

BETTENDORF COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

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Bettendorf Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Debbie Roski	President	2004
Barry Anderson	Vice President	2005
Paul Castro	Board Member	2003
Tom Luton	Board Member	2003
Steve Mayer	Board Member	2004
Kathy Weigle	Board Member	2004
Jeannine Crockett	Board Member	2005
Board of Education (After September 2003 Election)		
Barry Anderson	President	2005
Kathy Weigle	Vice President	2004
Steve Mayer	Board Member	2004
Debbie Roski	Board Member	2004
Jeannine Crockett	Board Member	2005
Paul Castro	Board Member	2006
Tom Luton	Board Member	2006
School Officials		
Dr. John Perdue	Superintendent	2006
Dr. Carol Webb	Assistant Superintendent	2005
Maxine McEnany	Director of Financial and Business Services	2005
Lynne Lindstrom	Board Secretary	2004
Jeff Ehrmann	Board Treasurer	2004
William Davidson	Attorney	2004
Don Hoskins	Attorney	2004

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Bettendorf Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Bettendorf Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Bettendorf Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated September 1, 2004 on our consideration of the Bettendorf Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

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presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Bettendorf Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

September 1, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bettendorf 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$32,912,975 in fiscal 2003 to \$32,725,971 in fiscal 2004, while General Fund expenditures decreased from \$31,524,764 in fiscal 2003 to \$31,089,802 in fiscal 2004. The District's General Fund balance increased from \$5,815,035 in fiscal 2003 to a balance of \$7,451,204 in fiscal 2004, a 28 percent increase from the prior year.
- The decrease in General Fund revenues was attributable to an across-the-board reduction in state aid in October 2003 of \$377,073. The decrease in expenditures was due to the timing of health insurance payments to the insurance fund and staff turnover/attrition savings. In addition, the District utilized a cash reserve levy that resulted in an improved financial position.
- An incline in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$57,250 in fiscal year 2003 to \$107,687 in fiscal year 2004.
- The District's General Fund solvency ratio was 14.82% at June 30, 2004.
- Our special education deficit for the year ended June 30, 2004 was \$573,339. Our special needs students have increased by fourteen students from the 2002/2003 school year. The superintendent has convened a study team to investigate the increasing special education negative fund balance.
- The Internal Service Fund used for health insurance had a decrease of \$571,335 in fund balance. The decrease was impacted by a corrective transfer of \$271,102, which was a previous (Fiscal Year 2001) Blue Cross Blue Shield settlement.

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 Assets and a Statement of Activities. These provide information about the activities of Bettendorf Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Bettendorf Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining

statements provide financial information about activities for which Bettendorf Community School District acts solely as an agent or custodial for the benefit of those outside of County government.

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.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

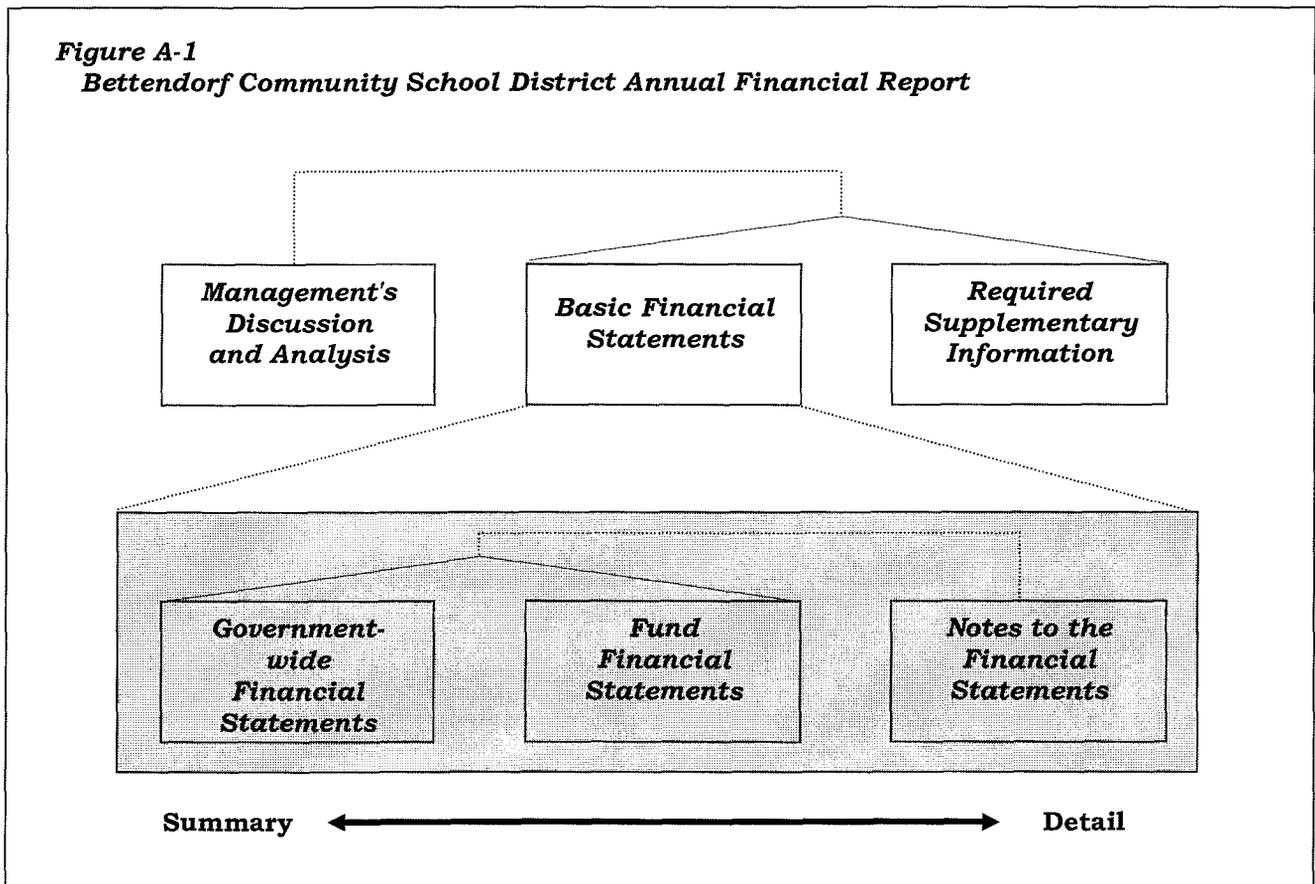


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District's internal service funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one internal service fund account accounting for self-funded insurance.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004 compared to June 30, 2003.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2004	2003	2004	2003	2004	2003	2003-04
Current and other assets	\$ 31,706,958	29,441,650	514,412	494,466	32,221,370	29,936,116	7.63%
Capital assets	23,193,060	23,304,662	140,937	187,258	23,333,997	23,491,920	-0.67%
Total assets	54,900,018	52,746,312	655,349	681,724	55,555,367	53,428,036	3.98%
Long-term obligations	6,632,201	7,128,701	0	0	6,632,201	7,128,701	-6.96%
Other liabilities	19,097,603	16,530,014	61,874	44,790	19,159,477	16,574,804	15.59%
Total liabilities	25,729,804	23,658,715	61,874	44,790	25,791,678	23,703,505	8.81%
Net assets:							
Invested in capital assets, net of related debt	16,953,060	16,439,662	140,937	187,258	17,093,997	16,626,920	2.81%
Restricted	2,651,634	4,470,895	0	0	2,651,634	4,470,895	-40.69%
Unrestricted	9,565,520	8,177,040	452,538	449,676	10,018,058	8,626,716	16.13%
Total net assets	\$ 29,170,214	29,087,597	593,475	636,934	29,763,689	29,724,531	0.13%

The District's combined net assets increased by .13%, or \$39,158, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$1,819,261, or 40.69% over the prior year. The decrease was primarily a result of increased expenditures in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$1,391,342, or 16.13%. This increase in unrestricted net assets was a result of the District decreased expenditures in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2004 compared to June 30, 2003.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2004	2003	2004	2003	2004	2003	2003-04
Revenues:							
Program revenues:							
Charges for services	\$ 4,929,127	4,017,927	947,781	910,519	5,876,908	4,928,446	19.24%
Operating grants and contributions and restricted interest	2,895,864	2,203,345	426,363	351,126	3,322,227	2,554,471	30.06%
Capital grants and contributions and restricted interest	0	498,339	0	0	0	498,339	-100.00%
General revenues:							
Property tax	13,567,527	13,458,264	0	0	13,567,527	13,458,264	0.81%
Local option sales and service tax	3,256,427	3,251,584	0	0	3,256,427	3,251,584	0.15%
Unrestricted state grants	13,130,610	13,873,183	0	0	13,130,610	13,873,183	-5.35%
Other	163,909	993,901	1,376	551	165,285	994,452	-83.38%
Total revenues	37,943,464	38,296,543	1,375,520	1,262,196	39,318,984	39,558,739	-0.61%
Program expenses:							
Governmental activities:							
Instructional	22,635,956	22,631,774	0	0	22,635,956	22,631,774	0.02%
Support services	9,954,805	9,151,395	0	0	9,954,805	9,151,395	8.78%
Non-instructional programs	27,316	131,887	1,418,979	1,126,314	1,446,295	1,258,201	14.95%
Other expenses	5,089,494	3,576,269	0	0	5,089,494	3,576,269	42.31%
Total expenses	37,707,571	35,491,325	1,418,979	1,126,314	39,126,550	36,617,639	6.85%
Changes in net assets	\$ 235,893	2,805,218	(43,459)	135,882	192,434	2,941,100	-93.46%

Property tax, local option sales and service tax and unrestricted state grants account for 79% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 86% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$37,943,464 and expenses were \$37,707,571. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 22,635,956	15,988,383
Support services	9,954,805	9,913,992
Non-instructional programs	27,316	27,316
Other expenses	5,089,494	3,952,889
Totals	<u>\$ 37,707,571</u>	<u>29,882,580</u>

- The cost financed by users of the District's programs was \$4,929,127.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,895,864.
- The net cost of governmental activities was financed with \$16,823,954 in property tax and other taxes, \$13,130,610 in state foundation aid, \$158,986 in interest income and \$4,923 in sale of equipment.

Business-Type Activities

Revenues of the District's business-type activities were \$1,375,520 and expenses were \$1,418,979. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$10,351,030, above last year's ending fund balances of a \$10,084,457. However, the primary reason for the increase in combined fund balances in fiscal 2004 is due to controlled spending and a cash reserve levy in the General Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. An across-the-board reduction in October 2003 of \$377,073 resulted in a decrease in revenues for the fiscal year ending June 30, 2004 in the General Fund. The decrease in revenues was offset by the District's decrease in General Fund expenditures ensuring the financial position of the District increased.
- The General Fund balance increased from \$5,815,035 to \$7,451,204, due in part to the timing of health insurance payments to the insurance fund, staff turnover/attrition savings, and a cash reserve levy.
- The Capital Projects Fund balance decreased from \$2,457,487 in fiscal 2003 to \$1,805,261 in fiscal 2004. While revenues remained approximately the same, the District increased spending for capital projects.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$636,934 at June 30, 2003 to \$593,475 at June 30, 2004, representing a decrease of approximately 7%. For fiscal 2004, the District increased meal prices, resulting in increased revenues. However, the increase in revenues were more than offset by the increase in expenses, resulting from an increase in salaries, benefits and depreciation.

BUDGETARY HIGHLIGHTS

Over the course of the year, Bettendorf Community School District amended its annual budget one time to reflect additional expenditures associated with all functional areas except for the other expenditures.

The District's revenues were \$161,901 more than budgeted revenues, a variance of .4%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

The District manages or controls General Fund spending through its line-item budget. The certified budget exceeded in the support services and non-instructional programs functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget. In the future, the District's certified budget should be amended to reflect increases in expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$23.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.02% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,238,661.

The original cost of the District's capital assets was \$44.5 million. Governmental funds account for \$44.0 million with the remainder of \$0.5 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building category. The District's buildings totaled \$36,877,410 at June 30, 2004, compared to \$35,815,351 reported at June 30, 2003. This significant increase resulted from the completion of prior years construction in progress.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total Change 2003-04
	Activities		Activities		School District		
	2004	2003	2004	2003	2004	2003	
Land	\$ 1,017,415	1,017,415	0	0	1,017,415	1,017,415	0.00%
Construction in progress	1,143,665	1,062,059	0	0	1,143,665	1,062,059	7.14%
Buildings	20,226,548	20,159,851	0	0	20,226,548	20,159,851	0.33%
Improvements other than buildings	40,837	43,754	0	0	40,837	43,754	-7.14%
Machinery and equipment	764,595	868,307	140,937	187,258	905,532	1,055,565	-16.57%
Total	<u>\$ 23,193,060</u>	<u>23,151,386</u>	<u>140,937</u>	<u>187,258</u>	<u>23,333,997</u>	<u>23,338,644</u>	<u>-0.02%</u>

Long-Term Debt

At June 30, 2004, the District had \$6,632,201 in other long-term debt outstanding. This represents a decrease of approximately 7% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bond indebtedness at June 30, 2004 of \$6,240,000.

The District had total outstanding Compensated Absences payable from the General Fund of \$117,066 at June 30, 2004.

The District had total outstanding Early Retirement payable from the General and Special Revenue - Management Funds of \$275,135 at June 30, 2004.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
General Obligation Bonds	\$ 6,240,000	6,865,000	-9.1%
Early Retirement	275,135	123,942	122.0%
Compensated Absences	117,066	139,759	-16.2%
Totals	<u>\$ 6,632,201</u>	<u>7,128,701</u>	<u>-7.0%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Although the District has experienced declining enrollment for a number of years, the District had a slight increase in enrollment in fiscal year ended 2004 of 13.2 students.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases has negatively impacted the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.

- On September 9, 2003 voters in the District passed a voter-approved physical plant and equipment levy not to exceed \$1.34 per \$1,000 assessed valuation for ten years commencing July 1, 2004. The current voter-approved physical plant and equipment levy is \$.67 per \$1,000 assessed valuation. The 2003/2004 \$.67 PPEL levy generated \$620,333 property tax income.
- The 10-year local option sales tax will expire in 2009. During the 2003 legislative session lawmakers voted to approve a statewide local option tax pool. The statewide average local option tax per pupil is \$575. At the current time the Scott County per pupil amount is \$725. We will continue to receive the taxes generated by our County until our 10-year tax expires. At that time we will receive the statewide average set by the legislature if the tax is renewed.
- The Board of Education reviewed cash flow projections for the one-cent sales tax receipts for the remaining five fiscal years of the tax. They concluded the District had sufficient reserves to pursue the construction of the following projects:

<u>Project</u>	<u>Estimated Cost</u>	<u>Expected timeline to construct</u>
- Mark Twain Lower Level Classroom Upgrades	\$131,788	Summer 2005
- Middle School Renovations and Pod Restrooms	\$491,417	Summer 2005

Other construction projects under consideration are:

- Thomas Jefferson Classroom Upgrades
- Armstrong/Jefferson Elementary Reconstruction/Renovations/Construction
- BMS Pod Reconstruction
- BHS Men's Locker Room Renovations

They determined they would not be issuing any debt, unless they chose to borrow against any future sales tax. The District continues to repay 100% of the bonds issued in 1997 and 1998 out of the sales tax receipts.

- All school district buildings are now air-conditioned. The final two buildings were completed in the summer of 2004. Overall electrical usage increased by 26.3% from the previous year. We expect to see an increase in our electrical bills of approximately 23.7%.

Cost of natural gas has remained very high. In the 2002/2003 school year we contracted natural gas for the high school and middle school. The high prices have not afforded us the opportunity to contract for the 2005 winter. Based on this we expect to see an increase in our gas bills of approximately 75% over the 2004 heating season.

- The District is self-funded for health insurance. For the first seven months of the current health plan year we have experienced increases in our usage of 50%.
- The Board of Education has implemented a revised early retirement plan for a three-year period beginning with fiscal year ended June 30, 2005. The plan allows people who are at least 55 years of age and who have been full-time with the District for at least 15 years to retire with a benefit of \$2,400 per year paid into a Health Reimbursement Arrangement (HRA) until age 65 or for 10 years, whichever is less, and \$10 per day for unused sick leave to be paid into an HRA.
- The District was awarded a three year (2004-2007) Carol M. White Physical Education for Progress Grant. The fiscal impact is:

	U.S. Dept of Education	District Match	Grant Total
Year 1	\$317,988	\$55,375	\$373,363
Year 2	\$201,098	\$87,541	\$288,639
Year 3	\$153,315	\$76,607	\$229,922
Total	\$672,401	\$219,523	\$891,924

- The Board of Education lowered the tax rate from \$15.78 per \$1,000 taxable valuation for the fiscal year ended June 30, 2004 to \$15.47 for the fiscal year ended June 30, 2005.

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 Maxine McEnany, Director of Financial and Business Services, Bettendorf Community School District, 3311 Central Avenue, Bettendorf, Iowa, 52722.

BASIC FINANCIAL STATEMENTS

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 15,727,080	479,710	16,206,790
Receivables:			
Property tax:			
Delinquent	43,087	0	43,087
Succeeding year	14,661,856	0	14,661,856
Interfund	44,515	0	44,515
Accounts	132,538	4,412	136,950
Accrued interest	46,949	0	46,949
Due from other governments	1,033,228	0	1,033,228
Prepaid expenses	17,705	0	17,705
Inventories	0	30,290	30,290
Capital assets, net of accumulated depreciation(note 5)	23,193,060	140,937	23,333,997
TOTAL ASSETS	54,900,018	655,349	55,555,367
LIABILITIES			
Interfund payable	0	44,515	44,515
Accounts payable	954,458	0	954,458
Salaries and benefits payable	2,901,692	3,025	2,904,717
Incurred but not reported claims	450,119	0	450,119
Interest payable	25,215	0	25,215
Deferred revenue:			
Succeeding year property tax	14,661,856	0	14,661,856
Other	104,263	14,334	118,597
Long-term liabilities(note 6):			
Portion due within one year:			
General obligation bonds payable	655,000	0	655,000
Early retirement payable	144,546	0	144,546
Compensated absences	117,066	0	117,066
Portion due after one year:			
General obligation bonds payable	5,585,000	0	5,585,000
Early retirement payable	130,589	0	130,589
TOTAL LIABILITIES	25,729,804	61,874	25,791,678
NET ASSETS			
Investment in capital assets, net of related debt	16,953,060	140,937	17,093,997
Restricted for:			
Phase II	1,154	0	1,154
Teacher mentoring	21,290	0	21,290
Other	3,973	0	3,973
Capital projects	1,805,261	0	1,805,261
Management levy	37,865	0	37,865
Physical plant and equipment levy	407,691	0	407,691
Other special revenue purposes	374,400	0	374,400
Unrestricted	9,565,520	452,538	10,018,058
TOTAL NET ASSETS	\$ 29,170,214	593,475	29,763,689

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 14,720,226	1,939,652	1,602,955
Special instruction	5,772,072	106,911	156,304
Other instruction	2,143,658	2,841,751	0
	<u>22,635,956</u>	<u>4,888,314</u>	<u>1,759,259</u>
Support services:			
Student services	791,758	0	0
Instructional staff services	1,522,117	0	0
Administration services	3,651,284	0	0
Operation and maintenance of plant services	3,153,019	0	0
Transportation services	666,132	40,813	0
Central support services	170,495	0	0
	<u>9,954,805</u>	<u>40,813</u>	<u>0</u>
Non-instructional programs:			
Food service operations	27,316	0	0
Other expenditures:			
Facilities acquisitions	2,624,146	0	0
Long-term debt interest	330,464	0	0
AEA flowthrough	1,136,605	0	1,136,605
Depreciation(unallocated)*	998,279	0	0
	<u>5,089,494</u>	<u>0</u>	<u>1,136,605</u>
Total governmental activities	37,707,571	4,929,127	2,895,864
Business-Type activities:			
Non-instructional programs:			
Nutrition services	1,418,979	947,781	426,363
Total	<u>\$ 39,126,550</u>	<u>5,876,908</u>	<u>3,322,227</u>

General Revenues:

Property tax levied for:
 General purposes
 Capital outlay
 Local option sales and service tax
 Unrestricted state grants
 Sale of equipment
 Unrestricted investment earnings

Total general revenues

Changes in net assets

Net assets beginning of year, as restated(Note 12)

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(11,177,619)	0	(11,177,619)
(5,508,857)	0	(5,508,857)
698,093	0	698,093
<u>(15,988,383)</u>	<u>0</u>	<u>(15,988,383)</u>
(791,758)	0	(791,758)
(1,522,117)	0	(1,522,117)
(3,651,284)	0	(3,651,284)
(3,153,019)	0	(3,153,019)
(625,319)	0	(625,319)
(170,495)	0	(170,495)
<u>(9,913,992)</u>	<u>0</u>	<u>(9,913,992)</u>
(27,316)	0	(27,316)
(2,624,146)	0	(2,624,146)
(330,464)	0	(330,464)
0	0	0
(998,279)	0	(998,279)
<u>(3,952,889)</u>	<u>0</u>	<u>(3,952,889)</u>
(29,882,580)	0	(29,882,580)
0	(44,835)	(44,835)
<u>(29,882,580)</u>	<u>(44,835)</u>	<u>(29,927,415)</u>
\$ 12,712,407	0	12,712,407
855,120	0	855,120
3,256,427	0	3,256,427
13,130,610	0	13,130,610
4,923	0	4,923
158,986	1,376	160,362
<u>30,118,473</u>	<u>1,376</u>	<u>30,119,849</u>
235,893	(43,459)	192,434
<u>28,934,321</u>	<u>636,934</u>	<u>29,571,255</u>
\$ <u>29,170,214</u>	<u>593,475</u>	<u>29,763,689</u>

BETTENDORF COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Capital Projects	Other Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 9,892,533	1,903,332	1,226,599	13,022,464
Receivables:				
Property tax				
Delinquent	39,477	0	3,610	43,087
Succeeding year	12,092,846	0	2,569,010	14,661,856
Interfund	44,515	0	0	44,515
Accounts	53,226	0	50,269	103,495
Accrued interest	23,505	23,444	0	46,949
Due from other governments	784,438	248,790	0	1,033,228
Prepaid expenses	17,705	0	0	17,705
TOTAL ASSETS	\$ 22,948,245	2,175,566	3,849,488	28,973,299
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 422,438	370,305	161,715	954,458
Salaries and benefits payable	2,877,494	0	24,198	2,901,692
Deferred revenue:				
Succeeding year property tax	12,092,846	0	2,569,010	14,661,856
Other	104,263	0	0	104,263
Total liabilities	15,497,041	370,305	2,754,923	18,622,269
Fund balances:				
Reserved for:				
Phase II	1,154	0	0	1,154
Teacher Mentoring	21,290	0	0	21,290
Other	3,973	0	0	3,973
Unreserved:				
Designated:				
Special purposes by the board	575,000	0	0	575,000
Cash flow	2,000,000	0	0	2,000,000
Undesignated	4,849,787	1,805,261	1,094,565	7,749,613
Total fund balances	7,451,204	1,805,261	1,094,565	10,351,030
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,948,245	2,175,566	3,849,488	28,973,299

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2004

Total fund balances of governmental funds (page 18)	\$	10,351,030
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		23,193,060
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		2,283,540
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(25,215)
Long-term liabilities, including bonds payable, capital loan notes payable, early retirement payable, and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(6,632,201)</u>
Net assets of governmental activites (page 15)	\$	<u>29,170,214</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Capital Projects	Other Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 12,442,800	3,256,427	1,124,727	16,823,954
Tuition	2,046,563	0	0	2,046,563
Other	2,203,239	83,507	751,902	3,038,648
Intermediate sources	2,902	0	0	2,902
State sources	15,279,484	0	930	15,280,414
Federal sources	746,060	0	0	746,060
Total revenues	<u>32,721,048</u>	<u>3,339,934</u>	<u>1,877,559</u>	<u>37,938,541</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	14,007,368	0	266,761	14,274,129
Special instruction	5,716,290	0	0	5,716,290
Other instruction	1,444,082	0	681,865	2,125,947
	<u>21,167,740</u>	<u>0</u>	<u>948,626</u>	<u>22,116,366</u>
Support services:				
Student services	770,371	0	8,727	779,098
Instructional staff services	1,311,138	0	194,294	1,505,432
Administration services	3,131,988	0	369,545	3,501,533
Operation and maintenance of plant services	2,837,406	0	271,361	3,108,767
Transportation services	557,311	0	68,780	626,091
Central support services	170,495	0	0	170,495
	<u>8,778,709</u>	<u>0</u>	<u>912,707</u>	<u>9,691,416</u>
Non-instructional programs:				
Food service operations	6,748	0	0	6,748
Other expenditures:				
Facilities acquisitions	0	3,034,215	733,596	3,767,811
Long-term debt:				
Principal	0	0	625,000	625,000
Interest and fiscal charges	0	0	332,945	332,945
AEA flowthrough	1,136,605	0	0	1,136,605
	<u>1,136,605</u>	<u>3,034,215</u>	<u>1,691,541</u>	<u>5,862,361</u>
Total expenditures	<u>31,089,802</u>	<u>3,034,215</u>	<u>3,552,874</u>	<u>37,676,891</u>
Excess(deficiency) of revenues over(under) expenditures	1,631,246	305,719	(1,675,315)	261,650
Other financing sources(uses):				
Transfers in	0	0	957,945	957,945
Transfers out	0	(957,945)	0	(957,945)
Sale of equipment	4,923	0	0	4,923
Total other financing sources(uses)	<u>4,923</u>	<u>(957,945)</u>	<u>957,945</u>	<u>4,923</u>
Net change in fund balances	1,636,169	(652,226)	(717,370)	266,573
Fund balance beginning of year	5,815,035	2,457,487	1,811,935	10,084,457
Fund balance end of year	<u>\$ 7,451,204</u>	<u>1,805,261</u>	<u>1,094,565</u>	<u>10,351,030</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds (page 20) \$ 266,573

*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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,217,764	
Depreciation expense	<u>(1,176,090)</u>	41,674

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 625,000

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. (571,335)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,481

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

Early retirement	\$ (151,193)	
Compensated absences	<u>22,693</u>	(128,500)

Changes in net assets of governmental activities (page 17) \$ 235,893

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004

	Business-Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 479,710	2,704,616
Accounts receivable	4,412	29,043
Inventories	30,290	0
Total current assets	<u>514,412</u>	<u>2,733,659</u>
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	140,937	0
Total non-current assets	<u>140,937</u>	<u>0</u>
TOTAL ASSETS	<u>655,349</u>	<u>2,733,659</u>
LIABILITIES		
Current liabilities:		
Interfund payable	44,515	0
Salaries and benefits payable	3,025	0
Incurred but not reported claims	0	450,119
Deferred revenue:		
Other	14,334	0
TOTAL LIABILITIES	<u>61,874</u>	<u>450,119</u>
NET ASSETS		
Unrestricted	593,475	2,283,540
TOTAL NET ASSETS	<u>\$ 593,475</u>	<u>2,283,540</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	Business-Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 947,781	2,460,473
TOTAL OPERATING REVENUES	<u>947,781</u>	<u>2,460,473</u>
OPERATING EXPENSES:		
Non-instructional programs:		
Salaries	456,619	0
Benefits	118,065	2,981,713
Services	25,802	50,095
Supplies	751,223	0
Depreciation	62,571	0
Other	4,699	0
TOTAL OPERATING EXPENSES	<u>1,418,979</u>	<u>3,031,808</u>
OPERATING LOSS	<u>(471,198)</u>	<u>(571,335)</u>
NON-OPERATING REVENUES:		
State sources	15,576	0
Federal sources	410,787	0
Interest on investments	1,376	0
TOTAL NON-OPERATING REVENUES	<u>427,739</u>	<u>0</u>
Changes in net assets	(43,459)	(571,335)
Net assets beginning of year	<u>636,934</u>	<u>2,854,875</u>
Net assets end of year	<u>\$ 593,475</u>	<u>2,283,540</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004

	Business-Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 951,599	0
Cash received from miscellaneous operating activities	255	2,493,390
Cash payments to employees for services	(606,188)	0
Cash payments to suppliers for goods or services	(690,634)	(2,983,503)
Net cash used in operating activities	<u>(344,968)</u>	<u>(490,113)</u>
Cash flows from non-capital financing activities:		
State grants received	15,576	0
Federal grants received	330,483	0
Loan from General Fund	44,515	0
Net cash provided by non-capital financing activities	<u>390,574</u>	<u>0</u>
Cash flows from capital activities:		
Acquisition of assets	(16,250)	0
Net cash used in capital activities	<u>(16,250)</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investment	1,376	0
Net cash provided by investing activities	<u>1,376</u>	<u>0</u>
Net increase(decrease) in cash and cash equivalents	30,732	(490,113)
Cash and cash equivalents at beginning of year	448,978	3,194,729
Cash and cash equivalents at end of year	<u>\$ 479,710</u>	<u>2,704,616</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (471,198)	(571,335)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	75,892	0
Depreciation	62,571	0
Decrease in inventories	15,198	0
Increase in incurred but not reported claims	0	32,917
Increase(Decrease) in salaries and benefits payable	(31,504)	48,305
Increase in deferred revenues	4,073	0
Net cash used in operating activities	<u>\$ (344,968)</u>	<u>(490,113)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and investments	<u>\$ 479,710</u>	<u>2,704,616</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		

During the year ended June 30, 2004, the District received Federal commodities valued at \$75,892.

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	<u>Private Purpose Trust Scholarships and Memorials</u>
ASSETS	
Cash and pooled investments	\$ 13,729
LIABILITIES	<u>0</u>
NET ASSETS	<u>\$ 13,729</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2004

	Private Purpose Trust
	Scholarships and Memorials
REVENUES:	
Local sources:	
Other	\$ 1,788
TOTAL REVENUES	1,788
EXPENDITURES:	
Current:	
Instruction:	
Regular instruction	25,911
TOTAL EXPENDITURES	25,911
Net change in fund balances	(24,123)
Fund balance beginning of year	37,852
Fund balance end of year	\$ 13,729

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(1) Summary of Significant Accounting Policies

Bettendorf Community School District is a political subdivision of the State of Iowa and provides elementary and secondary education to the citizens within the District. The District encompasses an area within the County of Scott, including the City of Bettendorf. Within the District are eight schools, including six elementary schools for kindergarten to grade five, one middle school for grades six, seven and eight and one high school for grades nine to twelve. Oversight responsibility for the District's operations is vested in a seven-member Board of Education which is elected by the public on a non-partisan basis. Management of the District is appointed by and is accountable to the Board of Education.

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

A. Reporting Entity

For financial reporting purposes, Bettendorf Community School District has included all funds, organizations, account groups, 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 Bettendorf Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Scott County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

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

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board

Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a

1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Assets	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Property, furniture and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-15 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial

statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term obligations - 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 assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the support services and non-instructional functional program area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by

the Board of Education and the Treasurer of the State of Iowa; 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.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$10,429,134 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

(3) Interfund Receivables and Payables

The detail of interfund receivable and payable balances for the year ended June 30, 2004 are as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise, School Nutrtrion	\$ 44,515

The Enterprise, School Nutrition Fund is repaying the General Fund for salaries and benefits paid during the 2003-04 school year. The balance will be repaid by June 30, 2005.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 957,945

Transfers generally move revenues 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, 2004 is as follows:

	Balance Beginning of Year, as restated (Note 12)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,017,415	0	0	1,017,415
Construction in progress	1,062,059	1,143,665	1,062,059	1,143,665
Total capital assets not being depreciated	<u>2,079,474</u>	<u>1,143,665</u>	<u>1,062,059</u>	<u>2,161,080</u>
Capital assets being depreciated:				
Buildings	35,815,351	1,062,059	0	36,877,410
Improvements other than buildings	150,938	0	0	150,938
Furniture and equipment	4,861,767	74,099	117,813	4,818,053
Total capital assets being depreciated	<u>40,828,056</u>	<u>1,136,158</u>	<u>117,813</u>	<u>41,846,401</u>
Less accumulated depreciation for:				
Buildings	15,655,500	995,362	0	16,650,862
Improvements other than buildings	107,184	2,917	0	110,101
Furniture and equipment	3,993,460	177,811	117,813	4,053,458
Total accumulated depreciation	<u>19,756,144</u>	<u>1,176,090</u>	<u>117,813</u>	<u>20,814,421</u>
Total capital assets being depreciated, net	<u>21,071,912</u>	<u>(39,932)</u>	<u>0</u>	<u>21,031,980</u>
Governmental activities capital assets, net	<u>\$ 23,151,386</u>	<u>1,103,733</u>	<u>1,062,059</u>	<u>23,193,060</u>
Business-type activities:				
Furniture and equipment	\$ 516,251	16,250	0	532,501
Less accumulated depreciation	328,993	62,571	0	391,564
Business-type activities capital assets, net	<u>\$ 187,258</u>	<u>(46,321)</u>	<u>0</u>	<u>140,937</u>

Depreciation expense was charged by the District as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Instruction:				
Regular				\$ 23,812
Other				7,471
Support services:				
Administration				18,716
Operation and maintenance				26,241
Transportation				101,571
				<u>177,811</u>
Unallocated depreciation				998,279
Total governmental activities depreciation expense				<u>\$ 1,176,090</u>
Business-type activities:				
Food services				<u>\$ 62,571</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 6,865,000	0	625,000	6,240,000	655,000
Early Retirement	123,942	228,390	77,197	275,135	144,546
Compensated Absences	139,759	117,066	139,759	117,066	117,066
Total	\$ 7,128,701	345,456	841,956	6,632,201	916,612

Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of May 1, 1997			Bond Issue of January 1, 1998			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2005	5.10%	\$ 325,000	158,550	4.50%	\$ 330,000	144,020	\$ 655,000	302,570
2006	5.15	325,000	141,974	4.50	360,000	129,170	685,000	271,144
2007	5.20	350,000	125,238	4.50	370,000	112,970	720,000	238,208
2008	5.20	375,000	107,037	4.50	380,000	96,320	755,000	203,357
2009	5.20	400,000	87,538	4.50	395,000	79,220	795,000	166,758
2010	5.20	400,000	66,738	4.50	435,000	61,445	835,000	128,183
2011	5.25	425,000	45,937	4.50	450,000	41,870	875,000	87,807
2012	5.25	450,000	23,625	6.00	470,000	21,620	920,000	45,245
Total		\$ 3,050,000	756,637		\$ 3,190,000	686,635	\$ 6,240,000	1,443,272

During the year ended June 30, 2004, the District retired \$625,000 in general obligation bonds.

There is one bond in the amount of \$5,000 from a January 1, 1959 general obligation bond issue which was due on January 1, 1978 which has not been presented for payment. The amount of this bond is reflected as a liability of the government-wide entity in the Statement of Net Assets, and of the Debt Service Fund in the other nonmajor governmental funds combining balance sheet.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The benefits will be two days of paid health insurance coverage for each unused sick leave plus an additional \$1,500 one-time payment for the 2004 retirees who applied early. A liability has been recorded in the Statement of Net Assets for government-wide activities for these early retirement benefits. Early retirement benefits paid during the year ended June 30, 2004, totaled \$101,395.

(7) Pension and Retirement Benefits

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

may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$1,028,320, \$1,243,757, \$1,098,708 respectively, equal to the required contributions for each year.

(8) Risk Management

The District has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$50,000 in insured claims for any one covered individual. Settle claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was a \$2,283,540 at June 30, 2004. The incurred but not recorded and unpaid claims liability of \$450,119 reported in the plan at June 30, 2004 based on the requirements of GASB Statement Number 10, is set up as a liability on the statement of net assets.

In addition, the District is exposed to various risks to 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,136,605 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Deficit Fund Balance

The Debt Service fund had a deficit undesignated fund balance of \$526 at June 30, 2004.

(11) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2004, disbursements in the support services and non-instructional programs functional program areas exceeded the amount budgeted.

(12) Restate Capital Assets/Net Assets Beginning Balances

This restatement is due to error in computer formula calculations of depreciation and eliminating duplicate assets. The restatement of the capital assets and net assets are as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year, restated
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,017,415	0	0	1,017,415
Construction in progress	1,062,059	0	0	1,062,059
Total capital assets not being depreciated	<u>2,079,474</u>	<u>0</u>	<u>0</u>	<u>2,079,474</u>
Capital assets being depreciated:				
Buildings	35,726,669	88,682	0	35,815,351
Improvements other than buildings	150,938	0	0	150,938
Furniture and equipment	4,890,003	0	28,236	4,861,767
Total capital assets being depreciated	<u>40,767,610</u>	<u>88,682</u>	<u>28,236</u>	<u>40,828,056</u>
Less accumulated depreciation for:				
Buildings	15,419,901	235,599	0	15,655,500
Improvements other than buildings	129,061	0	21,877	107,184
Furniture and equipment	3,993,460	0	0	3,993,460
Total accumulated depreciation	<u>19,542,422</u>	<u>235,599</u>	<u>21,877</u>	<u>19,756,144</u>
Total capital assets being depreciated, net	<u>21,225,188</u>	<u>(146,917)</u>	<u>6,359</u>	<u>21,071,912</u>
Governmental activities capital assets, net	<u>\$ 23,304,662</u>	<u>(146,917)</u>	<u>6,359</u>	<u>23,151,386</u>
Net assets, June 30, 2003, as previously reported			\$	29,087,597
Capital asset adjustments, net				<u>(153,276)</u>
Net assets, July 1, 2003, as restated			\$	<u>28,934,321</u>

REQUIRED SUPPLEMENTAL INFORMATION

BETTENDORF COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
 AND ENTERPRISE FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 21,909,165	949,157
Intermediate sources	2,902	0
State sources	15,280,414	15,576
Federal sources	746,060	410,787
Total revenues	<u>37,938,541</u>	<u>1,375,520</u>
Expenditures:		
Instruction	22,116,366	0
Support services	9,691,416	0
Non-instructional programs	6,748	1,418,979
Other expenditures	5,862,361	0
Total expenditures	<u>37,676,891</u>	<u>1,418,979</u>
Excess(deficiency) of revenues over(under) expenditures	261,650	(43,459)
Other financing sources, net	<u>4,923</u>	<u>0</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures	266,573	(43,459)
Balance beginning of year	<u>10,084,457</u>	<u>636,934</u>
Balance end of year	<u>\$ 10,351,030</u>	<u>593,475</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
22,858,322	22,309,612	22,309,612	548,710
2,902	75,000	75,000	(72,098)
15,295,990	15,757,548	15,757,548	(461,558)
1,156,847	1,010,000	1,010,000	146,847
<u>39,314,061</u>	<u>39,152,160</u>	<u>39,152,160</u>	<u>161,901</u>
22,116,366	22,711,586	23,364,859	1,248,493
9,691,416	8,933,368	9,379,585	(311,831)
1,425,727	1,255,000	1,300,000	(125,727)
5,862,361	8,076,496	6,189,887	327,526
<u>39,095,870</u>	<u>40,976,450</u>	<u>40,234,331</u>	<u>1,138,461</u>
218,191	(1,824,290)	(1,082,171)	1,300,362
4,923	0	0	4,923
223,114	(1,824,290)	(1,082,171)	1,305,285
<u>10,721,391</u>	<u>11,535,732</u>	<u>11,535,732</u>	<u>(814,341)</u>
<u>10,944,505</u>	<u>9,711,442</u>	<u>10,453,561</u>	<u>490,944</u>

BETTENDORF COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, disbursements in the support services and non-instructional programs functional program areas exceeded the amounts budgeted.

OTHER SUPPLEMENTAL INFORMATION

BETTENDORF COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Special Revenue Funds					
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 296,016	370,248	555,861	1,222,125	4,474	1,226,599
Receivables:						
Property tax						
Current year delinquent	861	0	2,749	3,610	0	3,610
Succeeding year	904,138	0	1,664,872	2,569,010	0	2,569,010
Accounts	43,239	7,030	0	50,269	0	50,269
TOTAL ASSETS	\$ 1,244,254	377,278	2,223,482	3,845,014	4,474	3,849,488
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable	\$ 2,918	2,878	150,919	156,715	5,000	161,715
Salaries and benefits payable	24,198	0	0	24,198	0	24,198
Deferred revenue:						
Succeeding year property tax	904,138	0	1,664,872	2,569,010	0	2,569,010
	931,254	2,878	1,815,791	2,749,923	5,000	2,754,923
Fund equity:						
Fund balances:						
Unreserved, undesignated	313,000	374,400	407,691	1,095,091	(526)	1,094,565
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,244,254	377,278	2,223,482	3,845,014	4,474	3,849,488

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

	Special Revenue Funds					Total Nonmajor Government Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	
REVENUES:						
Local sources:						
Local tax	\$ 269,607	0	855,120	1,124,727	0	1,124,727
Other	9,549	706,639	35,714	751,902	0	751,902
State sources	221	0	709	930	0	930
TOTAL REVENUES	279,377	706,639	891,543	1,877,559	0	1,877,559
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	250,769	0	15,992	266,761	0	266,761
Other instruction	0	681,865	0	681,865	0	681,865
	250,769	681,865	15,992	948,626	0	948,626
Support services:						
Student services	8,727	0	0	8,727	0	8,727
Instructional staff services	10,500	0	183,794	194,294	0	194,294
Administration services	369,545	0	0	369,545	0	369,545
Operation and maintenance of plant services	8,612	0	262,749	271,361	0	271,361
Transportation services	0	0	68,780	68,780	0	68,780
	397,384	0	515,323	912,707	0	912,707
Other expenditures:						
Facilities acquisitions	0	0	733,596	733,596	0	733,596
Long-term debt:						
Principal	0	0	0	0	625,000	625,000
Interest and fiscal charges	0	0	0	0	332,945	332,945
	0	0	733,596	733,596	957,945	1,691,541
TOTAL EXPENDITURES	648,153	681,865	1,264,911	2,594,929	957,945	3,552,874
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(368,776)	24,774	(373,368)	(717,370)	(957,945)	(1,675,315)
Other financing sources:						
Transfers in	0	0	0	0	957,945	957,945
Net change in fund balances	(368,776)	24,774	(373,368)	(717,370)	0	(717,370)
Fund balance beginning of year	681,776	349,626	781,059	1,812,461	(526)	1,811,935
Fund balance end of year	\$ 313,000	374,400	407,691	1,095,091	(526)	1,094,565

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Vocal Music 1	\$ 566	12,606	11,692	1,480
Vocal Music 2	2,848	11,367	12,508	1,707
Instrumental Music	4,010	988	616	4,382
Orchestra	245	0	120	125
Co-Ed Athletics	723	0	0	723
Sports Uniforms	4,533	0	1,856	2,677
BMS Cheerleading	2,197	4,278	7,271	(796)
Fundraiser	0	0	26	(26)
Bookstore	945	519	0	1,464
Quest	1	0	0	1
Citizens Ed Council	466	0	132	334
Health Club	622	0	0	622
Interst	2,457	0	0	2,457
Arts Education	(46)	14	679	(711)
Business Partners	704	392	0	1,096
Yearbk/Photo Club	5,761	6,587	7,068	5,280
Reading Club	186	0	115	70
Library Club	4,441	378	3,394	1,425
Foreign Lang Club	427	476	354	549
Spec Ed Activities	71	0	0	71
Student Council	7,257	1,913	0	9,170
Computer Club	1	0	0	1
Lang Arts Pubs	1	0	0	1
Growl Newspaper	0	7	0	7
Living Skills Club	1,358	0	101	1,257
School Paper	(2,148)	4,608	8,482	(6,022)
Sail/Tag Fundraiser	3,846	0	484	3,362
Art Club	197	0	0	197
German Club	0	135	0	135
Ceramics Club	381	0	0	381
N.A. Fundraiser	548	808	703	653
N.A. Bookstore	2,532	425	476	2,481
N.A. Shooting Stars	(462)	1,091	320	309
Hoover Fundraiser	11	722	315	418
Hoover Bookstore	6,811	1,276	384	7,703
Hoover Pop Fund	3,205	450	421	3,234
Jefferson Fundraiser	0	13	0	13
Jefferson Bookstore	4,695	2,288	2,079	4,904
P.N. Bookstore	2,648	1,150	544	3,254
P.N. Pop Fund	1,042	1,661	1,734	969
M.T. Fundraiser	114	0	0	114
M.T. Bookstore	11,169	5,285	3,335	13,119
M.T. Bookstore - BD	(54)	469	168	247
G.W. Fundraiser	4,162	4,360	2,869	5,653
G.W. Bookstore	2,666	695	102	3,259

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
G.W. Pop Fund	1,277	381	98	1,560
House-4	594	894	775	713
6-House I	1,010	3,095	2,864	1,241
6-House II	823	2,273	1,668	1,428
6-House III	1,267	1,738	2,536	469
7-House I	882	1,446	1,824	504
7-House II	246	1,015	895	366
7-House III	527	914	900	541
8-House I	391	8,739	8,416	714
8-House II	2,207	3,756	4,318	1,645
8-House III	67	4,060	4,201	(74)
School Fundraising	7,189	18,745	14,417	11,517
Student Needs	589	0	239	350
BWCA	8,780	22,668	23,618	7,830
Elem Outdoor Educ	5,986	13,611	16,442	3,155
BMS Outdoor Educ	572	23,267	23,764	75
BHS Outdoor Educ	0	0	133	(133)
Mis Outdoor Educ	645	808	0	1,453
IAMLE Conference	0	390	676	(286)
OD Ed Arts In Educ	1,613	0	0	1,613
Drama	1,306	18,934	16,431	3,809
Debate	239	12,940	11,415	1,764
Vocal Music	4,290	23,475	21,943	5,822
Instrumental Music	6,885	22,033	22,992	5,926
Musical	660	8,008	4,279	4,389
Co-Ed Athletics	117,235	154,721	125,447	146,509
Boys Basketball	0	13,826	13,826	0
Football	0	39,294	39,294	0
Boys Soccer	0	7,941	7,941	0
Baseball	0	10,717	10,717	0
Boys Track	0	5,749	5,749	0
Boys Cross Country	0	868	868	0
Boys Tennis	0	1,336	1,336	0
Boys Golf	0	2,257	2,257	0
Boys Swimming	0	2,269	2,269	0
Wrestling	0	13,879	13,879	0
Girls Basketball	0	10,074	10,074	0
Volleyball	0	7,856	7,856	0
Girls Soccer	0	5,259	5,259	0
Softball	0	5,090	5,090	0
Girls Track	0	11,781	11,781	0
Girls Cross Country	0	1,125	1,125	0
Girls Tennis	0	864	864	0
Girls Golf	0	1,843	1,843	0
Girls Swimming	0	3,714	3,714	0

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Bookstore	57	0	0	57
Interest	2,259	0	0	2,259
Close Up	11	362	368	5
Amicus	3,023	462	0	3,485
Activity Tickets	760	0	435	325
Science Club	941	896	894	943
Scholastic Bowl	632	1,004	787	849
Yearbk-Beacon	13,641	38,159	48,039	3,761
Student Council	15,171	24,318	26,766	12,723
SADD	933	0	47	886
Cheerleaders	774	7,226	7,063	937
Japanese Club	1,504	339	0	1,843
Growl Newspaper	10,023	9,283	8,112	11,194
SAVE	2,091	1,005	914	2,182
HIV Peer Educ	778	1,269	1,836	211
Spanish Club	3,257	2,100	0	5,357
Nat Honor Soc	281	587	746	122
Outdoor Club	43	0	0	43
German Club	12,282	26,905	23,702	15,485
Latin Club	5,242	411	0	5,654
French Club	1,119	3,389	3,423	1,085
Prof Business	678	367	189	856
Goldusters	3,560	9,928	13,255	233
Goldusters-Athletics	0	0	1,275	(1,275)
Art Club	1,685	380	0	2,065
Key Club	538	0	178	360
Club Vennding	5,905	1,201	0	7,106
Pr Club Vending	1,971	5,849	5,027	2,793
Pr Student Needs	358	5	50	313
Class of 2003	5,955	0	3,866	2,089
Class of 2004	3,976	10,270	10,087	4,159
Class of 2005	2,257	727	396	2,588
Class of 2006	1,504	658	29	2,133
Class of 2007	0	925	0	925
Total	\$ 349,626	706,639	681,865	374,400

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 16,823,954	16,698,423	15,404,839	14,125,889
Tuition	2,046,563	2,649,352	2,172,588	1,773,015
Other	3,038,648	2,444,698	2,941,357	2,481,679
Intermediate sources	2,902	51,336	16,003	16,289
State sources	15,280,414	15,667,950	15,478,241	15,761,430
Federal sources	746,060	755,032	735,775	604,612
Total	\$ 37,938,541	38,266,791	36,748,803	34,762,914
Expenditures:				
Instruction:				
Regular instruction	\$ 14,274,129	15,251,343	15,162,437	14,334,229
Special instruction	5,716,290	5,108,065	4,426,200	4,086,769
Other instruction	2,125,947	2,317,323	2,326,973	2,132,515
Support services:				
Student services	779,098	838,990	933,693	1,036,894
Instructional staff services	1,505,432	978,952	957,341	1,032,843
Administration services	3,501,533	3,337,133	3,049,291	3,075,223
Operation and maintenance of plant services	3,108,767	2,873,097	2,904,801	3,537,381
Transportation services	626,091	533,593	480,494	582,659
Central support services	170,495	432,209	0	0
Non-instructional programs	6,748	131,887	0	0
Other expenditures:				
Facilities acquisitions	3,767,811	4,102,135	2,590,140	2,371,555
Long-term debt:				
Principal	625,000	595,000	570,000	545,000
Interest and other charges	332,945	361,220	388,107	413,664
AEA flow-through	1,136,605	1,211,815	1,208,247	1,248,698
Total	\$ 37,676,891	38,072,762	34,997,724	34,397,430

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 04	\$ <u>75,892</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 04	52,440
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 04	<u>282,455</u>
			<u>334,895</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0621-G	<u>215,360</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.298A	FY 04	<u>23,320</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 04	<u>11,155</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 04	<u>118,430</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 03	20,970
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 04	<u>25,938</u>
			<u>46,908</u>
SPECIAL EDUCATION STATE PROGRAM IMPROVEMENT GRANTS FOR CHILDREN WITH DISABILITIES	84.323	6-2P12-R	<u>4,118</u>
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048A	FY 04	<u>11,550</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 04	<u>156,307</u>

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
AREA EDUCATION AGENCY (CONTINUED) :			
DATA DRIVEN LEADERSHIP	84.348	FY 04	<u>7,072</u>
SCOTT COUNTY:			
JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT	16.523	FY 04	<u>45,819</u>
PREVENTION FORMULA FUNDS	16.540	FY 04	<u>19,829</u>
TOTAL			<u>\$ 1,070,655</u>

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Board of Education of the
Bettendorf Community School District:

We have audited the financial statements of Bettendorf Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 1, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bettendorf Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in 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, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for IV-B-04 and IV-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bettendorf Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our

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consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item II-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Bettendorf Community School District and other parties to whom Bettendorf Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Bettendorf Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

September 1, 2004

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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117 West 3rd Street North, Newton, Iowa 50208-3040

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance

To the Board of Education of
Bettendorf Community School District

Compliance

We have audited the compliance of Bettendorf Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Bettendorf Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Bettendorf Community School District's management. Our responsibility is to express an opinion on Bettendorf Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bettendorf Community School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bettendorf Community School District's compliance with those requirements.

In our opinion, Bettendorf Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

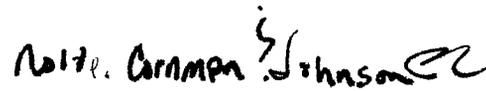
The management of Bettendorf Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Bettendorf Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations,

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contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Bettendorf Community School District and other parties to whom Bettendorf Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

September 1, 2004

BETTENDORF COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Bettendorf Community School District qualified as a low-risk auditee.

BETTENDORF COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that in the Student Activity Fund the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-B-04 Untimely Deposits - We noted during our testing of receipts of the Nutrition Fund that the receipts were not deposited in a timely manner. Several checks received from June 7, 2004 through June 25, 2004 were deposited July 6, 2004.

Recommendation - All monies received by the District should be deposited in a timely manner.

Response - We will monitor this situation more closely in the future and will make all deposits in a timely manner.

Conclusion - Response accepted.

II-C-04 Library Copier Maintenance - We noted during our audit that the District paid for the library copier maintenance out of the Student Activity Fund.

Recommendation - The District should pay for the maintenance of the library copier out of the General Fund, and revenues derived from the copier should be placed in the General Fund.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

II-D-04 School Nutrition Deferred Revenues - Individual student account balances for lunches are available, however, the District does not reconcile the deferred revenue lunch accounts to meals actually eaten.

Recommendation - The District should reconcile the change in deferred revenue lunch accounts to the amount of lunches consumed on a monthly basis.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

BETTENDORF COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No reportable conditions were reported.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2004

Part IV: Other Findings Related to Statutory Reporting

IV-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget - District disbursements for the year ended June 30, 2004 exceeded the amount budgeted in the support services and non-instructional programs functional program areas.

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

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

IV-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-04 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.

IV-E-04 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Paul Castro, Board Member Taught Intersession Class	Employee	\$141
Tom Luton, Board Member Taught Intersession Class	Employee	\$141

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with the board members do not appear to represent a conflict of interest.

IV-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

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

Response - We will provide the minutes within the time period required.

Conclusion - Response accepted.

IV-H-04 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification Form for September 2003 was understated by one student missed in the count. The number of open enrolled out students reported to the Iowa Department of Education on line 2 of the Certified Enrollment Certification Form for September 2003 was overstated by .6 due to a child that was home schooled and open enrolled out to Pocahontas, but no tuition was ever paid.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

IV-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-04 Financial Condition - The District had a deficit undesignated fund balance of \$526 in the Debt Service Fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - We are aware of the deficit position and will take necessary steps to return the Debt Service Fund to a healthy financial position.

Conclusion - Response accepted.