Comparison

**Formula:** 
$$\frac{\text{Unspent Authorized Budget}}{\text{Maximum Authorized Budget}} = \text{UAB Ratio}$$

### Financial Information and Computation (FY 2023):

Area School	UAB Balance	Balance %
<i>Belmond-Klemme</i>	\$3,055,471	22%
CAL	\$1,067,683	19%
Clarion-Goldfield-Dows	\$3,139,776	17%
Eagle Grove	\$7,217,925	36%
Forest City	\$8,018,304	36%
Garner-Hayfield-Ventura	\$2,605,361	18%
Hampton-Dumont	\$4,016,566	20%
West Fork	\$2,223,164	17%
West Hancock	\$4,113,477	35%

**Note:**  
The state minimum was 0.2%.  
The state maximum was 60%.



**Purpose:** One way to judge the financial health of a district is to compare it to other school districts in the area and across the state.

**Trend:** Comparable.

**Target:** IASB recommends that the unspent balance exceed 5% and should be maintained between 5% and 15% of total general fund spending authority.

**Need/concern:** A district needs a sizeable unspent balance in order to meet contingencies and the normal fluctuation of a district’s finances; however, the largest unspent balance is not necessarily the best unspent balance. A large unspent balance indicates funding available to a district which is not being fully utilized.

**Corrective Action:** None at this time.

## Projected Future Supplemental State Aid (SSA) Calculations

*It is equally as important to gain an understanding of where a school district may be headed, financially speaking, into the future.*

### Financial Information and Computation:

The Iowa Association of School Boards (IASB) provides a tool to estimate the amount of “new money” (change in regular program funding from year to year) a school district may receive over the next five years using assumptions on likely enrollment and SSA changes.

The table below is an extract of that IASB forecasting tool.

Fiscal Year*	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Budget Enrollment Projections	747.1	747.1	737.8	727.2	681.1	681.9
State Supplemental Aid %	2.5%	2.00%	2.00%	2.00%	2.00%	2.00%
State Cost per Pupil	\$7,826	\$7,983	\$8,143	\$8,306	\$8,472	\$8,641
Budget Guarantee	0	\$0	\$15,835	\$27,861	\$330,245	\$0
“New Money”	\$186,535	\$117,295	\$59,641	\$44,244	\$32,540	-\$208,277
Percent New Money	3.3%	2.01%	1.00%	0.73%	0.54%	-3.41%

**Note:** No SSA state percent of growth rates have been established at this time for the fiscal years 2026 through 2030.

\* Enrollments for FY 2026 through FY 2030 are adjusted from DOM trend enrollment projection as of November 2024.

**Trend:** Two-percent (2.0%) SSA on an on-going, annual basis is neither keeping pace with inflation nor supporting school districts and keeping them whole when most schools are experiencing declining enrollment.

**Need/concern:** With 2.0% SSA projected over the next five years, combined with our Iowa DE enrollment forecasts, we could be looking at major budget shortfalls. New Money includes the money we receive for students who open enroll out of our district, which does not stay with our district.

**Corrective Action:** We need to control expenses and operate within our limitations.

**IASB recommends that school boards use this information to answer the question:**

“Will we have sufficient additional resources in the future or do we need to consider making strategic budget reductions now to stay financially healthy into the future.”