

BELMOND-KLEMME COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2023

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**Belmond-Klemme Community School District
Board of Education and School District Officials
As of June 30, 2023**

Name	Title	Term Expires
Board of Education		
Michelle Murphy	President	Nov 2023
Rick McDaniel	Vice President	Nov 2023
Ryan Meyer	Board Member	Nov 2023
Jim Swenson	Board Member	Nov 2023
Sharon Barkema	Board Member	Nov 2023
Marc Schlichting	Board Member	Nov 2025
Gary Berkland	Board Member	Nov 2025
School Officials		
Chris Bergman	Superintendent	Indefinite
Theresa Greenfield	District Treasurer, Business Manager	Indefinite
McKenna Pentico	Board Secretary	Indefinite
Ahlers & Cooney, P.C.	Attorney	Indefinite

Independent Auditor's Report

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

Opinions

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Belmond-Klemme Community School District, Belmond Iowa, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

In my 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 the Belmond-Klemme Community School District, as of June 30, 2023 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am required to be independent of the Belmond-Klemme Community School District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my audit. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Belmond-Klemme Community School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Belmont-Klemme Community School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt the Belmont-Klemme Community School District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require management's discussion and analysis, the budgetary comparison information, the schedule of the district's proportionate share of the net pension liability (asset), the schedule of district contributions and the schedule of changes in the district's total OPEB liability, related ratios and notes on pages 5 through 13 and 40 through 45 be presented to supplement the basic financial statements. Such information, is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Belmond-Klemme Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2022 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the five years ended June 30, 2018 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements. The supplementary information included on pages 46 through 53, including the schedule of expenditures of federal awards required by Title 2, U.S. Code of Federal Regulations, Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such 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. The information has been subjected to the auditing procedures applied in my 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 GAAS. In my 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*, I have also issued my report dated January 26, 2024 on my consideration of the Belmond-Klemme Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's 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 the Belmond-Klemme Community School District's internal control over financial reporting and compliance.



Rachelle K. Thompson, CPA
Hampton, Iowa

January 26, 2024

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, 2023. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2023 FINANCIAL HIGHLIGHTS

- General Fund revenue decreased from \$10,710,828 in fiscal year 2022 to \$10,291,578 in fiscal year 2023, while General Fund expenditures increased from \$10,429,825 in fiscal year 2022 to \$10,532,675 fiscal year 2023. The District's General Fund balance decreased from \$2,330,209 at the end of fiscal year 2022 to \$2,089,112 at the end of fiscal year 2023, a 10.3% decrease.
- The fiscal year 2023 General Fund revenue decrease was primarily attributable to the reduction of reserve cash levied and lower federal grants related to COVID relief. The increase in expenditures was due primarily to Increases in instructional costs for special education tuition and open enrollment.
- The District's total net position increased from \$16,168,844 to \$18,309,789, an increase of 13.2%. Total revenue decreased from \$13,047,474 in fiscal year 2022 to \$12,694,862 in fiscal year 2023, a 2.7% decrease. Total expenses increased from \$11,563,114 in fiscal year 2022 to \$12,241,683 in fiscal year 2023, a 5.9% increase compared to prior year. The significant factor in the increased net position was the restatement of the Scholarship Fund from fiduciary activities to governmental activities which decreased fiduciary activities net position and increased governmental activities net position \$1,687,766.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the schedule of changes in the District's total OPEB liability, related ratios and notes.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the District.

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 revenue 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 it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenue, 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. Internal service funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District's internal service fund is used to account for flex benefits.

The required financial statements for proprietary funds include a statement of net position, a statement of revenue, expenses and changes in fund net position and a statement of cash flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2023 compared to June 30, 2022.

**Figure A-1
CONDENSED STATEMENT OF NET POSITION**

	Governmental Activities		Business- Type Activities		Total District		Total Percentage Change June 30, 2023-2022
	June 30,		June 30,		June 30,		
	2023	2022	2023	2022	2023	2022	
Current and other assets	\$ 10,880,803	\$ 10,582,938	\$ 263,934	\$ 266,824	\$ 11,144,737	\$ 10,849,762	2.7%
Capital assets	15,710,329	15,487,455	5,065	6,091	15,715,394	15,493,546	1.4%
Total Assets	26,591,132	26,070,393	268,999	272,915	26,860,131	26,343,308	2.0%
Deferred Outflows of Resources	836,424	1,049,491	96,197	32,455	932,621	1,081,946	-13.8%
Total Assets and Deferred Outflows of Resources	\$ 27,427,556	\$ 27,119,884	\$ 365,196	\$ 305,370	\$ 27,792,752	\$ 27,425,254	1.3%
Long-term liabilities	\$ 4,093,515	\$ 2,062,487	\$ 88,081	\$ 18,072	\$ 4,181,596	\$ 2,080,559	101.0%
Other liabilities	1,063,562	1,596,482	41,326	70,420	1,104,888	1,666,902	-33.7%
Total Liabilities	5,157,077	3,658,969	129,407	88,492	5,286,484	3,747,461	41.1%
Deferred Inflows of Resources	4,055,647	7,399,920	140,832	109,029	4,196,479	7,508,949	-44.1%
Net Position							
Net investment in capital assets	14,788,329	14,109,455	5,065	6,091	14,793,394	14,115,546	4.8%
Restricted	4,259,699	2,985,136	-	-	4,259,699	2,985,136	42.7%
Unrestricted	(833,196)	(1,033,596)	89,892	101,758	(743,304)	(931,838)	20.2%
Total Net Position	18,214,832	16,060,995	94,957	107,849	18,309,789	16,168,844	13.2%
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 27,427,556	\$ 27,119,884	\$ 365,196	\$ 305,370	\$ 27,792,752	\$ 27,425,254	1.3%

The District's total net position increased 13.2%, or approximately \$2.1 million, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$1.3 million, or 42.7%, over the prior year. The increase was primarily a result of restating the Scholarship Fund from fiduciary activities to governmental activities.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$189,000, or 20.2%. This increase in unrestricted net position was primarily a result of the increase in the General Fund unassigned balance.

Figure A-2 shows the changes in net position for the year ended June 30, 2023 compared to the year ended June 30, 2022.

**Figure A-2
CHANGES IN NET POSITION**

	Governmental Activities		Business- Type Activities		Total District		Total Percentage Change June 30, 2023-2022
	June 30,		June 30,		June 30,		
	2023	2022	2023	2022	2023	2022	
Revenue							
Program Revenue							
Charges for service	\$ 791,683	\$ 923,538	\$ 135,611	\$ 17,466	\$ 927,294	\$ 941,004	-1.5%
Operating grants and contributions	1,226,775	1,324,842	383,594	577,840	1,610,369	1,902,682	-15.4%
General Revenue							
Property tax	3,885,704	4,191,880	-	-	3,885,704	4,191,880	-7.3%
Income surtax	129,326	106,706	-	-	129,326	106,706	21.2%
Statewide sales, services and use tax	1,036,634	923,601	-	-	1,036,634	923,601	12.2%
Unrestricted state grants	4,918,650	4,826,879	-	-	4,918,650	4,826,879	1.9%
Unrestricted invest- ment earnings	159,621	14,024	4,722	8	164,343	14,032	1071.2%
Other	22,434	138,190	108	2,500	22,542	140,690	-84.0%
Total Revenue	12,170,827	12,449,660	524,035	597,814	12,694,862	13,047,474	-2.7%
Program Expenses							
Instruction	7,695,615	7,180,304	-	-	7,695,615	7,180,304	7.2%
Support services	3,015,814	2,926,874	5,708	-	3,021,522	2,926,874	3.2%
Noninstructional programs	203,468	12,463	531,219	473,752	734,687	486,215	51.1%
Other expenses	789,859	969,721	-	-	789,859	969,721	-18.5%
Total Program Expenses	11,704,756	11,089,362	536,927	473,752	12,241,683	11,563,114	5.9%
Change in Net Position	466,071	1,360,298	(12,892)	124,062	453,179	1,484,360	-69.5%
Net Position - Beginning of Year, restated (Note 14)	17,748,761	14,700,697	107,849	(16,213)	17,856,610	14,684,484	21.6%
Net Position - End of Year	\$ 18,214,832	\$ 16,060,995	\$ 94,957	\$ 107,849	\$ 18,309,789	\$ 16,168,844	13.2%

In fiscal year 2023, property tax and unrestricted state grants accounted for 72.3% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenues. The District's total revenue was approximately \$12.7 million, of which approximately \$12.2 million was for governmental activities and approximately \$0.5 million was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 2.7% decrease in revenue and a 5.9% increase in expenses.

Governmental Activities

Revenue for governmental activities was \$12,170,827 and expenses were \$11,704,756 for the year ended June 30, 2023.

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, 2023 compared to those expenses for the year ended June 30, 2022.

**Figure A-3
TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES**

	Total Cost of Services			Net Cost of Services		
	2023	2022	Percentage Change 2023-2022	2023	2022	Percentage Change 2023-2022
Instruction	\$ 7,695,615	\$ 7,180,304	7.2%	\$ 6,180,338	\$ 5,315,465	16.3%
Support services	3,015,814	2,926,874	3.0%	3,005,789	2,915,701	3.1%
Non-instructional	203,468	12,463	1532.6%	80,955	12,463	549.6%
Other expenses	789,859	969,721	-18.5%	419,216	597,353	-29.8%
Total	\$ 11,704,756	\$ 11,089,362	5.5%	\$ 9,686,298	\$ 8,840,982	9.6%

For the year ended June 30, 2023:

- The cost financed by users of the District's programs was \$791,683.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,226,775.
- The net cost of governmental activities was financed with \$5,051,664 of property and other taxes and \$4,918,650 of unrestricted state grants, \$159,621 in interest income and \$22,434 in other general revenue.

Business Type Activities

Revenue for business type activities during the year ended June 30, 2023 was \$524,035, representing a 12.3% decrease over the prior year, while expenses totaled \$536,927, a 13.3% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenue from these activities was comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Belmond-Klemme Community School District uses fund accounting to measure and report revenue and expenses by individual fund and provide financial performance of the District at the fund level.

The District restated the fiscal year 2022 governmental fund combined ending balances from \$5,000,706 to \$6,688,472. The \$1,687,766 increase was due to an accounting standard restatement of the Scholarship Fund from fiduciary activities to governmental activities.

As the District completed the 2023 fiscal year, its governmental funds reported combined fund balances of \$5,933,831, which was a decrease from last year's restated ending fund balances of \$6,688,472. The primary reasons for the decrease in combined fund balances at the end of fiscal year 2023 was due to payment of construction costs related to the District infrastructure projects and retirement of the District's general obligation bond.

Governmental Fund Highlights

- The District's General Fund expenditures exceeded revenue resulting in a \$241,097 decrease in fund balance to \$2,089,112 at June 30, 2023.
- The Scholarship Fund balance decreased from \$1,687,766 at the end of fiscal year 2022 to \$1,611,655 at the end of fiscal year 2023.
- The Debt Service Fund balance decreased from \$94,750 at the end of fiscal year 2022 to \$15 at the end of fiscal year 2023.
- The Capital Projects Fund balance decreased from \$1,672,419 at the end of fiscal year 2022 to \$1,410,658 at the end of fiscal year 2023. The decrease in fund balance was primarily due to payment of construction costs related to the District infrastructure projects.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$107,849 at the end of fiscal year 2022 to a net position of \$94,957 at the end of fiscal year 2023, an increase of approximately 12.0%.

BUDGETARY HIGHLIGHTS

The District's total revenue was approximately \$27,000 more than total budgeted revenue, a variance of less than 1.0%.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the District had invested approximately \$15.7 million, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible assets. (See Figure A-4) This represents a net increase of 1.4% over last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation/amortization expense for the year was \$720,002.

The original cost of the District's capital assets was approximately \$28.6 million. Governmental funds account for approximately \$28.4 million, with the remainder of approximately \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

The largest changes in capital asset activity during the year occurred in the construction in progress and buildings and improvements categories. The District's construction in progress totaled \$0 at June 30, 2023, compared to \$1,897,838 reported at June 30, 2022. The District's buildings and improvements totaled \$15,309,050 at June 30, 2023, compared to \$13,157,958 reported at June 30, 2022. These changes were a result of facility improvement projects completed and placed in service during the year ended June 30, 2023.

Figure A-4
CAPITAL ASSETS, NET OF DEPRECIATION

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2023-2022
	June 30,		June 30,		June 30,		
	2023	2022	2023	2022	2023	2022	
Land	\$ 71,314	\$ 71,314	\$ -	\$ -	\$ 71,314	\$ 71,314	0.0%
Construction in progress	-	1,897,838	-	-	-	1,897,838	-100.0%
Buildings and improvements	15,309,050	13,157,958	-	-	15,309,050	13,157,958	16.3%
Machinery and equipment	329,965	360,345	5,065	6,091	335,030	366,436	-8.6%
Total	\$ 15,710,329	\$15,487,455	\$ 5,065	\$ 6,091	\$ 15,715,394	\$ 15,493,546	1.4%

Long-Term Debt

At June 30, 2023, the District had \$922,000 of total long-term debt outstanding. This represents a decrease of approximately 33.1% over last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$30.2 million.

Figure A-5
OUTSTANDING LONG-TERM OBLIGATIONS

	Total District		Total Percentage Change 2023-2022
	June 30,		
	2023	2022	
Revenue bonds	\$ 922,000	\$ 1,378,000	-33.1%

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 which could significantly affect its financial health in the future:

- A nationwide labor shortage has made it increasingly difficult to recruit and retain highly qualified staff. Salaries and benefits are expected to increase as a result of the current labor shortage.
- The District's enrollment has dropped in recent years. Decreasing enrollment will mean lower funding that could make it difficult to maintain a competitive salary and benefit package.
- The State of Iowa has not set the supplemental state aid for fiscal year 2025. Certified enrollment from October 2023 showed a decrease in served enrollment of nine students. The District's inability to predict future revenue will have a significant impact on future budget discussions.
- House File 576 was approved by the 2020 Legislature and signed by the Governor. This bill removes the SAVE (sales tax) sunset of 2029 and extends the sunset to 2051. Voters approved a new revenue purpose statement in November 2022. Voters also approved an increase in the PPEL levy from \$0.67 to \$1.00 in November of 2023, which will go into effect beginning with fiscal year 2026. In conjunction, these actions give the District assurance of future capital project dollars and great flexibility to complete projects.
- The District has received significant funding as a result of federal relief packages related to the COVID-19 global pandemic. The remainder of those funds will be used in the 2024 fiscal year. Future spending will need to be reduced to pre-COVID levels. The most significant impact may be to the School Nutrition Fund, where funding was used to absorb increased cost due to supply chain shortages.

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 Theresa Greenfield, Business Manager, Belmond-Klemme Community School District, 303 East Main Street, Belmond, Iowa, 50421.

Basic Financial Statements

Belmond-Klemme Community School District

Statement of Net Position

As of June 30, 2023

	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash, cash equivalents and pooled investments	\$ 6,420,639	\$ 235,840	\$ 6,656,479
Receivables, Net of Allowance for Uncollectible Amounts			
Property Taxes			
Current year delinquent	132,495	-	132,495
Succeeding year	3,763,211	-	3,763,211
Other receivables	116,931	18,252	135,183
Internal balance	30,413	-	30,413
Due from other governments	417,114	-	417,114
Inventories and prepaid expenses	-	9,842	9,842
Capital assets, net of accumulated depreciation	15,710,329	5,065	15,715,394
Total Assets	26,591,132	268,999	26,860,131
Deferred Outflows of Resources			
Pension-related deferred outflows	645,124	90,277	735,401
OPEB related deferred outflows	191,300	5,920	197,220
Total Deferred Outflows of Resources	836,424	96,197	932,621
Total Assets and Deferred Outflows of Resources	\$ 27,427,556	\$ 365,196	\$ 27,792,752
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable	\$ 14,546	\$ -	\$ 14,546
Salaries and benefits payable	1,049,016	-	1,049,016
Internal balance	-	30,413	30,413
Unearned revenue	-	10,913	10,913
Long-term liabilities			
Portion due after one year			
Revenue bonds	922,000	-	922,000
Net pension liability	2,577,778	69,718	2,647,496
Net OPEB Liability	593,737	18,363	612,100
Total Liabilities	5,157,077	129,407	5,286,484
Deferred Inflows of Resources			
Unavailable property tax revenue	3,763,211	-	3,763,211
Pension-related deferred inflows	285,413	140,615	426,028
OPEB-related deferred inflows	7,023	217	7,240
Total Deferred Inflows of Resources	4,055,647	140,832	4,196,479
Net Assets			
Net investment in capital assets	14,788,329	5,065	14,793,394
Restricted for:			
Categorical funding	414,980	-	414,980
Debt service	15	-	15
Management levy purposes	694,540	-	694,540
School infrastructure	666,452	-	666,452
Physical plant and equipment	744,206	-	744,206
Student activities	127,851	-	127,851
Other	1,611,655	-	1,611,655
Unrestricted	(833,196)	89,892	(743,304)
Total Net Position	18,214,832	94,957	18,309,789
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 27,427,556	\$ 365,196	\$ 27,792,752

See Notes to the Financial Statements

Statement of Activities

Year Ended June 30, 2023

	Program Revenue			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental Activities						
Instruction						
Regular instruction	\$ 4,105,871	\$ 402,726	\$ 686,435	\$ (3,016,710)	\$ -	\$ (3,016,710)
Special instruction	1,792,968	155,155	35,025	(1,602,788)	-	(1,602,788)
Other instruction	1,796,776	223,777	12,159	(1,560,840)	-	(1,560,840)
Total Instruction	<u>7,695,615</u>	<u>781,658</u>	<u>733,619</u>	<u>(6,180,338)</u>	<u>-</u>	<u>(6,180,338)</u>
Support Services						
Student	331,492	-	-	(331,492)	-	(331,492)
Instructional staff	303,636	-	-	(303,636)	-	(303,636)
Administration	1,037,057	-	-	(1,037,057)	-	(1,037,057)
Operation and maintenance of plant	918,303	10,025	-	(908,278)	-	(908,278)
Transportation	425,326	-	-	(425,326)	-	(425,326)
Total Support Services	<u>3,015,814</u>	<u>10,025</u>	<u>-</u>	<u>(3,005,789)</u>	<u>-</u>	<u>(3,005,789)</u>
Non-instructional Programs	203,468	-	122,513	(80,955)	-	(80,955)
Other Expenditures						
Facilities acquisition	-	-	-	-	-	-
Long-term debt interest and fiscal charges	11,491	-	-	(11,491)	-	(11,491)
AEA flowthrough	370,643	-	370,643	-	-	-
Depreciation - unallocated*	407,725	-	-	(407,725)	-	(407,725)
Total Other Expenditures	<u>789,859</u>	<u>-</u>	<u>370,643</u>	<u>(419,216)</u>	<u>-</u>	<u>(419,216)</u>
Total Governmental Activities	<u>11,704,756</u>	<u>791,683</u>	<u>1,226,775</u>	<u>(9,686,298)</u>	<u>-</u>	<u>(9,686,298)</u>
Business-Type Activities						
Support services						
Operation and maintenance of plant	5,708	-	-	-	(5,708)	(5,708)
Noninstructional programs						
Food service operations	531,219	135,611	383,594	-	(12,014)	(12,014)
Total	<u>\$ 12,241,683</u>	<u>\$ 927,294</u>	<u>\$ 1,610,369</u>	<u>(9,686,298)</u>	<u>(17,722)</u>	<u>(9,704,020)</u>
General Revenue (Expense)						
Property tax levied for						
General purposes				3,547,799	-	3,547,799
Capital outlay				337,905	-	337,905
Income surtax				129,326	-	129,326
Statewide sales and services tax				1,036,634	-	1,036,634
Unrestricted state grants				4,918,650	-	4,918,650
Unrestricted investment earnings				159,621	4,722	164,343
Other				22,434	108	22,542
Total General Revenue				<u>10,152,369</u>	<u>4,830</u>	<u>10,157,199</u>
Change in Net Position				<u>466,071</u>	<u>(12,892)</u>	<u>453,179</u>
Net Position - Beginning of Year, as restated (Note 14)				17,748,761	107,849	17,856,610
Net Position - End of Year				<u>\$ 18,214,832</u>	<u>\$ 94,957</u>	<u>\$ 18,309,789</u>

*This amount excludes the depreciation included in the direct expenses of the various programs

See Notes to the Financial Statements

Balance Sheet - Governmental Funds

As of June 30, 2023

	General	Scholarships	Debt Service	Capital Projects	Nonmajor	Total
Assets						
Cash, cash equivalents and pooled investments	\$ 2,650,442	\$ 1,611,655	\$ 15	\$ 1,332,736	\$ 822,523	\$ 6,417,371
Receivables, Net of Allowance for Uncollectible Amounts						
Property Tax						
Current year delinquent	53,026	-	-	77,922	1,547	132,495
Succeeding year	3,325,809	-	-	354,334	199,999	3,880,142
Due from other funds	30,413	-	-	-	-	30,413
Due from other governments	417,114	-	-	-	-	417,114
Total Assets	\$ 6,476,804	\$ 1,611,655	\$ 15	\$ 1,764,992	\$ 1,024,069	\$ 10,877,535
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ 12,867	\$ -	\$ -	\$ -	\$ 1,679	\$ 14,546
Salaries and benefits payable	1,049,016	-	-	-	-	1,049,016
Total Liabilities	1,061,883	-	-	-	1,679	1,063,562
Deferred Inflows of Resources						
Unavailable Revenue						
Succeeding year property tax	3,325,809	-	-	354,334	199,999	3,880,142
Total Deferred Inflows of Resources	3,325,809	-	-	354,334	199,999	3,880,142
Fund Balances						
Restricted for:						
Categorical funding	414,980	-	-	-	-	414,980
Debt service	-	-	15	-	-	15
School infrastructure	-	-	-	666,452	-	666,452
Physical plant and equipment	-	-	-	744,206	-	744,206
Student activities	-	-	-	-	127,851	127,851
Management levy purposes	-	-	-	-	694,540	694,540
Scholarships	-	1,611,655	-	-	-	1,611,655
Unassigned						
General	1,674,132	-	-	-	-	1,674,132
Total Fund Balances	2,089,112	1,611,655	15	1,410,658	822,391	5,933,831
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,476,804	\$ 1,611,655	\$ 15	\$ 1,764,992	\$ 1,024,069	\$ 10,877,535

See Notes to the Financial Statements

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

As of June 30, 2023

Total Fund Balances for Governmental Funds (Page 16) \$ 5,933,831

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds..... 15,710,329

The internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position 3,268

Instructional support surtax receivable is not available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds 116,931

Pension and OPEB 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:

Pension-related deferred outflows of resources	\$ 645,124	
OPEB-related deferred outflows of resources	191,300	
Pension-related deferred inflows resources.....	(285,413)	
OPEB-related deferred inflows resources	<u>(7,023)</u>	543,988

Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds, as follows:

Revenue bonds.....	\$ (922,000)	
Net pension liability	(2,577,778)	
Net OPEB liability.....	<u>(593,737)</u>	<u>(4,093,515)</u>

Net Position of Governmental Activities (Page 14) \$18,214,832

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

As of June 30, 2023

	<u>Special Revenue</u>					Total
	General	Scholarships	Debt Service	Capital Projects	Nonmajor	
Revenue						
Local Sources						
Local tax	\$ 3,447,515	\$ -	\$ -	\$ 337,905	\$ 100,284	\$ 3,885,704
Tuition	547,056	-	-	-	-	547,056
Other	281,281	122,513	5,983	33,678	233,136	676,591
State sources	5,327,823	-	-	1,036,634	-	6,364,457
Federal sources	687,903	-	-	-	-	687,903
Total Revenue	10,291,578	122,513	5,983	1,408,217	333,420	12,161,711
Expenditures						
Current						
Instruction						
Regular	3,973,958	-	-	5,358	67,555	4,046,871
Special	1,879,935	-	-	-	-	1,879,935
Other	1,669,207	-	-	8,547	202,906	1,880,660
Total Instruction	7,523,100	-	-	13,905	270,461	7,807,466
Support Services						
Student	344,148	-	-	-	-	344,148
Instructional staff	232,482	-	-	82,381	-	314,863
Administration	922,469	-	-	155,563	8,575	1,086,607
Operation and maintenance of plant	764,909	-	-	43,830	112,593	921,332
Transportation	374,924	-	-	20,683	17,884	413,491
Total Support Services	2,638,932	-	-	302,457	139,052	3,080,441
Non-instructional Programs	-	198,624	-	-	4,844	203,468
Other Expenditures						
Facilities acquisition	-	-	-	986,843	-	986,843
Long-Term Debt						
Principal	-	-	456,000	-	-	456,000
Interest and fiscal charges	-	-	11,491	-	-	11,491
AEA flowthrough	370,643	-	-	-	-	370,643
Total Other Expenditures	370,643	-	467,491	986,843	-	1,824,977
Total Expenditures	10,532,675	198,624	467,491	1,303,205	414,357	12,916,352
Revenue Over (Under) Expenditures	(241,097)	(76,111)	(461,508)	105,012	(80,937)	(754,641)
Other Financing Sources (Uses)						
Transfers in	-	-	461,523	94,750	-	556,273
Transfers out	-	-	(94,750)	(461,523)	-	(556,273)
Total Other Financing Sources (Uses)	-	-	366,773	(366,773)	-	-
Change in Fund Balances	(241,097)	(76,111)	(94,735)	(261,761)	(80,937)	(754,641)
Fund Balances - Beginning of Year, as restated (Note 14)	2,330,209	1,687,766	94,750	1,672,419	903,328	6,688,472
Fund Balances - End of Year	\$ 2,089,112	\$ 1,611,655	\$ 15	\$ 1,410,658	\$ 822,391	\$ 5,933,831

See Notes to the Financial Statements

**Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances -
Governmental Funds to the Statement of Activities**

Year ended June 30, 2023

Change in Fund Balances – Total Governmental Funds (Page 18) \$ (754,641)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are 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 outlays and depreciation expense for the year are as follows:

Expenditures for capital outlays	\$ 942,876	
Depreciation expense.....	<u>(720,002)</u>	222,874

The change in net position of the Internal Service Fund represents an overcharge to the governmental funds for services performed. Expenses in governmental activities are adjusted to reflect this overcharge in the statement of activities

		8
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Instructional support surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.....

		9,116
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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 are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Repaid		456,000
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The current year District employer share of IPERS contributions is reported as expenditures in the governmental funds, but is reported as a deferred outflow of resources in the statement of net position.....

		565,924
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Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Pension expense	45,021	
OPEB expense.....	<u>(78,231)</u>	<u>(33,210)</u>

Change in Net Position of Governmental Activities (Page 15)..... \$ 466,071

Statement of Net Position – Proprietary Funds

Year Ended June 30, 2023

	Nonmajor Enterprise	Internal Service
	School Nutrition	Flex Benefits
Assets and Deferred Outflows of Resources		
Current Assets		
Cash, cash equivalents and pooled investments	\$ 235,840	\$ 3,268
Accounts receivable	18,252	-
Inventories and prepaid expenses	9,842	-
Total Current Assets	263,934	3,268
Noncurrent Assets		
Capital Assets, Net of Accumulated Depreciation	5,065	-
Total Assets	268,999	3,268
Deferred Outflows of Resources		
Pension-related deferred outflows	90,277	-
OPEB related deferred outflows	5,920	-
Total Deferred Outflows of Resources	96,197	-
Total Assets and Deferred Outflows of Resources	\$ 365,196	\$ 3,268
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Due to other funds	\$ 30,413	\$ -
Unearned revenue	10,913	-
Total Current Liabilities	41,326	-
Net Pension Liability	69,718	-
Total OPEB Liability	18,363	-
Total Liabilities	129,407	-
Deferred Inflows of Resources		
Pension-related deferred inflows	140,615	-
OPEB-related deferred inflows	217	-
Total Deferred Inflows of Resources	140,832	-
Net Position		
Net investment in capital assets	5,065	-
Unrestricted	89,892	3,268
Total Net Position	94,957	3,268
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 365,196	\$ 3,268

See Notes to the Financial Statements

Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2023

	Nonmajor Enterprise	Internal Service
	School Nutrition	Flex Benefits
Operating Revenue		
Local Sources		
Charges for service	\$ 135,611	\$ -
Health insurance contributions	-	5,220
Total Operating Revenue	135,611	5,220
Operating Expenses		
Support Services		
Operation and maintenance of plant	5,708	-
Noninstructional Programs		
Food Service Operations		
Salaries and benefits	258,220	-
Purchased services and supplies	271,973	-
Depreciation	1,026	-
Health insurance premiums, claims and fees	-	5,230
Total Operating Expenses	531,219	5,230
	536,927	5,230
Operating loss	(401,316)	(10)
Nonoperating Revenue		
State sources	3,205	-
Federal sources	380,389	-
Interest on investments	4,722	2
Miscellaneous	108	-
Total Nonoperating Revenue	388,424	2
Change in Net Position	(12,892)	(8)
Net Position - Beginning of Year	107,849	3,276
Net Position - End of Year	\$ 94,957	\$ 3,268

See Notes to the Financial Statements

Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2023

	Nonmajor Enterprise	Internal Service
	School Nutrition	Flex Benefits
Cash Flows From Operating Activities		
Cash received from sale of lunches and breakfasts	\$ 120,635	\$ -
Cash received from other	-	5,220
Cash paid to employees for services	(237,706)	-
Cash paid to suppliers for goods or services	(236,934)	-
Cash paid for insurance premiums, claims and fees	-	(5,230)
Net Cash Used in Operating Activities	(354,005)	(10)
Cash Flows From Noncapital Financing Activities		
State grants received	3,205	-
Federal grants received	339,073	-
Miscellaneous	108	-
Net Cash Provided by Noncapital Financing Activities	342,386	-
Cash Flows From Investing Activities		
Interest on investments	4,722	2
Net Decrease in Cash, Cash Equivalents and Pooled Investments	(6,897)	(8)
Cash, Cash Equivalents and Pooled Investments - Beginning of Year	242,737	3,276
Cash, Cash Equivalents and Pooled Investments - End of Year	\$ 235,840	\$ 3,268
Reconciliation of Loss From Operations to Net Cash Used in Operating Activities		
Loss from operations	\$ (401,316)	\$ (10)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities		
Commodities used	41,316	-
Depreciation	1,026	-
Changes in Assets and Liabilities		
Receivables	(14,976)	-
Inventories and prepaid expenses	4,060	-
Deferred outflows of resources	(63,742)	-
Net pension asset	6,909	-
Accounts payable	(4,629)	-
Due to others	(25,628)	-
Unearned revenue	1,163	-
Net pension liability	69,718	-
Total OPEB liability	291	-
Deferred inflows of resources	31,803	-
Net Cash Used in Operating Activities	\$ (354,005)	\$ (10)

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2023, the District received \$45,376 of federal commodities.

See Notes to the Financial Statements.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Belmond-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 Belmond, Klemme, Goodell and Rowan, Iowa and 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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, the Belmond-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 Belmond-Klemme Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization

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 Assessor's Conference Board.

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 revenue, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt 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 are 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 not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those clearly identifiable with a specific function. Program revenue includes 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenue.

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 nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The *General Fund* is the general operating fund of the District. All general tax revenue and other revenue 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 expenditures, including instructional, support and other costs.

The *Scholarship Fund* is used to account for assets held and administered by the District and requires income earned to be used to benefit individuals through scholarship awards.

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

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

The District's proprietary funds are the School Nutrition Fund, a nonmajor enterprise fund, used to account for the food service operations of the District and the Internal Service Fund, used to account for the District's flex benefits.

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. Revenue is 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Property tax, intergovernmental revenue (shared revenue, 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenue. Thus, when program expenses are incurred, there are 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 revenue.

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 revenue and expenses from non-operating items. Operating revenue 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 revenue 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 revenue and expenses not meeting this definition are reported as non-operating revenue 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.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

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

Cash, Cash Equivalents and Pooled Investments

The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment at Iowa Schools Joint Investment Trust (ISJIT) which is stated at amortized cost and nonnegotiable 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, have a maturity date no longer than three months.

Property Tax Receivable

Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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 reported as a deferred inflow of resources 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, 2020 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2022.

Due from Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Inventories

Inventories are valued at cost using the first-in, first-out (FIFO) 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 acquired after July 1, 1980, 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 if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2023. Reportable 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.

Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	5,000
Machinery and Equipment	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Land and construction in progress are not depreciated. Other tangible property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

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 applicable to a future year(s) which 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 and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District'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.

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.

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. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenue is measurable, it is 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

tax and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unrecognized items not yet charged to pension expense.

Fund Balance

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

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

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2023, the District did not exceed its General Fund unspent authorized budget.

Estimates and Assumptions

The preparation of financial statements in conformity with GAAS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2023 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 ensure 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, 2023, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Government Obligations Portfolio which are valued at an amortized cost of \$4,640,174. There were no limitations on restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Pooled Investments

Various investments have been donated to the District over the past several years for the purpose of establishing a scholarship fund. These investments were made by the donor's and donated to the District as in-kind gifts. The District has elected to retain these investments so long as the investment complies with the principal goals for purposes of investment by the District. At June 30, 2023, all such donated investments are held in the Scholarship Fund and consisted of the following:

Stock/Mutual Fund	Number of Shares	Fair Value	S & P Rating
Wells Fargo & Co	1,632	\$ 69,653	A+, A-1
CenterPoint Energy, Inc.	272	7,929	BBB+
CenturyLink, Inc.	28	--	--
Daimler AG	139	13,673	A-
Energy Inc. Com.	120	7,010	A, A-2
Exxon Mobil Corp	400	42,900	AA, AA+
Frontier Communications Corp	2	--	B+, B-
Lumen Technologies, Inc.	28	63	BB
NRG Energy, Inc.	26	972	BB, BB+
OGE Energy, Inc.	400	14,364	BBB+
Southern Company	250	17,563	A-
Verizon Communications	183	6,806	BBB+
Federated Fund U.S. Government Securities A	20,738	128,784	AAA
Federated MDT Large Cap Value Fund A	11,833	<u>316,761</u>	Not rated
Total		<u>\$ 626,478</u>	

Credit risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment policy does not formally address credit risk. The credit ratings for the District's investments are included in the table above. Investments issued or explicitly guaranteed by the U.S. government are not subject to credit risk in accordance with GASB Statement No. 40.

Fair value measurements - The District uses the fair value hierarchy established by generally accepted accounting principles, based on the valuation inputs used to measure the fair value of the asset. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices for identical assets in active markets. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are significant unobservable inputs. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

All the above stocks and mutual funds are valued at June 30, 2023, using quoted prices in active markets (Level 1 inputs).

Notes to the Financial Statements

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2023 is as follows:

Receivable Fund	Payable Fund	Amount
General	School Nutrition	<u>\$ 30,413</u>

The Enterprise, Nutrition Fund is repaying the General Fund for payroll costs for the month of June 2023. The balance will be repaid in July 2022. The General Fund is making a transfer to the Special Revenue, Student Activity Fund for reimbursement of safety equipment and to cover deficit account balances.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2023 is as follows:

Transfer To	Transfer From	Amount
Debt Service	Capital Projects- Statewide Sales, Services and Use Tax	\$ 461,523
Capital Projects- Physical Plant and Equipment Levy	Debt Service	<u>94,750</u>
		<u>\$ 556,273</u>

Transfers generally move revenue from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2023 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 71,314	\$ -	\$ -	\$ 71,314
Construction in progress	<u>1,897,838</u>	<u>822,152</u>	<u>2,719,990</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>1,969,152</u>	<u>822,152</u>	<u>2,719,990</u>	<u>71,314</u>
Capital Assets Being Depreciated				
Buildings and improvements	20,276,361	2,749,754	-	23,026,115
Machinery and equipment	<u>5,222,104</u>	<u>90,960</u>	<u>-</u>	<u>5,313,064</u>
Total Capital Assets Being Depreciated	<u>25,498,465</u>	<u>2,840,714</u>	<u>-</u>	<u>28,339,179</u>
Less Accumulated Depreciation for				
Buildings and improvements	7,118,403	598,662	-	7,717,065
Machinery and equipment	<u>4,861,759</u>	<u>121,340</u>	<u>-</u>	<u>4,983,099</u>
Total Accumulated Depreciation	<u>11,980,162</u>	<u>720,002</u>	<u>-</u>	<u>12,700,164</u>
Total Capital Assets Being Depreciated, Net	<u>13,518,303</u>	<u>2,120,712</u>	<u>-</u>	<u>15,639,015</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,487,455</u>	<u>\$ 2,942,864</u>	<u>\$ 2,719,990</u>	<u>\$ 15,710,329</u>

Notes to the Financial Statements

(5) Capital Assets

Business-Type Activities

Machinery and equipment	\$ 155,763	\$ -	\$ -	\$ 155,763
Less accumulated depreciation	<u>149,672</u>	<u>1,026</u>	<u>-</u>	<u>150,698</u>

Business-Type Activities

Capital Assets, Net	<u>\$ 6,091</u>	<u>\$ (1,026)</u>	<u>\$ -</u>	<u>\$ 5,065</u>
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Depreciation was charged to the following functions:

Governmental Activities

Instruction				
Instruction			\$ 195,384	
Special			15,102	
Other			24,759	
Support Services				
Student			10,063	
Administration			4,335	
Operation and maintenance of plant			22,315	
Transportation			40,319	
			<u>312,277</u>	
Unallocated			407,725	
Total Depreciation Expense - Governmental Activities			<u>\$ 720,002</u>	

Business-Type Activities

Food service operations			<u>\$ 1,026</u>	
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(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2023 are summarized as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
Governmental Activities					
Revenue bonds	\$ 1,378,000	\$ -	\$ 456,000	\$ 922,000	\$ -
Net pension liability	100,159	2,477,619	-	2,577,778	-
Total OPEB liability	<u>584,328</u>	<u>9,409</u>	<u>-</u>	<u>593,737</u>	<u>-</u>
Total	<u>\$ 2,062,487</u>	<u>\$ 2,487,028</u>	<u>\$ 456,000</u>	<u>\$ 4,093,515</u>	<u>\$ -</u>
Business-Type Activities					
Net pension liability	\$ (6,909)	\$ 76,627	\$ -	\$ 69,718	\$ -
Total OPEB liability	<u>18,072</u>	<u>291</u>	<u>-</u>	<u>18,363</u>	<u>-</u>
Total	<u>\$ 11,163</u>	<u>\$ 76,918</u>	<u>\$ -</u>	<u>\$ 88,081</u>	<u>\$ -</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

Revenue Bonds

Details of the District's June 30, 2023 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issued May 20, 2021			Total
	Interest Rates	Principal	Interest	
2024	0.70%	\$ -	\$ -	\$ -
2025	0.85%	460,000	6,344	466,344
2026	0.95%	462,000	2,195	464,195
Total		\$ 922,000	\$ 8,539	\$ 930,539

The District has pledged future statewide sales, services and use tax revenue to repay the \$1,830,000 of bonds issued in May 2022. The bonds were issued for the purpose of financing the costs to build, furnish and equip additions to and to remodel, repair and improve the existing high school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2026. 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 approximately 60% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$930,539. For the year ended June 30, 2023, principal or interest paid were \$456,000 and \$11,491, respectively, and total statewide sales, services and use tax revenue was \$1,036,634.

(7) Pension and Retirement Benefits

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 the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO 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 informational 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, any time 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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Notes to the Financial Statements

(7) Pension and Retirement Benefits

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% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month 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

Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to one 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 2023, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2023 totaled \$565,924.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the District reported a liability of \$2,647,496 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 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 IPERS relative to the contributions of all IPERS participating employers. As of June 30, 2022, the District's proportion was 0.070074%, which was an increase of 0.097085% from its proportion measured as of June 30, 2021.

Notes to the Financial Statements

(7) Pension and Retirement Benefits

For the year ended June 30, 2023, the District recognized pension expense of \$494,759. As of June 30, 2023, 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	\$ 117,363	\$ 36,265
Changes of assumptions	3,474	63
Net difference between projected and actual earnings on IPERS' investments	---	283,406
Changes in proportion and differences between District Contributions and proportionate share of contributions	48,640	106,294
District contributions subsequent to the measurement date	<u>565,924</u>	<u>---</u>
Total	<u>\$ 735,401</u>	<u>\$ 426,028</u>

\$565,924 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 ending June 30, 2023. 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 Ending June 30,

2022	(249,126)
2023	(223,333)
2024	(365,380)
2025	573,763
2026	<u>7,525</u>
Total	<u>\$ (256,551)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rate of salary increase (effective June 30, 2017)	3.25% to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

Notes to the Financial Statements

(7) Pension and Retirement Benefits

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	3.57%
International Equity	17.5	4.79
Global Smart Beta Equity	6.0	4.16
Core Plus Fixed Income	20.0	1.66
Public Credit	4.0	3.77
Cash	1.0	0.77
Private Equity	13.0	7.57
Private Real Assets	8.5	3.55
Private Credit	8.0	3.63
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' 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 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 4,932,598	\$ 2,647,496	\$ 633,688

IPERS' Fiduciary Net Position

Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS

All legally required employer contributions and legally required employee contributions which have been withheld from employee wages were remitted by the District to IPERS by June 30, 2023.

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

Plan Description

The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees, spouses and their dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits

Individuals who are employed by the Belmond-Klemme Community School District and are eligible to participate in the group health plan, are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. As of June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	15
Active employees	<u>127</u>
Total	<u>142</u>

Total OPEB Liability

The District's total OPEB liability of \$612,100 was measured as of June 30, 2023, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2023)	3.25% per annum.
Rates of salary increase (effective June 30, 2023)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2023)	2.19% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2023)	8.00% initial rate decreasing by 0.5% annually to an ultimate rate of 5.0%.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.19% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA Public Plan 2010 tables. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability – Beginning of Year.....	<u>\$ 602,400</u>
Changes for the Year	
Service cost.....	43,000
Interest.....	13,310
Changes in benefit terms.....	---
Differences between expected and actual experience.....	---
Changes of assumptions.....	---
Benefit payments.....	<u>(46,610)</u>
Net Changes.....	<u>9,700</u>
Total OPEB Liability – End of Year.....	<u>\$ 612,100</u>

Changes of assumptions reflect a change in the discount rate from 2.66% in fiscal year 2022 to 2.19% in fiscal year 2023.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.14%) or one percentage point higher (3.14%) than the current discount rate.

	1% Decrease (1.14%)	Discount Rate (2.14%)	1% Increase (3.14%)
Total OPEB Liability.....	\$ 655,330	\$ 612,100	\$ 572,200

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current healthcare cost trend rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Total OPEB Liability.....	\$ 562,650	\$ 612,100	\$ 669,980

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of \$78,230. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience.....	\$ 113,665	\$ (7,240)
Changes of assumptions.....	<u>83,555</u>	<u>---</u>
Total.....	<u>\$ 197,220</u>	<u>\$ (7,240)</u>

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2024	\$ 21,915
2025	21,915
2026	21,915
2027	21,915
Later years	<u>102,320</u>
Total	<u>\$ 189,980</u>

(9) Risk Management

The 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.

(10) 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 \$370,643 for the year ended June 30, 2023 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2023.

Program	Amount
Gifted and talented program	\$ 176,440
Home school assistance.....	10,601
Outdoor classroom	45,735
Teacher salary supplement	76,992
Teacher leadership supplement.....	80,424
Educator quality, professional development.....	<u>24,788</u>
Early literacy.....	<u>24,788</u>
Total	<u>\$ 414,980</u>

Notes to the Financial Statements

(12) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenue that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenue to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Other entities within the District provide tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa. Additionally, the City of Belmond offered an urban revitalization tax abatement program pursuant to Chapter 404 of the Code of Iowa. With prior approval by the governing body, this program provides for an exemption of taxes based on a percentage of the actual value added by improvements.

Property tax revenue of the District was reduced by the following amounts for the year ended June 30, 2023 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Belmond	Chapter 404 tax abatement program	\$ 6,841
Franklin County	Chapter 404 tax abatement program	88,685

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2023, this reimbursement amounted to \$48,580.

(13) Subsequent Events

Management has evaluated subsequent events through January 26, 2024, the date which the financial statements were available to be issued.

(14) Prior Period Adjustment

During the year ended June 30, 2023, management determined the District has administrative control over scholarship investments and therefore, in accordance with Governmental Accounting Standards Board Statement No. 81, *Fiduciary Activities*, the Scholarship Fund should be reported in Special Revenue Fund Non-Fiduciary Scholarship Fund, rather than as a fiduciary activity. Beginning net position for government-wide and fiduciary funds, and governmental fund balance were restated to report the change as follows:

	Government-wide Net Position	Governmental Fund Balance	Private Purpose Trust Fund Balance
Balance, beginning of year, previously reported	\$16,060,995	\$ 5,000,706	\$ 1,687,766
Restatement	<u>1,687,766</u>	<u>1,687,766</u>	<u>(1,687,766)</u>
Balance, beginning of year, restated	<u>\$17,748,761</u>	<u>\$ 6,688,472</u>	<u>\$ -----</u>

Required Supplementary Information

**Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances – Budget to Actual – All Governmental Funds and Proprietary Fund
Required Supplementary Information**

Year Ended June 30, 2023

	Actual			Total	Budget	Final to Total Variance
	Governmental Funds	Proprietary Fund	Less Funds Not Required to be Budgeted		Amounts Final	
Revenue						
Local sources	\$ 5,109,351	\$ 140,441	\$ 122,513	\$ 5,127,279	\$ 4,946,717	\$ 180,562
State sources	6,364,457	3,205	-	6,367,662	6,316,871	50,791
Federal sources	687,903	380,389	-	1,068,292	1,273,058	(204,766)
Total Revenue	12,161,711	524,035	122,513	12,563,233	12,536,646	26,587
Expenditures						
Instruction	7,807,466	-	-	7,807,466	8,382,382	574,916
Support services	3,080,441	5,708	-	3,086,149	3,813,915	727,766
Non-instructional programs	203,468	531,219	198,624	536,063	541,000	4,937
Other expenditures	1,824,977	-	-	1,824,977	1,965,133	140,156
Total Expenditures	12,916,352	536,927	198,624	13,254,655	14,702,430	1,447,775
Revenue Over (Under) Expenditures	(754,641)	(12,892)	(76,111)	(691,422)	(2,165,784)	1,474,362
Balances beginning of year	6,688,472	107,849	1,687,766	5,108,555	4,492,140	616,415
Balances end of year	\$ 5,933,831	\$ 94,957	\$ 1,611,655	\$ 4,417,133	\$ 2,326,356	\$ 2,090,777

See accompanying Independent Auditor's Report

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2023

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 comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except private-purpose trust funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a 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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2023, the District did not exceed its General Fund unspent authorized budget.

**Schedule of District's Proportionate Share of the Net Pension Liability –
Iowa Public Employees' Retirement System
Required Supplementary Information**

Last Nine Years* (In Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.070074%	(0.0270112)%	0.0678830%	0.0691780%	0.070143%	0.055072%	0.064763%	0.080474%	0.067638%
District's proportionate share of the net pension liability	\$ 2,647	\$ 93	\$ 4,769	\$ 4,006	\$ 4,439	\$ 3,668	\$ 4,076	\$ 3,976	\$ 2,682
District's covered payroll.....	\$ 5,646	\$ 5,401	\$ 5,387	\$ 5,265	\$ 4,648	\$ 4,101	\$ 4,782	\$ 5,497	\$ 4,423
District's proportionate share of the net pension liability as a percentage of its covered payroll	46.88%	1.72%	88.53%	76.09%	95.50%	89.44%	85.24%	72.33%	60.64%
IPERS' net position as a percentage of the total pension liability	91.40%	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

**Schedule of District's Contributions – Iowa Public Employees' Retirement System
Required Supplementary Information**

Last Ten Years (In Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Saturorily required contribution	\$ 566	\$ 533	\$ 510	\$ 509	\$ 497	\$ 415	\$ 367	\$ 427	\$ 491	\$ 395
Contributions in relation to the statutorily required contributions	<u>\$ (566)</u>	<u>\$ (533)</u>	<u>\$ (510)</u>	<u>(509)</u>	<u>(497)</u>	<u>(415)</u>	<u>(367)</u>	<u>(427)</u>	<u>(491)</u>	<u>(395)</u>
Contribution Deficiency (Excess)	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
District's covered payroll	\$ 5,995	\$ 5,646	\$ 5,401	\$ 5,387	\$ 5,265	\$ 4,648	\$ 4,101	\$ 4,782	\$ 5,497	\$ 4,423
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%

See accompanying Independent Auditor's Report

Notes to Required Supplementary Information – Pension Liability

Year Ended June 30, 2023

Changes of benefit terms

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

**Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes
Required Supplementary Information**

For the Last Six Years

	2023	2022	2021	2020	2019	2018
Service cost	\$ 43,000	\$ 41,650	\$ 31,530	\$ 30,538	\$ 33,901	\$ 32,834
Interest.....	13,310	13,041	14,007	13,207	13,189	12,591
Differences between expected and actual experience.....	---	115,905	---	(11,155)	---	35,706
Changes of assumptions.....	---	69,645	---	1,519	---	53,558
Benefit payments	<u>(46,610)</u>	<u>(39,972)</u>	<u>---</u>	<u>(19,581)</u>	<u>(30,748)</u>	<u>28,798)</u>
Net Change in Total OPEB Liability...	9,700	200,269	21,370	14,528	16,342	105,891
Total OPEB Liability – Beginning of Year	<u>602,400</u>	<u>402,131</u>	<u>380,761</u>	<u>366,233</u>	<u>349,891</u>	<u>244,000</u>
Total OPEB Liability – End of Year ..	<u>\$ 612,100</u>	<u>\$ 602,400</u>	<u>\$ 402,131</u>	<u>\$ 380,761</u>	<u>\$ 366,233</u>	<u>\$ 349,891</u>
Covered Employee Payroll	\$5,532,657	\$5,358,506	\$5,137,528	\$4,975,814	\$4,874,272	\$4,720,845
Total OPEB Liability as a Percentage of Covered Employee Payroll.....	11.06%	11.20%	7.83%	7.65%	7.51%	7.41%

See accompanying independent auditor's report.

Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes in benefit terms

There were no significant changes in benefit terms.

Changes in assumptions

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2023	2.14%
Year ended June 30, 2022	2.14%
Year ended June 30, 2021	2.66%
Year ended June 30, 2020	3.51%
Year ended June 30, 2019	3.58%
Year ended June 30, 2018	3.58%
Year ended June 30, 2017	2.50%

Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds

Year Ended June 30, 2023

	<u>Special Revenue</u>		Total
	Student Activity	Management Levy	
Assets			
Cash, cash equivalents and pooled investments	\$ 129,530	\$ 692,993	\$ 822,523
Receivables, Net of Allowance for Uncollectible Amounts			
Property Tax			
Current year delinquent	-	1,547	1,547
Succeeding year	-	199,999	199,999
Total Assets	<u>129,530</u>	<u>894,539</u>	<u>1,024,069</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 1,679	\$ -	\$ 1,679
Deferred Inflows of Resources			
Unavailable Revenue			
Succeeding year property tax	-	199,999	199,999
Fund Balances			
Restricted for:			
Student activities	127,851	-	127,851
Management levy purposes	-	694,540	694,540
Total Fund Balances	<u>127,851</u>	<u>694,540</u>	<u>822,391</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 129,530</u>	<u>\$ 894,539</u>	<u>\$ 1,024,069</u>

See accompanying independent auditor's report

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds

Year Ended June 30, 2023

	<u>Special Revenue</u>		Total
	Student Activity	Management Levy	
Revenue			
Local Sources			
Local tax	\$ -	\$ 100,284	\$ 100,284
Other	214,571	18,565	233,136
Total Revenue	214,571	118,849	333,420
Expenditures			
Current			
Instruction			
Regular	-	67,555	67,555
Other	202,906	-	202,906
Total Instruction	202,906	67,555	270,461
Support Services			
Administration	-	8,575	8,575
Operation and maintenance of plant	-	112,593	112,593
Transportation	-	17,884	17,884
Total Support Services	-	139,052	139,052
Non-instructional Programs			
Food service operations	-	4,844	4,844
Total Expenditures	202,906	211,451	414,357
Revenue Over (Under) Expenditures	11,665	(92,602)	(80,937)
Fund Balances - Beginning of Year	116,186	787,142	903,328
Fund Balances - End of Year	\$ 127,851	\$ 694,540	\$ 822,391

See accompanying independent auditor's report

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2023

Account	Balance- Beginning of Year	Revenue	Expenditures	Intra-Fund Transfers In (Out)	Balance End of Year
Athletics	\$ 10,302	\$ 33,721	\$ 29,862	\$ (5,575)	\$ 8,586
Drama	-	2,935	1,342	-	1,593
Vocal Activity	-	4,278	6,681	2,403	-
Elementary Chorus	4,953	-	-	-	4,953
Band Activity	-	2,144	4,310	2,166	-
Elementary Band	2,112	-	-	-	2,112
NY Trip-Bank/Vocal	1,894	-	-	-	1,894
Cross Country	-	1,595	2,735	1,140	-
Basketball	-	10,969	3,686	(7,283)	-
Football	-	7,355	7,561	206	-
Soccer	440	20,459	24,823	3,924	-
Baseball	-	8,550	11,791	3,241	-
Track	-	3,161	3,802	641	-
Golf	-	-	1,632	1,632	-
Wrestling	-	-	69	69	-
Volleyball	118	5,325	3,082	(2,361)	-
Softball	-	5,434	5,231	(203)	-
Student Council	5,230	4,400	4,155	-	5,475
FFA	59,314	60,486	54,098	-	65,702
National Honor Society	871	3,813	3,363	-	1,321
Cheerleaders	-	3,652	1,670	-	1,982
Yearbook	15,749	10,120	11,160	-	14,709
Junior Class Prom	3,465	15	-	-	3,480
Coaches vs. Cancer	720	-	-	-	720
Jump Rope for Heart	-	653	653	-	-
Elementary Art	212	-	-	-	212
Elementary Activities	938	-	-	-	938
FCS (Snack Shack)	9,868	23,619	20,636	-	12,851
E-Sports	-	1,887	564	-	1,323
RFFA Chapter	-	-	-	-	-
	\$ 116,186	\$ 214,571	\$ 202,906	\$ -	\$ 127,851

See Accompanying Independent Auditor's Report

Combining Balance Sheet – Capital Projects Fund Accounts

Year Ended June 30, 2023

	<u>Capital Projects</u>		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Assets			
Cash, cash equivalents and pooled investments	\$ 593,586	\$ 739,150	\$ 1,332,736
Receivables, Net of Allowance for Uncollectible Amounts			
Property Tax			
Current year delinquent	72,866	5,056	77,922
Succeeding year	-	354,334	354,334
Total Assets	<u>\$ 666,452</u>	<u>\$ 1,098,540</u>	<u>\$ 1,764,992</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities	\$ -	\$ -	\$ -
Deferred Inflows of Resources			
Unavailable Revenue			
Succeeding year property tax	-	354,334	354,334
Fund Balances			
Restricted for:			
School infrastructure	666,452	-	666,452
Physical plant and equipment	-	744,206	744,206
Total Fund Balances	<u>666,452</u>	<u>744,206</u>	<u>1,410,658</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 666,452</u>	<u>\$ 1,098,540</u>	<u>\$ 1,764,992</u>

See Accompanying Independent Auditor's Report

**Combining Schedule of Revenue, Expenditures and Changes in Fund Balances –
Capital Projects Fund Accounts**

Year Ended June 30, 2023

	<u>Capital Projects</u>		
	Statewide, Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenue			
Local Sources			
Local tax	\$ -	\$ 337,905	\$ 337,905
Other	15,035	18,643	33,678
State sources	1,036,634	-	1,036,634
Total Revenue	1,051,669	356,548	1,408,217
Expenditures			
Current			
Instruction			
Regular	-	5,358	5,358
Other	8,547	-	8,547
Total Instruction	8,547	5,358	13,905
Support Services			
Instructional staff	44,747	37,634	82,381
Administration	8,300	147,263	155,563
Operation and maintenance of plant	17,319	26,511	43,830
Transportation	2,050	18,633	20,683
Total Support Services	72,416	230,041	302,457
Other Expenditures			
Facilities acquisition	924,888	61,955	986,843
Total Expenditures	1,005,851	297,354	1,303,205
Revenue Under Expenditures	45,818	59,194	105,012
Other Financing Sources (Uses)			
Transfers in	-	94,750	94,750
Transfers out	(461,523)	-	(461,523)
Total Other Financing Sources (Uses)	(461,523)	94,750	(366,773)
Change in Fund Balances	(415,705)	153,944	(261,761)
Fund Balances - Beginning of Year	1,082,157	590,262	1,672,419
Fund Balances - End of Year	\$ 666,452	\$ 744,206	\$ 1,410,658

See Accompanying Independent Auditor's Report

**Schedule of Revenue by Source and Expenditures by Function –
All Governmental Fund Types**

Last Ten Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenue										
Local Sources										
Local tax	\$ 3,885,704	\$ 4,191,881	\$ 4,943,928	\$ 4,792,274	\$ 5,448,499	\$ 4,602,018	\$ 4,352,702	\$ 4,453,237	\$ 4,236,114	\$ 4,366,627
Tuition	547,056	637,492	563,461	559,527	552,353	349,500	345,964	301,457	440,850	315,011
Other	676,591	558,873	342,375	422,331	559,530	562,262	296,287	274,944	249,591	295,501
State sources	6,364,457	6,138,768	5,924,883	5,891,670	5,130,298	5,956,624	5,804,164	5,235,148	5,373,654	4,983,750
Federal sources	687,903	927,677	1,097,895	378,215	387,282	354,611	475,723	408,988	385,465	338,262
Total	\$ 12,161,711	\$ 12,454,691	\$ 12,872,542	\$ 12,044,017	\$ 12,077,962	\$ 11,825,015	\$ 11,274,840	\$ 10,673,774	\$ 10,685,674	\$ 10,299,151
Expenditures										
Instruction										
Regular	\$ 4,046,871	\$ 4,011,498	\$ 3,811,827	\$ 3,797,404	\$ 4,059,873	\$ 3,828,585	\$ 3,866,134	\$ 3,702,666	\$ 3,949,568	\$ 3,099,138
Special	1,879,935	1,861,828	1,819,369	1,618,350	1,588,380	1,597,940	1,370,211	1,318,125	1,167,287	1,120,291
Other	1,880,660	1,909,909	1,843,754	1,836,483	1,815,609	1,851,569	1,805,050	1,538,484	1,398,232	1,405,033
Support Services										
Student	344,148	338,004	249,600	256,159	240,257	168,265	196,772	202,579	159,920	173,396
Instructional staff	314,863	364,292	978,814	591,565	602,013	512,098	434,255	546,015	472,883	624,406
Administration	1,086,607	1,038,854	1,012,675	1,032,176	994,138	1,060,249	757,256	887,128	867,469	752,501
Operation and maintenance of plant	921,332	847,107	801,726	653,260	655,785	646,965	610,021	618,836	615,345	623,675
Transportation	413,491	452,962	311,652	378,089	526,339	323,158	367,875	334,575	694,690	321,009
Non-instructional programs	203,468	12,463	4,307	3,888	3,257	4,024	5,872	11,855	11,206	7,100
Other Expenditures										
Facilities acquisition	986,843	1,817,362	1,620,534	1,231,122	652,700	162,808	335,572	105,597	241,849	244,709
Long-Term Debt										
Principal	456,000	632,000	695,000	690,000	985,000	820,932	999,239	986,475	645,527	550,000
Interest and fiscal charges	11,491	21,200	46,995	23,983	35,153	44,765	64,376	73,769	125,812	225,603
AEA flowthrough	370,643	372,368	363,739	363,665	362,934	363,989	347,828	342,476	341,722	314,285
Total	\$ 12,916,352	\$ 13,679,847	\$ 13,559,992	\$ 12,476,144	\$ 12,521,438	\$ 11,385,347	\$ 11,160,461	\$ 10,668,580	\$ 10,691,510	\$ 9,461,146

See accompanying Independent Auditor's Report

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Indirect			
U.S. Department of Agriculture			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY 23	\$ 58,369
National School Lunch Program	10.555	FY 23	313,648 *
Summer Food Service Program for Children	10.559	FY 23	8,371
Total Child Nutrition Cluster			<u>380,388</u>
Total U.S. Department of Agriculture			<u>380,388</u>
U.S. Department of Education			
Pass-Through from Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY 23	<u>171,781</u>
Career and Technical Education-Basic Grants to States	84.048	FY 23	<u>11,935</u>
Improving Teacher Quality State Grant	84.367	FY 23	<u>23,892</u>
Student Support and Academic Enrichment Program	84.424	FY 23	<u>10,200</u>
Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act (CARES) Cluster			
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	FY 23	<u>347,965</u>
Total Education Stabilization Fund Under CARES Cluster			<u>347,965</u>
Pass-Through From Central Rivers Area Education Agency			
Special Education Cluster			
Special Education Grants to States	84.027	FY 23	<u>35,025</u>
Total U.S. Department of Education			<u>600,798</u>
Total			<u>\$ 981,186</u>

* Includes \$45,376 of non-cash awards.

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of the Belmond-Klemme Community School District under programs of the federal government for the year ended June 30 2023. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirement for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Belmond-Klemme Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of the Belmond-Klemme Community School District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The Belmond-Klemme Community School District does not use a federally negotiated indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

Rachelle K. Thompson, CPA, PLLC

Certified Public Accountant

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

Board of Education
Belmond-Klemme Community School District
Belmond, Iowa

I have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 the Belmond-Klemme Community School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated January 25, 2024df.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Belmond-Klemme Community School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Belmond-Klemme Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Belmond-Klemme Community School District's internal control.

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. 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section 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. I identified a certain deficiency in internal control, described in Part II of the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Belmond-Klemme Community School District's financial statements are free of material misstatement, I 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 financial statement. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters which are required to be reported under *Government Auditing Standards*. However, I 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, 2023 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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

Government Auditing Standards requires the auditor to perform limited procedures on the Belmond-Klemme Community School District's responses to the findings identified in my audit and described in the accompanying schedule of findings and questioned costs. Belmond-Klemme Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results 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.



RACHELLE K. THOMPSON, CPA, PLLC
Hampton, IA

January 26, 2024

Rachelle K. Thompson, CPA, PLLC

Certified Public Accountant

Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited the Belmond-Klemme Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Belmond-Klemme Community School District's major federal programs for the year ended June 30, 2023. The Belmond-Klemme Community School District's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

In my opinion the Belmond-Klemme Community School District complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2, *U.S. Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of the Belmond-Klemme Community School District and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of the Belmond-Klemme Community School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Belmond-Klemme Community School District's federal programs.

Auditor’s Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Belmond-Klemme Community School District’s compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgement made by a reasonable user of the report on compliance about the Belmond-Klemme Community School Districts, compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, I:

- Exercise professional judgement and maintained professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Belmond-Klemme Community School District’s compliance with the compliance requirements referred to above and performing other such procedures as I considered necessary in the circumstances.
- Obtain an understanding of the Belmond-Klemme Community School District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Belmond-Klemme Community School District’s internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance I identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. 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. I consider the deficiency in internal control over compliance described in Part III of the accompanying schedule of findings and questioned costs as item 2023-002 to be a material weakness.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Belmond-Klemme Community School District's response to the internal control over compliance finding identified in my audit which is described in the accompanying schedule of findings and questioned costs. The Belmond-Klemme Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



RACHELLE K. THOMPSON, CPA, PLLC
Hampton, IA

January 26, 2024

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Part I: Summary of the Independent Auditor's Results:

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	<input checked="" type="checkbox"/> _X_	yes <input type="checkbox"/> _no
Significant deficiency identified not considered to be material weakness?	<input type="checkbox"/> _yes	<input checked="" type="checkbox"/> _X_ none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> _yes	<input checked="" type="checkbox"/> _X_ none reported

Federal Awards

Internal control over major program:		
Material weakness identified?	<input checked="" type="checkbox"/> _X_	yes <input type="checkbox"/> _no
Significant deficiency identified not considered to be material weakness?	<input type="checkbox"/> _yes	<input checked="" type="checkbox"/> _X_ none reported
Type of auditor's report issued on compliance for Major programs:	Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with Section 200.516 of the Uniform Guidance?	<input checked="" type="checkbox"/> _X_	yes <input type="checkbox"/> _no
Identification of major program:		

Assistance Listing Numbers

Name of Federal Program or Cluster

84.010	Title I Grants to Local Educational Agencies
84.425U	Higher Education Emergency Relief Fund: American Rescue Plan - Elementary and Secondary School Emergency Relief (ESSER)

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	<input type="checkbox"/> _yes <input checked="" type="checkbox"/> _X_ no
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Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

2023-001 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

Condition – An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person. In addition, preparing and reconciling of financial reporting, and preparing and entering of adjusting journal entries are all done by the same person.

Cause – The District has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Auditor's Recommendation – I 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 currently available staff, including elected officials.

Response – The district has made several process changes to improve the segregation of duties. Management continues to review procedures and implement additional controls where possible.

Auditor's Conclusion – Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

All programs displayed on the Schedule of Expenditures of Federal Awards

2023-002 Segregation of Duties –

The District did not properly segregate custody, record-keeping and reconciling functions for revenue, including those related to federal programs. See 2023-001.

Part IV: Other Findings Related To Required Statutory Reporting:

- 2023-A Certified Budget** – Expenditures for the year ended June 30, 2023 did not exceed amounts budgeted.
- 2023-B Questionable Expenditures** – 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.
- 2023-C Travel Expense** – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 2023-D Business Transactions** – No business transactions between the District and District officials or employees were noted.
- 2023-E Restricted Donor Activity** – No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 2023-F 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 ensure the coverage is adequate for current operations.
- 2023-G Board Minutes** – No transactions were found that I believe should have been approved in the Board minutes but were not.
- 2023-H Certified Enrollment** – Variances were identified in the basic enrollment data certified to the Iowa Department of Education in October 2022. These variances were discovered by the Department of Education, and the District agrees with the variances.
- 2023-I Supplementary Weighting** – Variances were identified regarding the supplementary weighting certified to the Iowa Department of Education. These variances were discovered by the Department of Education, and the District agrees with the variances.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

- 2023-J Deposits and Investments** – 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 were noted.
- 2023-K Certified Annual Report** – The Certified Annual Report was certified timely to the Iowa Department of Education.
- 2023-L Categorical Funding** – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 2023-M 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, 2023, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 1,082,157
Revenue		
Statewide sales, services and use tax revenue	\$ 1,036,634	
Other local revenue	<u>15,035</u>	1,051,669
Expenditures/Transfers Out		
School infrastructure construction	\$ 924,888	
Other	80,963	
Transfer to other funds	<u>461,523</u>	<u>1,467,374</u>
Ending Balance		<u>\$ 666,452</u>

For the year ended June 30, 2023, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- 2023-N Deficit Balances** – At June 30, 2023, the District had a deficit unrestricted net position of \$1,341,466 in the governmental activities. The primary reason for this deficit net position is the effect of GASB Statements No. 68 and 71.

Auditor’s Recommendation – The District should investigate ways to eliminate the deficit balance.

District’s Response – The District has been making progress toward reducing this deficit. The District will continue to explore options to further reduce and eliminate the deficit balance.

Auditor’s Conclusion – Response accepted.