

# **DAVENPORT COMMUNITY SCHOOL DISTRICT**

in the counties of Scott & Muscatine,  
State of Iowa

## Comprehensive Annual Financial Report

Fiscal Year ended June 30, 2004

Prepared by:  
Marsha Tangen, Chief Financial Officer  
1606 Brady Street  
Davenport, Iowa 52803



# DAVENPORT COMMUNITY SCHOOL DISTRICT

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# DAVENPORT COMMUNITY SCHOOL DISTRICT

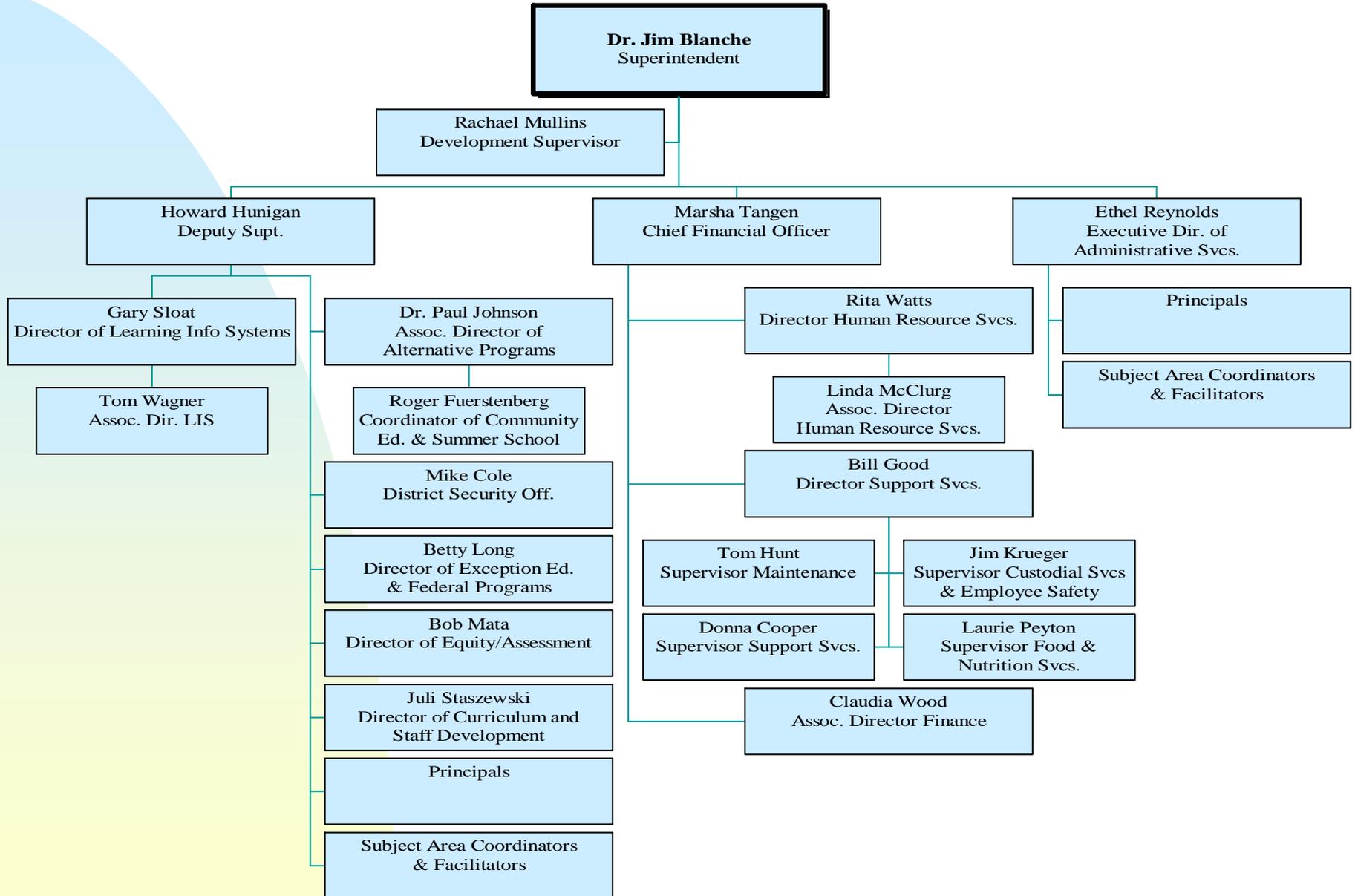
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# Davenport Community School District

## Administrative Organizational Chart 2003-04





# DAVENPORT COMMUNITY SCHOOL DISTRICT

## Mission Statement

*The mission of the Davenport Community School District is to enhance each student's abilities by providing a quality education enriched by our diverse community.*

**DAVENPORT COMMUNITY SCHOOL DISTRICT  
BOARD OF EDUCATION AND DISTRICT OFFICIALS  
YEAR ENDED JUNE 30, 2004**

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**Board of Education**

Susan Low	President	Expires 2004
Alan Guard	Vice President	Expires 2005
Richard Clewell	Director	Expires 2004
Nikki DeFauw	Director	Expires 2004
Larry Roberson	Director	Expires 2006
Tim Tupper	Director	Expires 2005
Pat Zamora	Director	Expires 2006

**District Officials**

Dr. Jim Blanche	Superintendent
Linda Smith Kortemeyer	Board Secretary/Treasurer
Marsha Tangen	Chief Financial Officer

December 6, 2004

To the Board of Directors:

It is indeed my pleasure to submit to you the Comprehensive Annual Financial Report, (CAFR) for the Davenport Community School District, (the "District") for the year ending June 30, 2004. This report has been prepared to conform to guidelines recommended by the Association of School Business Officials International and the Government Finance Officers Association of the United States and Canada.

### **Management Responsibility**

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the officials of the District. To the best of our knowledge and belief, the enclosed information is fairly stated in all material respects and is presented in a manner which sets forth the financial position and results of operations of the various funds and account groups of the District in accordance with generally accepted accounting principles, (GAAP). It includes all funds of the District. The District is not included in any other reporting entity, nor are any other entities included within this report. All disclosures necessary to enable a reader to gain maximum understanding of the District's financial activities have been included.

### **CAFR**

The 2004 Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Internal Controls and Compliance.

1. The Introductory Section. This section includes a transmittal letter, economic outlook of the community, the District's accomplishments, a District Financial Profile, and a list of the Board of Directors and District officials.

2. The Financial Section. The School District's financial statements and schedules are presented in accordance with the financial reporting pyramid set forth by the Governmental Accounting Standards Board. The financial section consists of the independent auditor's report, Management's Discussion and Analysis, audited basic financial statements, required supplemental information, and combining and individual fund statements and schedules. The audited basic financial statements present both an overview and a broad long-term perspective of the School District as a whole in the government-wide financial statements.

3. The Statistical Section. The statistical section sets forth selected unaudited financial and demographic information, generally presented on a multi-year basis.

4. The Internal Controls and Compliance Section. The School District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. This section contains all necessary schedules and auditor's reports required for the District to comply with these regulations.

### **Reporting Entity**

This report includes all entities or organizations that are required to be included in the school District's reporting entity. The basic criteria for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a governmental unit's reporting entity is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and either the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization, which is fiscally dependent on the primary government, should be included in its reporting entity.

The Davenport Community School District (the "District") is a political subdivision of the State of Iowa and operates public schools for children in grades pre-school through twelve. Additionally, the District either operates or sponsors various adult education programs including vocational and recreational courses. The geographic area served includes the cities of Davenport, Blue Grass, Walcott and Buffalo, Iowa and portions of the agricultural territory in Scott and Muscatine Counties.

The District is governed by a seven member Board of Education whose members serve three-year terms and are elected on a nonpartisan basis. The District is the third largest in the state of Iowa. The Board of Directors is a policy-making and planning body whose decisions are carried out by school administrators.

The District is composed of three high schools, six intermediate schools, nineteen elementary schools and various off-campus alternative educational programs. Public preschool is available at several of the elementary buildings. The District also provides day care services for infants through age five through a partnership with Genesis Health Care. Student enrollment (pre-school through high school) for the 2003-04 school year was approximately 16,400 regular and special education students. The District employs approximately 2,300 persons of whom approximately 1400 are professional staff and 900 are support staff.

The District is supported financially by state aid, property taxes, state and federal grants for special projects, and local revenue received for tuition and other services.

### **Economic Condition and Outlook**

The bi-state region of the Quad Cities has a highly trained and diversified workforce. With daily direct passenger and freight air service to eight major hubs including Chicago, St. Louis, Denver, Atlanta, Milwaukee, Memphis, Detroit and Minneapolis, the Quad Cities has excellent access to markets. The Region encompasses approximately 168 miles of Mississippi riverfront and 52 miles of riverfront on the Rock River. The potential for recreation, tourism and industry development is unlimited. Resources include local small business development centers, the Eastern Iowa Community College District Business and Industry Center, Black Hawk College Business and Industry Center, community colleges, the Quad City Development Group, the Quad Cities Convention and Visitors Bureau chambers of commerce, economic development organization, job training programs, the Bi-State Regional Commission, utility companies, Quad City Area Labor management Council and community planning departments.

### Economic Opportunities

- ✓ Financial institutions have substantial funds available to invest in area projects.
- ✓ Local organizations have economic development data and resources for job training and retraining to assist in business start-ups and expansions.
- ✓ Excellent educational institutions, recreational facilities and cultural activities offer a satisfying quality of life for area residents.
- ✓ Convention capacity, professional and amateur sports, plus tourism attractions and events draw large numbers of visitors to the Region.
- ✓ An economic development network exists and includes a public/private partnership for unified marketing of the area.
- ✓ There is a good working relationship with state level economic development agencies in both Iowa and Illinois.
- ✓ The cost of living is below the national average.
- ✓ Energy resources are plentiful and reasonably priced.
- ✓ Industrial sites of various sizes are available in the Bi-State Region.
- ✓ The Rock Island Arsenal is one of the Region's largest employers and provides opportunities for state-of-the-art manufacturing, procurement, service and supply contracts for local businesses.

### Economic Challenges

- ✓ There are isolated areas of the Region where infrastructure may be inadequate to support new businesses and business expansion.
- ✓ Multiple jurisdictions add complexity to intergovernmental cooperation, master planning for regional development, and provision of services to business.
- ✓ Increased skill requirements of modern industry, as well as projections of replacement and new workers, reveal shortcomings in the labor force to meet future needs.
- ✓ With over 150,000 vehicles crossing the Mississippi River in the Quad Cities on an average day, adequate Mississippi River crossing capacity is imperative for the long-term transportation needs and economic viability of the Quad Cities.
- ✓ There is need for state-of-the-art buildings and infrastructure for business retention and attraction.

- ✓ There is lack of available, affordable housing.
- ✓ Periodic, repetitive river flooding affects structures built before floodplain ordinances were in effect.

The Bi-State Regional Planning Commission has developed Economic Development Goals and Strategies for the Quad City area. They are:

- ✓ Enhance public-private partnerships to address economic development needs in the region
- ✓ Retain business and industry and encourage expansion
- ✓ Expand the manufacturing base and diversity into other economic sectors
- ✓ Provide infrastructure including state-of-the-art technology, to support business growth and expansion
- ✓ Promote quality of life opportunities
- ✓ Strengthen economic planning and management capacities of rural local units of government in the region
- ✓ Develop a regional development/re-development action plan
- ✓ Encourage incentives that redevelop brown fields, or environmentally challenged sites, to make best use of existing infrastructure, while mitigating the potential for natural hazard disasters

#### **District Accomplishments 2003-04**

With the support of staff, Board members, student families and the community, the District celebrated many accomplishments throughout the year. Following is a summary of some of the highlights for 2003-04:

- A team of students from Wood Intermediate – known as “The Destroyer” – took their mousetrap car to first place in the National SECME Mousetrap Car Competition in Houston, TX in late June. Team members included Michael Anderson, Kyle Barton and Andrew Lang – all of Davenport – and Ignazia Bull, SECME Building Coordinator at Wood. The team had to compete in local and regional competitions before qualifying for the National event. The winning students each received \$100 and the school received a donation of \$3000 from Lockheed Martin Enterprise Information Systems to start a robotic lab.
- Tony Carter is the first student from the Davenport Community Schools to win the highly competitive Brand Boeshaar Scholarship through the Davenport Museum of Art. Tony will receive a \$3000 scholarship for each of his four years in college—for a total of \$12,000!
- James Martell, a senior at West High School, has been declared a national winner in the National Newspaper Association Quill and Scroll 2004 International Writing and Photo contest. Martell won in the Editorial Cartoon category for his drawing entitled "Mad Cow Disease".

- "The Beak n Eye", the school newspaper at West, won the seventh annual sweepstakes award in the 2004 Iowa Press Women High School Journalism Contest. West took all three awards in the Feature Story category and won several other categories as well. Winning young journalists were: Jacqui Liljequist, Melanie Hanson, Christine Hansen, Jenna Garlisch, Blake Tillbert, James Martell and Kevin Raap.
- Students in the Culinary Arts program at Central High School will be traveling to Orlando, FL later in April to showcase their cooking talents at a national competition. The only program of its kind in the state of Iowa, the Culinary Arts curriculum at Central pairs interested students with working professional chefs to develop their cooking skills and learn about kitchen and restaurant management. Students heading for Florida are Jon Vance, Dashauna Shipp, Tameran Liebe and A.J. Willard. Instructor is Jill Akers and alternate for the culinary competition is Jessica Dietz.
- The Central Jazz Band received a division "1" rating at the Iowa High School Music Association State Contest on January 31st. This is the band's 22nd division "1" rating in as many years. In addition, Central's top show choir, the "Central Singers" also earned a division "1" rating at the same contest.
- Mary Wahl, senior at Central High, scored a "near perfect" 1,600 on the SAT college assessment test. Only three other students in the state of Iowa scored as well. This puts her in the top .07 percent nationally. Mary's planning to head to Cal Tech following graduation from Central. In addition to her scholastic accomplishments, Mary's also active in volunteering and the literary arts.
- Jason Feipel, a senior at West High School, has been named one of 12 national finalists for Wendy's High School Heisman Award. The program honors students who excel in athletics, academics and community service. All national finalists will be invited to the awards ceremony on December 12 in New York City, held immediately prior to the NCAA Heisman Trophy ceremony.
- Mitzi Harris, Buffalo music teacher was recognized as Iowa Masonic Teacher of the Year. She was presented with the award on June 19th.
- Two Davenport schools, Hayes and Buchanan were awarded Team Nutrition mini-grants at the state School Food Service Association conference in late June. There were less than a dozen such grants presented across the state.
- Kay Steele was notified recently that she won a national logo design contest for the Peacebuilders Program. She engaged her fourth graders designing one when she noticed that the contest was open to anyone from a school with a Peacebuilders' license. She won \$250.00 of materials from Amazon.com.
- Susan Rydder, teacher at Fillmore Elementary, was named an area Teacher of the Year by Sam's Club. Susan received a special certificate and vest as well as the cheers of Fillmore students and staff. In addition, Sam's Club presented a check for \$1000 to Fillmore School in her honor.
- The students, staff and families at the Children's Village at Hoover School hosted a celebration on April 29, to recognize Hoover's selection as a First in the Nation in Education (or FINE) award winner for 2003-2004. A tree was planted on their campus to help mark the occasion - along with some help from the folks from Aunt Rhoadies. Hoover was one of only three schools throughout Iowa recognized this year with a FINE award. The Children's Village joins the 15 other schools/programs within the Davenport Community Schools that have received the FINE award in previous years.

- The Children's Village at Hoover, a program of the Davenport Community Schools, and the program's director, Kathy Erickson, has been named a Gold Seal child care provider by the Iowa Early Care, Health and Education Congress. The Gold Seal Award is presented to licensed child care centers that have achieved accreditation from the National Association for the Education of Young Children.
- Monica Jahn, a reading specialist at Truman School, has co-authored a book on preschool education. "Teaching and Learning in Preschool" advocates teaching pre-reading and pre-writing schools to children who are ready to learn prior to kindergarten. The book is available from amazon.com.
- Financial Report Awards – The District's comprehensive annual financial report was recognized as outstanding by two national professional organizations, the Government Financial Officers Association (GFOA) of the United State and Canada and the Association of School Business Officials International (ASBO).

In each elementary, intermediate, and high school in the district, there is a copy of a very important report. It's like a big recipe book for success, and it is guiding student learning in the Davenport Community Schools. This report is called the [Comprehensive School Improvement Plan](#). The district's five-year CSIP contains the goals listed below.

Goals and actions that support the district CSIP also have been developed by school-community groups at each school in the district. These individual school goals address the different needs of student groups at each school.

#### Davenport Schools Five-Year CSIP Goals

##### Student Achievement Goal:

- Annual: The percentages of 4th-, 8th-, and 11th-grade students scoring in the proficient category on ITBS/ITED (Iowa Tests of Basic Skills/Iowa Tests of Educational Development) in reading, mathematics, and science will increase by 3 percentage points, and the achievement gap for each subgroup will decrease by 7 percentage points.
- Long Range: By 2006, percentages of 4th-, 8th-, and 11th-grade students scoring in the proficient category on ITBS/ITED in reading, mathematics, and science will increase by 10 percentage points, and the achievement gap for each subgroup will decrease by 25 percentage points.

Note: The proficient category on the ITBS/ITED includes students who rank in the top two of three scoring categories: "exceeds expectations" and "meets expectations." The third category, which also represents non-proficiency, is "needs improvement."

##### Early Intervention Goal:

- Annual: Eighty-six percent of third-grade students will read at grade level or above by the end of third grade.
- Long-Range: By 2006, 90% of third-grade students will read at grade level or above by the end of third grade.

### Safe & Drug Free Goal:

- Annual: Student referrals to the office for classroom disruptions and student suspensions for substance abuse (i.e. drugs, alcohol) will decrease by 3 percent.
- Long-Range: By 2006, student referrals to the office for classroom disruptions and student suspensions for substance abuse (i.e. drugs, alcohol) will decrease by 10 percent.

### Career-Employability Goal:

- Annual: All ninth graders will have:
  - Analyzed the results of self assessments.
  - Identified their potential career pathways.
  - Planned educational programs preparing themselves for the career pathways they have identified.
- Long-Range: By 2006, all graduating seniors will have a career plan.

### Progress made during 2003-04 includes:

- Reading
  - 4<sup>th</sup> graders increased their percent proficient by 2.83%.
  - In 8<sup>th</sup> grade, there was an increase of 3.21%.
  - In 11<sup>th</sup> grade, there was an increase of 1.24%.
- Mathematics
  - In 4<sup>th</sup> grade, the percentage of students proficient in mathematics increased and exceeded the district's goal.
  - In 8<sup>th</sup> grade, the percentage of students proficient in math increased by 1%.
  - Despite a decline at 11<sup>th</sup> grade of .46%, close to 2/3 of all students are proficient in mathematics.
- Science
  - Increases in the percentage of student proficient in science were achieved at 4<sup>th</sup> grade (4.61%).
  - Although 8<sup>th</sup> and 11<sup>th</sup> grade had a decrease in proficiency, almost 2/3 of the students in that grade level have tested at the proficient level.

### **Internal Control**

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As a recipient of federal, state and local financial assistance, the District is also responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. As a part of the District's single audit, described earlier, tests are made to determine the adequacy of internal control, including that portion related to federal awards programs, as well as to determine that the District has complied with applicable laws and regulations.

### **Budgetary Controls**

In addition, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the District's governing body. Activities of the General Fund, Special Revenue Funds, Enterprise Fund, Debt Service Fund and Capital Projects Fund are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the budgeted amount) is established by function and encompasses all fund types. To facilitate the monitoring of the legal provisions, and to provide more complete information to interested parties the District prepares a more detailed budget for each fund. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

### **Financial Information**

This is the third year the Davenport Community School District has prepared financial statements following GASB Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". GASB 34 creates new basic financial statements for reporting on the School District's financial activities as follows:

Government-wide financial statements – These statements are prepared on an accrual basis of accounting that is similar to the basis of accounting followed by many businesses. The government-wide statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

Fund financial statements – These statements present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statements of budgetary comparisons – These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a modified accrual basis of receipts, disbursements and encumbrances.

As part of this new reporting model, management is responsible for preparing a Management Discussion and Analysis of the School District. The discussion follows the auditor's opinion, providing an assessment of the School District finances for 2004 and analysis of resources available for the future.

### **Debt Administration**

During fiscal 2004, the District did not issue any bonds. However, debt service payments are being made on \$47.9 million in bonds issued in the past couple of years. These bonds were issued against future proceeds of the local option sales and services tax revenue.

### **Cash Management Policies and Practices**

The District, in its effort to be a good manager of public funds, competitively bids its banking services every three years. The District is currently in an agreement for banking services for the 2002-03 through 2004-05 school years.

To maximize investment return, the District informally bids its investments with all local interested financial institutions and the Iowa Schools Joint Investment Trust. Interest revenue in the general fund was \$100,304, down from \$129,219 earned during the year ended June 30, 2003. This was down in large part to the rate of investment during 2003-04 and the amount of cash available for investments.

### **Risk Management**

The District currently covers property, liability and workers compensation losses with traditional insurance coverage through the Iowa Association of School Board's group plan carried by Employer's Mutual Insurance Company. The District monitors insurance coverage and costs with the assistance of an insurance committee made up of local insurance providers from Ruhl & Ruhl Insurance and Trissel, Graham and Toole.

### **Independent Audit**

The Code of the State of Iowa requires an annual audit of the District to be performed by an accounting firm selected in a competitively bid process. The annual audit meets the requirements of the Code of Iowa, generally accepted auditing standards and the requirements of the 1996 Amendment to the Single Audit Act, and related OMB Circular A-133. The auditor's report on the basic financial statements and combining fund statements is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in a separate section for internal controls and compliance.

### **Certificate of Excellence in Financial Reporting**

The Government Finance Officers Association of the United States and Canada, (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting and the Association of School Business Officials International, (ASBO) awards a Certificate of Excellence in Financial Reporting. The Davenport Community School District received both of these Certificates for its comprehensive annual financial report for the fiscal year ending June 30, 2003. Each Certificate is a prestigious national award, recognizing conformance with the highest standards for preparation of government financial reports.

In order to be eligible to receive the Certificates, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, (CAFR) whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principals and applicable legal requirements.

These Certificates are valid for a period of one year only. The Davenport Community School District received these awards for fiscal year 2003 Comprehensive Annual Financial Report. We believe that our current CAFR conforms to the requirements for both awards and therefore, we are submitting it to the GFOA and ASBO to determine its eligibility for each Certificate.

### **Acknowledgments**

The publication of this report is a major step toward the commitment to professionalism in financial reporting and significantly increases the accountability of the District to the taxpayers. This report would not have been possible without the help of several people. We would like to express our appreciation to all District, City and County employees who assisted in the preparation of this report. A special thank you is extended to Linda Mordhorst, administrative Assistant for countless hours in preparing data, working with City and County employees in gathering years of historical data and reviewing this financial report.

Sincere appreciation is extended to the Board of Directors, where the commitment to excellence begins.

It is with great pride that this year's Comprehensive Annual Financial Report is submitted to the Board of Directors.



Marsha L Tangen, RSBA  
Chief Financial Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Davenport Community  
School District, Iowa

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS**  
**INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

**DAVENPORT COMMUNITY SCHOOL DISTRICT**

For its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2003

Upon recommendation of the Association's Panel of Review which has judged the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

*William F. Hall*  
President

*Barbara W. Miller*  
Executive Director



Consultants • Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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To the Board of Education  
Davenport Community School District  
Davenport, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Davenport Community School District (the "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 the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2004, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 18 through 30 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Davenport Community School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Davenport Community School District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

*Eide Bailly* LLP

Dubuque, Iowa  
October 25, 2004

**Davenport Community School District**  
**Management Discussion and Analysis**  
For the Year Ended June 30, 2004

This section of the Davenport Community School District's Comprehensive Annual Financial Report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2004. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

**Financial Highlights**

- The General Fund June 30, 2004 fund balance improved to \$717,256 from the restated June 30, 2003 fund deficit of \$448,157. The increase was due to budget reductions implemented and an increase in the cash reserve levy.
- The District's tax levy rate increased by \$.13 generating an additional \$300,000 in funding. This was a modest increase compared to 2002-03 when the levy rose by \$1.46.
- The District continues to be successful in receiving local, state and federal grants. In 2004 the District received almost \$12 million, or 9.28% of all general fund revenues.
- Due to declining enrollment, the District only received 1.73% in new funding compared to the state allowable growth amount of 2% for 2003-04.
- The State of Iowa implemented a mid year 2.5% across the board cut in funding for all of Iowa's school Districts. The reduction resulted in \$1,533,487 being cut from State Aid and \$20,660 being cut in the Instructional Support Levy. The cut negated new funding for 2003-04.
- Continuing low interest rates combined with less cash available for investing resulted in interest earnings in the General Fund alone to drop from \$129,219 in fiscal year 2003 to \$100,304 in fiscal year 2004.
- Special education posted a deficit for 2003-04 of (\$1,270,896). This is the second year in a row that special education has ended the year in a deficit. The 2002-03 deficit was (\$503,855).

## Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements (District-wide and fund statements) including notes to the financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The *statement of net assets* and *statement of activities* provide information on a District-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates *like businesses*, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1**

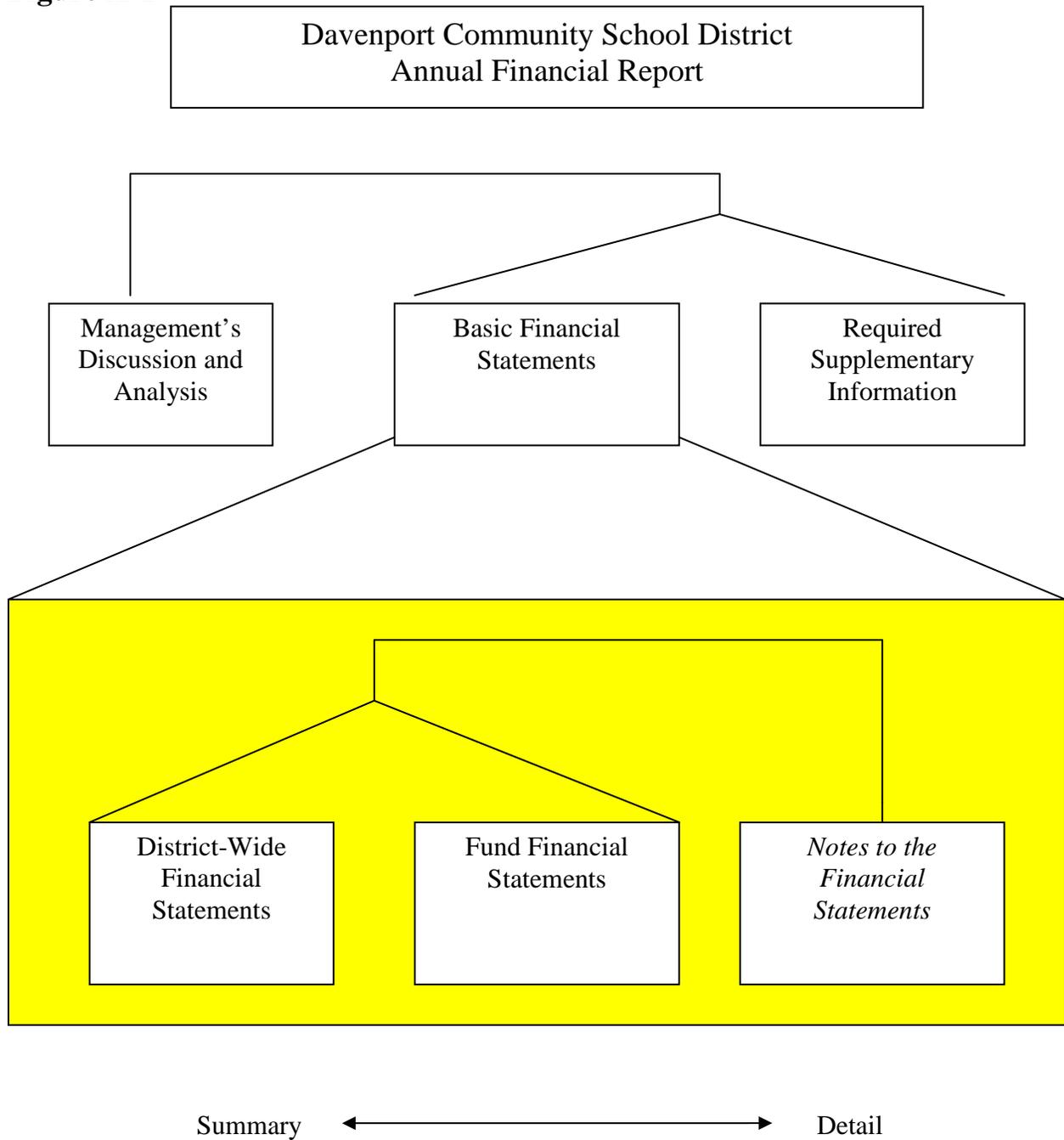


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2: Major Features of the District wide and Fund Financial Statements**

	District-wide Statements	Fund Financial 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 is included here	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses, and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability	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 and payable	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

**District-wide Financial Statements**

The District-wide 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 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 overall financial position. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

- Over time, increases or decreases in the District’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial condition of the District additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities should be considered.

In the District-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 taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District’s food service program and employee day care are 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 repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *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 funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *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 District-wide 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. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one internal service fund, the self insurance fund.

- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these 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.

### Financial Analysis of the District as a Whole

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

**Figure A-3**

*Condensed Statement of Net Assets*

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2003	2004	2003	2004	2003	2004	2003-04
Current and other assets	\$93,189,690	\$97,973,940	\$641,005	\$657,499	\$93,830,695	\$98,631,439	5.1%
Capital assets	\$91,250,675	\$97,893,078	\$901,725	\$803,504	\$92,152,400	\$98,696,582	7.1%
<b>Total Assets</b>	<b>\$184,440,365</b>	<b>\$195,867,018</b>	<b>\$1,542,730</b>	<b>\$1,461,003</b>	<b>\$185,983,095</b>	<b>\$197,328,021</b>	<b>6.1%</b>
Long-term liabilities	\$39,493,315	\$34,270,165	\$0	\$9,779	\$39,493,315	\$34,279,944	-13.2%
Other liabilities	\$79,943,883	\$82,256,131	\$90,495	\$73,327	\$80,034,378	\$82,329,458	2.87%
<b>Total liabilities</b>	<b>\$119,437,198</b>	<b>\$116,526,296</b>	<b>\$90,495</b>	<b>\$83,106</b>	<b>\$119,527,693</b>	<b>\$116,609,402</b>	<b>-2.4%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	\$47,119,649	\$60,388,078	\$901,725	\$803,504	\$48,021,374	\$61,191,582	27.4%
Restricted	\$20,172,162	\$19,813,106	\$15,733	\$0	\$20,187,895	\$19,813,106	-1.9%
Unrestricted	-\$2,288,644	-\$860,462	\$534,777	\$574,393	-\$1,753,867	-\$286,069	-83.7%
<b>TOTAL NET ASSETS</b>	<b>\$65,003,167</b>	<b>\$79,340,722</b>	<b>\$1,452,235</b>	<b>\$1,377,897</b>	<b>\$66,455,402</b>	<b>\$80,718,619</b>	<b>21.5%</b>

The District's combined net assets increased by 21.5% to \$80,718,619. The majority of this improvement in the financial position came from governmental activities, the net assets of which grew \$14,337,555. Unrestricted net assets improved to (\$860,462) up from the 2003 amount of (\$2,288,644). The long term debt outstanding declined by \$5,213,371 as long term debt is paid off. Investments in capital assets (net of related debt) increased by \$13,268,429 as the District continues with an aggressive construction schedule remodeling and renovating school buildings with money from the Local Option Sales Tax Levy.

The net assets of the District's business-type activities decreased by \$74,338. This is reflective of a decline in capital assets. Business type activities did not have the investment in capital assets as in previous years. The decrease is due to depreciation on the capital assets on hand.

**Changes in net assets.** Figure A-4 shows the changes in net assets for the fiscal year 2004.

**Figure A-4**

*Changes in Net Assets from Operating Results*

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2003-04%
	2003	2004	2003	2004	2003	2004	
<b>Revenues</b>							
Program Revenues							
Charges for services	\$ 2,670,054	\$ 3,959,144	\$ 2,713,556	\$ 2,628,887	\$ 5,383,610	\$ 6,588,031	22.37%
Operating Grants & Contributions	\$ 19,359,323	\$ 20,235,392	\$ 3,691,509	\$ 3,974,182	\$ 23,050,832	\$ 24,209,574	5.03%
Capital Grants & Contributions	\$ 377,356	\$ 310,070	\$ -	\$ -	\$ 377,356	\$ 310,070	-17.83%
General Revenues							
Property taxes & other taxes	\$ 62,865,944	\$ 65,121,625	\$ -	\$ -	\$ 62,865,944	\$ 65,121,625	3.59%
State formula aid	\$ 59,924,250	\$ 60,904,421	\$ -	\$ -	\$ 59,924,250	\$ 60,904,421	1.64%
Other	\$ 2,816,900	\$ 1,024,079	\$ 12,301	\$ 5,165	\$ 2,829,201	\$ 1,029,244	-63.62%
<b>Total Revenues</b>	<b>\$ 148,013,827</b>	<b>\$ 151,554,731</b>	<b>\$ 6,417,366</b>	<b>\$ 6,608,234</b>	<b>\$ 154,431,193</b>	<b>\$ 158,162,965</b>	<b>2.42%</b>
<b>Expenses</b>							
Instruction	\$ 93,629,997	\$ 96,345,329	\$ -	\$ -	\$ 93,629,997	\$ 96,345,329	2.90%
Pupil & Instructional Svcs	\$ 5,995,530	\$ 6,567,497	\$ -	\$ -	\$ 5,995,530	\$ 6,567,497	9.54%
Administrative & Business	\$ 12,348,538	\$ 11,722,229	\$ -	\$ -	\$ 12,348,538	\$ 11,722,229	-5.07%
Maintenance & Operations	\$ 10,073,762	\$ 10,316,051	\$ -	\$ -	\$ 10,073,762	\$ 10,316,051	2.41%
Transportation	\$ 3,568,003	\$ 3,754,103	\$ -	\$ -	\$ 3,568,003	\$ 3,754,103	5.22%
Other	\$ 9,387,875	\$ 8,570,329	\$ 6,327,805	\$ 6,682,572	\$ 15,715,680	\$ 15,252,901	-2.94%
<b>Total Expenses</b>	<b>\$ 135,003,705</b>	<b>\$ 137,275,538</b>	<b>\$ 6,327,805</b>	<b>\$ 6,682,572</b>	<b>\$ 141,331,510</b>	<b>\$ 143,958,110</b>	<b>1.86%</b>
Excess (deficiency) before special item	\$ 13,010,122	\$ 14,279,193	\$ 89,561	\$ (74,338)	\$ 13,099,683	\$ 14,204,855	8.44%
Special item	\$ 102,478	\$ 147,889	\$ -	\$ -	\$ 102,478	\$ 147,889	44.31%
<b>Increase (decrease) in net assets</b>	<b>\$ 13,112,600</b>	<b>\$ 14,427,082</b>	<b>\$ 89,561</b>	<b>\$ (74,338)</b>	<b>\$ 13,202,161</b>	<b>\$ 14,352,744</b>	<b>8.72%</b>

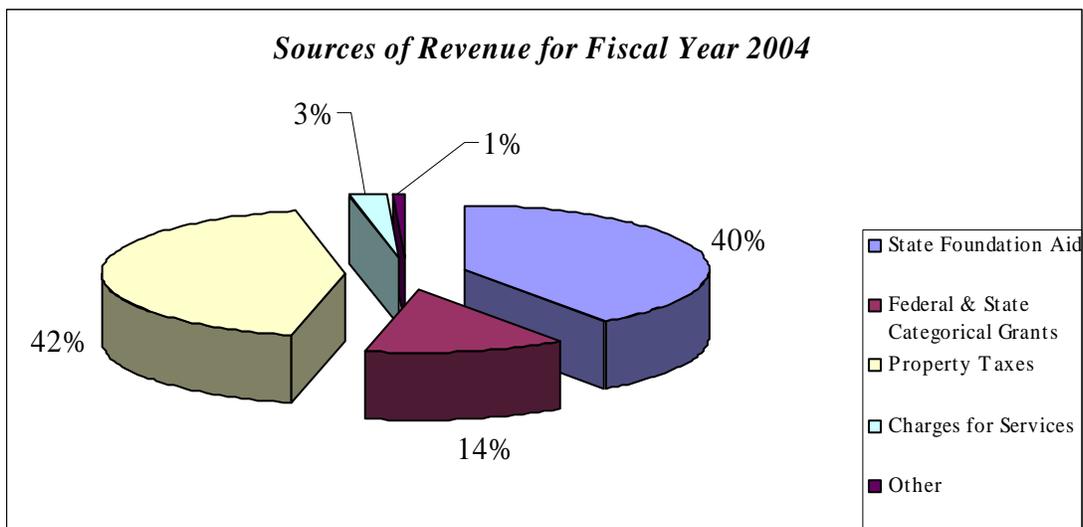
Overall, net assets increased by a modest 8.72% over 2002-03. As shown in Figure A-4, property tax and state aid provide 83.16% of the funding required for governmental programs while charges for services and operating grants make up 99.99% of the funding for business-type activities. Figure A-5 shows the near even split of funding received from property tax and state aid for governmental activities.

Revenues for governmental activities increased by only 2.39%. State aid was up only 1.64% despite allowable growth being set at 2% for 2003-04. This is a direct result of the mid year reduction in state aid. The “other” category is down by 63.65%. This is attributable to the reduction in Phase monies being allocated in 2003-04. Revenues were down by \$924,000 in this allocation. The District also experienced approximately \$200,000 less in revenues for open enrollment students. The remaining difference in the “other” category is a result of revenues being reclassified as “charges for services” in the 2004 fiscal year.

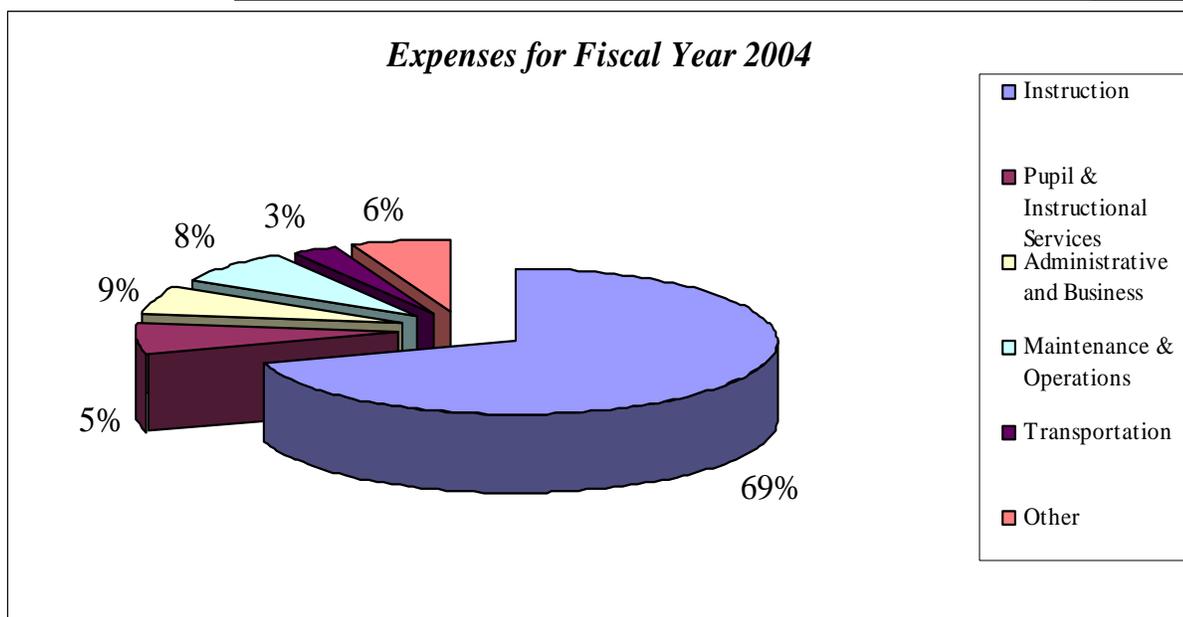
The District's predominant expenses are related to instruction, as can be seen in Figure A-6. Basic Instructional services together with Pupil & Instructional services comprise 74.97% of the governmental activities expenditures. Overall, District expenses were up only 1.8% from 2002-03 in governmental activities.

Business type activities experienced a decrease of \$74,338 in net assets for 2003-04. Total revenues increased only \$190,868 or 2.97% while expenses increased by \$354,767 or 5.61%. Both the Food & Nutrition Fund and Day Care Fund are experiencing expenses greater than the revenue being generated. Food and Nutrition revenues remain stagnant as the percentage of free and reduced children served remains constant. The Day Care Fund is experiencing lower revenues as enrollment declines. Food & Nutrition saw a decrease in net assets of \$61,735 and Employee Day Care a decrease of \$12,603.

**Figure A-5**



**Figure A-6**



## Governmental Activities

Revenues for governmental activities were \$151,554,731 while total expenses amounted to \$137,275,538 (Figure A-4).

- The federal and state governments subsidized certain programs with grants and contributions of over \$20 million.
- This portion of governmental activities was financed with \$65,121,625 in property taxes and \$60,904,421 of unrestricted state aid based on the statewide finance formula.
- Charges for services account for only 2.61% of all governmental revenues.

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

**Figure A-7**

### *Net Cost of Governmental Activities*

	Total Cost of Services		Percentage Change 2003-04	Net Cost of Services		Percentage Change 2003-04
	2003	2004		2003	2004	
Instruction	\$ 93,629,997	\$ 96,345,329	2.90%	\$ 78,522,993	\$ 78,103,680	-0.53%
Pupil & Instructional Svcs	\$ 5,995,530	\$ 6,567,497	9.54%	\$ 4,548,667	\$ 5,650,700	24.23%
Administrative & Business	\$ 12,348,538	\$ 11,722,229	-5.07%	\$ 12,172,866	\$ 11,429,211	-6.11%
Maintenance & Operations	\$ 10,073,762	\$ 10,316,051	2.41%	\$ 10,040,434	\$ 10,308,713	2.67%
Transportation	\$ 3,568,003	\$ 3,754,103	5.22%	\$ 3,562,832	\$ 3,680,325	3.30%
Other	\$ 9,387,875	\$ 8,570,329	-8.71%	\$ 3,749,180	\$ 3,598,303	-4.02%
<b>TOTAL</b>	<b>\$ 135,003,705</b>	<b>\$ 137,275,538</b>	<b>1.68%</b>	<b>\$ 112,596,972</b>	<b>\$ 112,770,932</b>	<b>0.15%</b>

- The cost of all governmental activities this year was \$137,275,538, up only 1.68% from 2002-03.
- Most of the District's costs of \$112,770,932 were financed by District and state taxpayers.

## Business-Type Activities

Revenues of the District's business-type activities (food and nutrition services and the employee day care) were comprised of charges for services, federal and state reimbursements and investment earnings. (See Figure A-4).

- Business-type activities expenses exceeded revenues by \$74,338 for 2003-04. In 2002-03 revenues exceeded expenses by \$89,561.
- Charges for services in the Food & Nutrition Fund represent 37.05% of total revenue. This compares to 38.85% for 2002-03. This represents the amount paid for students/staff for daily food service. In the Day Care Fund, charges for services are 90.04% of total revenue. During 2002-03 this percentage was 99.79%.
- Federal and state reimbursement for meals, including payments for free and reduced lunches, was \$3,940,457. This reflects an increase of \$248,948 over last year. This is reflective of the District's population of "free and reduced" students, which is typically over 50% of the total.

### Financial Analysis of the District's Funds

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

**Governmental funds.** The focus of the Davenport Community School District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Davenport Schools financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Davenport Schools governmental funds reported combined ending fund balances of \$20,530,362, an increase of \$811,984 in comparison with the prior year. A little over 15% of this amount constitutes *unreserved fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$11,735,419), 2) to pay for Phase III and Talented & Gifted programs (\$516,982), 3) for student activities (\$704,490), and 4) encumbrances (\$4,451,585).

The general fund is the chief operating fund of the Davenport Schools. At the end of the current fiscal year, unreserved fund balance of the general fund was \$200,274 while total fund balance increased to \$717,256.

The fund balance of the Davenport Schools general fund improved by \$1,165,413 during the current fiscal year. Key factors in this improvement are as follows:

- Concentrated effort to become energy conscious resulting in estimated savings of over \$200,000 in utility costs
- Budget freezes of 10% - 25% in site and discretionary budgets resulting in over \$500,000 in savings
- Levying of cash reserve to generate additional funding

The improvement in the fund balance resulted in spite of the fact that the District was handed a 2.5% reduction in state aid for 2003-04 and experienced an additional \$700,000 in special education expenses.

The capital projects fund has a total fund balance of \$15,624,046 of which \$4,451,585 is reserved for encumbrances and \$11,265,260 is reserved for debt service payments. The District previously sold revenue bonds, the proceeds of which made up the majority of the fund balance last year. Construction during 2003-04 slowed down compared to previous years as planned construction projects were coming to completion. At year end, the District only had \$1,730,735 in construction contracts payable.

### **Budgetary Highlights**

The District adopts a budget in April for the following year and at the same time considers and approves a budget amendment for expenditures for the current year. The District modified its original budget for 2003-04 to reflect:

- \$5,164,555 in additional capital projects

The district adopted a more aggressive construction schedule of 2003-04 than originally planned which required the budget amendment. In the general fund, Instructional Staff Support Services was under budget by \$1,475,505 while Instruction was over budget by \$957,166 and Student Support Services was over budget by \$450,204. The main reason for the discrepancies in budget to actual was a reclassification of expenditures from Instructional Staff Support Services to Instruction and Student Support Services. The other major area of budget variance was in the area of Building Administration. This functional area was under budget by \$701,966. This can be attributed to a budget freeze going into place mid year due to a cut back in funding.

A statement showing the original and final budget amounts of the general fund compared to actual financial activity is provided in this report.

## **Capital Asset and Debt Administration**

### **Capital Assets**

The Davenport Schools investment in capital assets for its governmental and business type activities as of June 30, 2004 amounts to \$98,696,582 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and furniture, and construction in progress. The total increase in the Davenport School's investment in capital assets for the current fiscal year was 7.1%.

**Figure A-8**

<i>Capital Assets (net of depreciation)</i>								
	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2003-04	
	2003	2004	2003	2004	2003	2004		
Land and improvements	\$ 6,673,616	\$ 6,697,271	\$ -	\$ -	\$ 6,673,616	\$ 6,697,271	0.4%	
Construction in progress	\$ 37,606,580	\$ 5,099,661	\$ -	\$ -	\$ 37,606,580	\$ 5,099,661	-86.4%	
Buildings and improvements	\$ 45,882,109	\$ 85,144,901	\$ -	\$ -	\$ 45,882,109	\$ 85,144,901	85.6%	
Equipment & Furniture	\$ 1,088,370	\$ 951,245	\$ 901,725	\$ 803,504	\$ 1,990,095	\$ 1,754,749	-11.8%	
<b>TOTAL</b>	<b>\$ 91,250,675</b>	<b>\$ 97,893,078</b>	<b>\$ 901,725</b>	<b>\$ 803,504</b>	<b>\$ 92,152,400</b>	<b>\$ 98,696,582</b>	<b>7.1%</b>	

The difference between 2002-03 and 2003-04 is the completion of several construction projects. The amount of Construction in Progress decreased by \$32,506,919 as Buildings and Improvements increased by \$39,262,792. The numbers of projects under construction decreased dramatically from previous years as many projects were coming to completion as identified in the initial project list from Local Option Sales Tax funding.

Construction in progress activities include:

- Addition at Children’s Village at Hoover
- Renovation at Jefferson Elementary
- Renovation at Madison Elementary
- Renovation at Monroe Elementary
- Renovation and classroom addition at Harrison Elementary

**Long-Term Debt**

At year-end, the District had no general obligation bonds outstanding. The District has not had general obligation bond debt since 1990-91. The District has sold \$47.9 million in sales tax revenue bonds in the past three years to help finance facilities construction and improvements throughout the District.

More detailed information on the District’s capital assets and long term debt can be found in the notes to the financial statements.

**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:

- All bargaining unit contracts are one year contracts, and open for renegotiation for next year. Salary and benefits represent 80.8% of general fund expenditures. Salary and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact upon the District’s General Fund budget. As of June 30, 2004 the District still had not settled the para educators bargaining contract for 2004-05.

- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education. Future increases in state aid to schools, (allowable growth) will be predicated upon the condition of the national economy. State funding growth for public schools for fiscal year 2003, previously set during the 2001 legislative session at 4% was subsequently reduced to 1% during the 2002 legislative session. The allowable growth for 2004 was set at 2%, and subsequently reduced during the 2003-04 school year. Unreliability in allowable growth and the instability of funding leaves Districts vulnerable to unexpected change and the inability to adjust budgets once the school year has begun.
- District enrollment is projected to continue declining. Under Iowa's school funding formula, District funding is highly dependent upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- The special education deficit increased by over \$700,000 in 2003-04. Further or increased deficits will negatively impact the overall fund balance.
- Changes in the delivery of the fine arts program together with the continued implementation of district class size guidelines is projected to increase staff for the 2004-05 school year. Staff increases in light of declining enrollment need to be monitored to control the impact on the budget.
- West High School is considering implementing block scheduling and the Board of Directors will be considering increasing credits required for graduation for all high schools. It is yet to be determined what if any impact these changes may have on the budget.
- The District is without a permanent superintendent at the beginning of the 2004-05 school year. An interim superintendent has been in place until a permanent superintendent is hired. Leadership of the District is key to the financial health and direction of the District. The transition period will be key to providing stability.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Marsha Tangen, Chief Financial Officer, Davenport Community School District, 1606 Brady Street, Davenport, Iowa 52803.

DAVENPORT  
COMMUNITY  
SCHOOLS



# *Basic Financial Statements*

DAVENPORT  
COMMUNITY  
SCHOOLS



**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2004**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 39,181,156	\$ 755,253	\$ 39,936,409
Receivables:			
Property taxes	52,174,518	-	52,174,518
Other	130,184	31,804	161,988
Due from other governmental units	5,957,293	65,242	6,022,535
Internal balances	358,971	(358,971)	-
Inventories	171,818	164,171	335,989
Total current assets	<u>97,973,940</u>	<u>657,499</u>	<u>98,631,439</u>
<b>NONCURRENT ASSETS</b>			
Capital assets, not being depreciated	8,919,919	-	8,919,919
Capital assets, being depreciated	131,562,094	1,708,158	133,270,252
Less: Accumulated depreciation	<u>(42,588,935)</u>	<u>(904,654)</u>	<u>(43,493,589)</u>
Total noncurrent assets	<u>97,893,078</u>	<u>803,504</u>	<u>98,696,582</u>
 Total assets	 <u>195,867,018</u>	 <u>1,461,003</u>	 <u>197,328,021</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	2,941,238	33,506	2,974,744
Accrued payroll and payroll taxes	16,564,387	34,924	16,599,311
Health claims and administrative costs payable	1,972,939	-	1,972,939
Compensated absences	417,402	2,628	420,030
Construction contracts payable	1,730,735	-	1,730,735
Deferred revenue	51,301,825	-	51,301,825
Accrued interest	885,260	-	885,260
Early retirement obligations	852,345	2,269	854,614
Bond obligations	5,590,000	-	5,590,000
Total current liabilities	<u>82,256,131</u>	<u>73,327</u>	<u>82,329,458</u>
<b>NONCURRENT LIABILITIES</b>			
Early retirement obligations	2,355,165	9,779	2,364,944
Bond obligations	31,915,000	-	31,915,000
Total noncurrent liabilities	<u>34,270,165</u>	<u>9,779</u>	<u>34,279,944</u>
 Total liabilities	 <u>116,526,296</u>	 <u>83,106</u>	 <u>116,609,402</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	60,388,078	803,504	61,191,582
Restricted for:			
Debt service	11,735,419	-	11,735,419
Capital projects	4,358,786	-	4,358,786
Other activities	3,718,901	-	3,718,901
Unrestricted	<u>(860,462)</u>	<u>574,393</u>	<u>(286,069)</u>
 Total net assets	 <u>\$ 79,340,722</u>	 <u>\$ 1,377,897</u>	 <u>\$ 80,718,619</u>

See notes to financial statements.

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>			
Instruction	\$ 96,345,329	\$ 3,959,144	\$ 13,972,435
Student support services	3,626,534	-	608,135
Instructional staff support services	2,940,963	-	308,662
General administration	2,535,403	-	293,018
Building administration	8,125,994	-	-
Business administration	1,060,832	-	-
Plant operation and maintenance	10,316,051	-	7,338
Student transportation	3,754,103	-	73,778
Central support services	1,736,469	-	-
Community services	42,652	-	43,012
Noninstructional Programs	1,893	-	1,893
Area Education Agency	4,911,280	-	4,911,280
Other expenditures	106,316	-	15,841
Interest on long-term debt	1,771,719	-	-
Total governmental activities	<u>137,275,538</u>	<u>3,959,144</u>	<u>20,235,392</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Food services	6,329,378	2,322,193	3,940,457
Day care	353,194	306,694	33,725
Total business-type activities	<u>6,682,572</u>	<u>2,628,887</u>	<u>3,974,182</u>
Total school district	<u>\$ 143,958,110</u>	<u>\$ 6,588,031</u>	<u>\$ 24,209,574</u>

**GENERAL REVENUES**

Property taxes, levied for general purposes  
Other taxes  
Unrestricted state aid and grants  
Interest and investment earnings  
Miscellaneous  
Total general revenues

**SPECIAL ITEM**

Gain on sale of school property

**TOTAL GENERAL REVENUE AND SPECIAL ITEMS**

**CHANGE IN NET ASSETS**

**NET ASSETS, BEGINNING OF THE YEAR,  
AS RESTATED**

**NET ASSETS, END OF THE YEAR**

See notes to financial statements.

Net (Expenses) Revenue and Changes in Net Assets			
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 310,070	\$ (78,103,680)	\$ -	\$ (78,103,680)
-	(3,018,399)	-	(3,018,399)
-	(2,632,301)	-	(2,632,301)
-	(2,242,385)	-	(2,242,385)
-	(8,125,994)	-	(8,125,994)
-	(1,060,832)	-	(1,060,832)
-	(10,308,713)	-	(10,308,713)
-	(3,680,325)	-	(3,680,325)
-	(1,736,469)	-	(1,736,469)
-	360	-	360
-	-	-	-
-	-	-	-
-	(90,475)	-	(90,475)
-	(1,771,719)	-	(1,771,719)
<u>310,070</u>	<u>(112,770,932)</u>	<u>-</u>	<u>(112,770,932)</u>
-	-	(66,728)	(66,728)
-	-	(12,775)	(12,775)
-	-	(79,503)	(79,503)
<u>\$ 310,070</u>	<u>(112,770,932)</u>	<u>(79,503)</u>	<u>(112,850,435)</u>
	51,609,343	-	51,609,343
	13,512,282	-	13,512,282
	60,904,421	-	60,904,421
	254,285	5,165	259,450
	769,794	-	769,794
	<u>127,050,125</u>	<u>5,165</u>	<u>127,055,290</u>
	<u>147,889</u>	<u>-</u>	<u>147,889</u>
	<u>127,198,014</u>	<u>5,165</u>	<u>127,203,179</u>
	14,427,082	(74,338)	14,352,744
	<u>64,913,640</u>	<u>1,452,235</u>	<u>66,365,875</u>
	<u>\$ 79,340,722</u>	<u>\$ 1,377,897</u>	<u>\$ 80,718,619</u>

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2004**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 15,915,416	\$ 15,265,309	\$ 4,674,944	\$ 35,855,669
Receivables:				
Property taxes	44,599,367	-	7,575,151	52,174,518
Other	105,996	147	24,041	130,184
Due from other governmental units	3,858,785	2,083,778	14,730	5,957,293
Due from other funds	513,862	12,568	14,573	541,003
Inventories	171,818	-	-	171,818
	<u>65,165,244</u>	<u>17,361,802</u>	<u>12,303,439</u>	<u>94,830,485</u>
Total assets	<u>\$ 65,165,244</u>	<u>\$ 17,361,802</u>	<u>\$ 12,303,439</u>	<u>\$ 94,830,485</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 2,447,460	\$ -	\$ 493,778	\$ 2,941,238
Accrued payroll and payroll taxes	16,562,618	625	1,144	16,564,387
Due to other funds	21,391	6,396	154,245	182,032
Construction contracts payable	-	1,730,735	-	1,730,735
Deferred revenue	45,416,519	-	7,465,212	52,881,731
	<u>64,447,988</u>	<u>1,737,756</u>	<u>8,114,379</u>	<u>74,300,123</u>
Total liabilities	<u>64,447,988</u>	<u>1,737,756</u>	<u>8,114,379</u>	<u>74,300,123</u>
<b>FUND BALANCES</b>				
Reserved for:				
Debt service	-	11,265,260	470,159	11,735,419
Phase III, SIT & TAG	516,982	-	-	516,982
Student activities	-	-	704,490	704,490
Encumbrances	-	4,451,585	-	4,451,585
Unreserved, undesignated, reported in				
General fund	200,274	-	-	200,274
Special revenue funds	-	-	3,014,411	3,014,411
Capital projects fund	-	(92,799)	-	(92,799)
	<u>717,256</u>	<u>15,624,046</u>	<u>4,189,060</u>	<u>20,530,362</u>
Total fund balances	<u>717,256</u>	<u>15,624,046</u>	<u>4,189,060</u>	<u>20,530,362</u>
	<u>\$ 65,165,244</u>	<u>\$ 17,361,802</u>	<u>\$ 12,303,439</u>	<u>\$ 94,830,485</u>
Total liabilities and fund balances	<u>\$ 65,165,244</u>	<u>\$ 17,361,802</u>	<u>\$ 12,303,439</u>	<u>\$ 94,830,485</u>

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

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

Total fund balance – governmental funds		\$ 20,530,362
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 140,482,013	
Accumulated depreciation is	<u>(42,588,935)</u>	97,893,078
Property taxes and other receivables not collected within 60 days of year-end are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		
		1,579,906
An internal service fund is used by the District's management to charge the costs of the self-insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		
		1,352,548
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds payable	(37,505,000)	
Accrued interest on the bonds	(885,260)	
Compensated absences (vacations)	(417,402)	
Early retirement obligations	<u>(3,207,510)</u>	<u>(42,015,172)</u>
Total net assets – governmental activities		<u>\$ 79,340,722</u>

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

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 44,359,747	\$ -	\$ 6,951,743	\$ 51,311,490
Local option sales tax, pledged as security for revenue bonds	-	13,512,282	-	13,512,282
Intergovernmental	80,210,121	-	143,989	80,354,110
Charges for services	2,455,095	-	-	2,455,095
Interest	100,304	116,603	37,378	254,285
Contributions and donations	16,426	170,000	-	186,426
Other	753,000	-	1,507,809	2,260,809
Total revenues	<u>127,894,693</u>	<u>13,798,885</u>	<u>8,640,919</u>	<u>150,334,497</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	91,824,761	-	2,124,799	93,949,560
Student support services	3,579,862	-	46,672	3,626,534
Instructional staff support services	2,908,406	-	18,242	2,926,648
General administration	1,014,250	-	1,507,716	2,521,966
Building administration	8,089,746	-	31,324	8,121,070
Business administration	1,060,832	-	-	1,060,832
Plant operation and maintenance	7,720,037	-	1,673,354	9,393,391
Student transportation	3,746,825	-	-	3,746,825
Central support services	1,735,386	-	-	1,735,386
Community services	42,652	-	-	42,652
Other support services	106,316	-	-	106,316
Noninstructional Programs	1,893	-	-	1,893
Area Education Agency	4,911,280	-	-	4,911,280
Capital outlay	-	6,865,093	3,560,814	10,425,907
Debt service:				
Principal	-	-	5,230,000	5,230,000
Interest	-	-	1,885,142	1,885,142
Total expenditures	<u>126,742,246</u>	<u>6,865,093</u>	<u>16,078,063</u>	<u>149,685,402</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,152,447</u>	<u>6,933,792</u>	<u>(7,437,144)</u>	<u>649,095</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	12,966	-	885,260	898,226
Transfers out	-	(885,260)	(12,966)	(898,226)
Total other financing sources (uses)	<u>12,966</u>	<u>(885,260)</u>	<u>872,294</u>	<u>-</u>
<b>SPECIAL ITEM</b>				
Proceeds from sale of school property	-	-	162,889	162,889
<b>NET CHANGE IN FUND BALANCES</b>	1,165,413	6,048,532	(6,401,961)	811,984
<b>FUND BALANCES (DEFICIT), BEGINNING, AS RESTATED</b>	<u>(448,157)</u>	<u>9,575,514</u>	<u>10,591,021</u>	<u>19,718,378</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 717,256</u>	<u>\$ 15,624,046</u>	<u>\$ 4,189,060</u>	<u>\$ 20,530,362</u>

See notes to financial statements.

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

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Total net change in fund balances – governmental funds \$ 811,984

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, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlay exceeds depreciation in the period.

Depreciation expense	\$ (2,885,443)	
Total capital outlay expenditures	10,425,907	
Less capital outlay expenditures (not capitalized)	(905,751)	
Capital expenditures included in other functions	<u>22,691</u>	6,657,404

Because some property taxes and other receivables will not be collected for several months after the District’s fiscal year ends, they are not considered as “available” revenues in the governmental funds, and they are instead counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.

1,220,294

In the statement of activities, only the gain on the sale of the unimproved land is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the book value of the asset being deleted.

(15,000)

In the statement of activities, certain operating expenses – compensated absences (vacation) and special termination benefits (early retirement) – are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid \$605,761 were less than the amounts earned \$1,219,195 by \$613,434. Vacation used \$443,922 was more than the amounts earned \$417,402 by \$26,520.

(586,914)

(continued)

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

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Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. The bond repayments were \$5,230,000.	\$ 5,230,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The accrued interest payable decreased by \$113,423.	113,423
An internal service fund is used by the District's management to charge the costs of the self-insurance program to the individual funds. The net revenue of the internal service fund is reported with governmental activities.	<u>995,891</u>
Change in net assets of governmental activities	<u>\$ 14,427,082</u>

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 44,307,063	\$ 44,307,063	\$ 44,359,747	\$ 52,684
Intergovernmental	83,986,794	83,986,794	80,210,121	(3,776,673)
Charges for services	1,536,000	1,536,000	2,455,095	919,095
Interest	80,000	80,000	100,304	20,304
Other	1,895,000	1,895,000	769,426	(1,125,574)
Total revenues	<u>131,804,857</u>	<u>131,804,857</u>	<u>127,894,693</u>	<u>(3,910,164)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	90,867,595	90,867,595	91,824,761	(957,166)
Student support services	3,129,658	3,129,658	3,579,862	(450,204)
Instructional staff support services	4,383,911	4,383,911	2,908,406	1,475,505
General administration	1,493,158	1,493,158	1,014,250	478,908
Building administration	8,791,712	8,791,712	8,089,746	701,966
Business administration	1,027,292	1,027,292	1,060,832	(33,540)
Plant operation and maintenance	8,039,160	8,039,160	7,720,037	319,123
Student transportation	3,602,932	3,602,932	3,746,825	(143,893)
Central support services	1,636,500	1,636,500	1,841,702	(205,202)
Community services	83,617	83,617	44,545	39,072
Area Education Agency	5,264,153	4,911,280	4,911,280	-
Total expenditures	<u>128,319,688</u>	<u>127,966,815</u>	<u>126,742,246</u>	<u>1,224,569</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>3,485,169</b>	<b>3,838,042</b>	<b>1,152,447</b>	<b>(2,685,595)</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	12,966	12,966
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,485,169</b>	<b>3,838,042</b>	<b>1,165,413</b>	<b>(2,672,629)</b>
<b>FUND BALANCE (DEFICIT), BEGINNING, AS RESTATED</b>	<b>(448,157)</b>	<b>(448,157)</b>	<b>(448,157)</b>	<b>-</b>
<b>FUND BALANCE (DEFICIT), ENDING</b>	<b>\$ 3,037,012</b>	<b>\$ 3,389,885</b>	<b>\$ 717,256</b>	<b>\$ (2,672,629)</b>

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

	Business-type Activities Enterprise Funds			Governmental Activities
	School Nutrition Fund	Day Care Fund	Total	Internal Service Fund
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and investments	\$ 754,684	\$ 569	\$ 755,253	\$ 3,325,487
Other receivables	7	31,797	31,804	-
Due from other governmental units	64,561	681	65,242	-
Due from other funds	642	4	646	-
Inventories	164,171	-	164,171	-
Total current assets	984,065	33,051	1,017,116	3,325,487
<b>NONCURRENT ASSETS</b>				
Capital assets (net of accumulated depreciation)	800,081	3,423	803,504	-
Total assets	1,784,146	36,474	1,820,620	3,325,487
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	30,225	3,281	33,506	1,972,939
Accrued payroll and payroll taxes	26,875	8,049	34,924	-
Compensated absences	523	2,105	2,628	-
Due to other funds	346,093	13,524	359,617	-
Early retirement obligations	2,269	-	2,269	-
Total liabilities	405,985	26,959	432,944	1,972,939
<b>NONCURRENT LIABILITIES</b>				
Early retirement obligations	9,779	-	9,779	-
<b>NET ASSETS</b>				
Invested in capital assets	800,081	3,423	803,504	-
Unrestricted	568,301	6,092	574,393	1,352,548
Total net assets	\$ 1,368,382	\$ 9,515	\$ 1,377,897	\$ 1,352,548

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	Business-type Activities Enterprise Funds			Governmental Activities
	School	Day Care	Total	Internal Service Fund
	Nutrition Fund	Fund		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,322,193	\$ 306,694	\$ 2,628,887	\$ 14,897,856
<b>OPERATING EXPENSES</b>				
Salaries and benefits	2,784,400	311,847	3,096,247	-
Facility rent	-	22,200	22,200	-
Purchased services	147,317	1,496	148,813	-
Supplies	2,854,259	13,343	2,867,602	-
Other operating costs	415,210	540	415,750	-
Depreciation	128,192	424	128,616	-
Health care	-	-	-	13,901,965
Total operating expenses	6,329,378	349,850	6,679,228	13,901,965
<b>OPERATING INCOME (LOSS)</b>	(4,007,185)	(43,156)	(4,050,341)	995,891
<b>NONOPERATING REVENUES</b>				
Interest income	4,993	172	5,165	-
Intergovernmental	3,940,457	6,979	3,947,436	-
Other nonoperating revenue	-	23,402	23,402	-
Total nonoperating revenues	3,945,450	30,553	3,976,003	-
<b>CHANGE IN NET ASSETS</b>	(61,735)	(12,603)	(74,338)	995,891
<b>TOTAL NET ASSETS, BEGINNING</b>	1,430,117	22,118	1,452,235	356,657
<b>TOTAL NET ASSETS, ENDING</b>	\$ 1,368,382	\$ 9,515	\$ 1,377,897	\$ 1,352,548

DAVENPORT  
COMMUNITY  
SCHOOLS



**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	Business-type Activities			Governmental Activities
	Enterprise Funds			
	School Nutrition Fund	Day Care Fund	Total	
			Internal Service Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from user charges	\$ 2,322,750	\$ 303,462	\$ 2,626,212	\$ -
Cash received from assessments made to other funds	-	-	-	14,908,851
Cash payments to employees for services	(2,771,473)	(309,020)	(3,080,493)	-
Cash payments for insurance claims	-	-	-	(13,779,458)
Cash payments to suppliers for goods and services	(2,941,135)	(37,217)	(2,978,352)	-
Cash payments to affiliate	-	(15,000)	(15,000)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(3,389,858)</b>	<b>(57,775)</b>	<b>(3,447,633)</b>	<b>1,129,393</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Proceeds (repayment) of interfund balances	15,719	(197)	15,522	-
Grants received	3,482,980	6,298	3,489,278	-
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>3,498,699</b>	<b>6,101</b>	<b>3,504,800</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(30,395)	-	(30,395)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	4,993	216	5,209	-
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<b>83,439</b>	<b>(51,458)</b>	<b>31,981</b>	<b>1,129,393</b>
<b>CASH AND INVESTMENTS, BEGINNING</b>	<b>671,245</b>	<b>52,027</b>	<b>723,272</b>	<b>2,196,094</b>
<b>CASH AND INVESTMENTS, ENDING</b>	<b>\$ 754,684</b>	<b>\$ 569</b>	<b>\$ 755,253</b>	<b>\$ 3,325,487</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (4,007,185)	\$ (43,156)	\$ (4,050,341)	\$ 995,891
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	128,192	424	128,616	-
Cash payments to affiliate	-	(15,000)	(15,000)	-
Commodities used	453,328	-	453,328	-
Changes in assets and liabilities:				
Receivables	557	(3,232)	(2,675)	10,995
Inventories	19,483	-	19,483	-
Accrued liabilities	15,767	3,189	18,956	122,507
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (3,389,858)</b>	<b>\$ (57,775)</b>	<b>\$ (3,447,633)</b>	<b>\$ 1,129,393</b>
<b>NONCASH NONCAPITAL FINANCING ACTIVITIES</b>				
During the year the District received \$453,328 of food commodities from the US Department of Agriculture.				

See notes to financial statements.

DAVENPORT  
COMMUNITY  
SCHOOLS



**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**JUNE 30, 2004**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ <u>87,737</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 1,485
Due to activity groups	<u>86,252</u>
 Total liabilities	 \$ <u>87,737</u>

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Davenport Community School District (the “District”) is a political subdivision of the State of Iowa and operates public schools for children in grades pre-school through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include vocational and recreational courses. The geographic area served includes the cities of Davenport, Blue Grass, Walcott, and Buffalo, Iowa, and portions of the agricultural territory in Scott and Muscatine Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District is composed of three high schools, six intermediate schools, nineteen elementary schools, and various off-campus alternative education programs. Student enrollment (pre-school through high school) for the 2003-2004 school year was approximately 16,400 regular and special education students. The District employs approximately 2,300 individuals.

*Reporting Entity*

For financial reporting purposes, the Davenport Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (“GASB”) has set forth criteria to be considered in determining financial accountability. These criteria are: a) 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; and b) fiscal dependency. The District has no component units which meet the GASB criteria.

*Measurement Focus and Basis of Accounting*

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The District has the following fund types:

**Governmental funds** are used to account for the District’s general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means that the amount of the transaction can be determined and “available” means collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year-end.

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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Property taxes, sales taxes, and service charges are susceptible to accrual. Other taxes collected and being held by the state or other levying authority at year-end on behalf of the District are recognized as revenue. Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

Intergovernmental revenues are recognized at the time of receipt or earlier if the susceptible to accrual criteria are met.

Expenditures are recorded when the related fund liability is incurred, except for certain long-term obligations including debt service principal and interest, compensated absences, and claims and judgments. Expenditures related to such liabilities are only recognized under modified accrual accounting when they mature (when due).

GASB statement number 34 sets forth the minimum criteria for the determination of major funds. If a fund's assets, liabilities, revenues, or expenditures/expenses are at least ten percent of those of its fund type and at least five percent of those of both governmental and proprietary fund types, then it must be a major fund. The District also elects to report certain funds as major funds that did not meet the percentage test, but are of a special interest to the Board of Education and the Community.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for acquisition of fixed assets or construction of major capital projects not being financed by proprietary or fiduciary funds.

Additionally, the District reports the following governmental fund types:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including revenues restricted for general fund activities, debt service expenditures, or capital projects) and are not fiduciary. These revenue sources include student activity groups and the management and physical plant and equipment property tax levies.

The *Debt Service Fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

**Proprietary funds** are accounted for using the flow of economic resources measurement focus and the full accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized at the time the liabilities are incurred. The District applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements.

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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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 from the District's proprietary funds are charges to customers for sales and services and operating grants. Operating expenses for the proprietary funds include cost of personal services, contractual services, operating supplies, self insurance claims, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports the following major proprietary funds:

The *School Nutrition Fund* accounts for the activities of the District's school lunch, breakfast, and summer food programs.

The *Day Care Fund* accounts for the activities of a day care center established by the District and a local hospital for use by their employees.

Additionally, the District reports the internal service fund type. The *Self-Insurance Fund* accounts for the financing of services provided by one department to other departments of the District on a cost reimbursement basis. The District uses the fund for the purpose of providing self-insurance for medical, dental, and vision claims.

**Fiduciary funds** account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. Fiduciary funds, other than agency funds, use the economic resources measurement focus and the full accrual basis of accounting. Agency funds use the full accrual basis of accounting but do not have a measurement focus and therefore report only assets and liabilities. The District reports an Agency Fund to account for assets held by the District as an agent for individuals, private organizations, and other governments.

*Financial Statement Presentation*

The basic financial statements include the government-wide financial statements (based on the District as a whole) and the fund financial statements. The government-wide statements present consolidated information from both the governmental and business-type activities using the economic resource measurement focus and the accrual basis of accounting. The government-wide statements are the Statement of Net Assets and the Statement of Activities.

The Statement of Activities presents, for each District activity, the extent to which direct expenses are being supported by program revenues or by general revenues. Direct expenses are those that are clearly identifiable with the specific activity (including depreciation). Program revenues are charges for services, grants, contributions, or other revenues that are either restricted for use or are directly associated with the particular activity. General revenues include interest, taxes, and other revenues used to support the District operations that are not directly associated with a particular activity.

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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Governmental activities in the government-wide statements include the operations from the governmental funds: the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund adjusted from the modified accrual to the full accrual basis of accounting. Governmental activities also include the activities from the Internal Service Fund. Business-type activities in the government-wide statements are comprised of the Enterprise Funds. Fiduciary funds are not reported in the government-wide statements, because these funds cannot be used to support District activities. As a general rule, interfund activity has been eliminated from the government-wide statements.

The government-wide statements apply all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements.

The fund financial statements present the District's activities at the fund level rather than on a District-wide basis. The fund financial statements report the governmental funds using the modified accrual basis of accounting and the proprietary funds using the full accrual basis of accounting. Fund financial statements also include statements for the fiduciary funds. The fund financial statements for both the governmental and the proprietary funds report the major funds individually and the non-major funds combined. The Internal Service Fund is shown at the far right of the Proprietary Fund financial statements.

The fund financial statements also include the budget-to-actual comparison schedule for the General Fund. The budget comparison statement presents the District's actual financial performance versus that of its original and amended budgets. This statement presents financial data using the District's budgetary basis of accounting, as discussed later in the notes.

The modified accrual basis of accounting as employed by the governmental funds and the full accrual basis of accounting as employed by the proprietary and fiduciary funds have numerous timing and treatment differences. Differences include the recording of long-term liabilities, the recording of capital asset purchases and disposals, and the timing of recognized revenues. Reconciliations are provided for governmental funds to reconcile fund balance to net assets and to reconcile the changes in fund balance to the changes in net assets. These reconciliations are a part of the fund financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

*Pass-Through Revenues*

GASB No. 24 establishes standards of accounting and financial reporting for pass-through grants, food stamps and on-behalf payments for fringe benefits and salaries. GASB No. 24 requires that all cash pass-through grants received by a governmental entity be recognized as revenue and expenditures or expenses in a governmental, proprietary or trust fund. The District recorded the \$4,911,280 pass-through grant from the Area Education Agency in 2003 as revenue and a related expenditure in the Governmental Activities and General Fund.

*Cash and Investments*

The cash balances of 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.

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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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 Taxes Receivable*

Property taxes in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property taxes 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 to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recognized as revenue until the year for which it is levied.

*Intergovernmental Receivables and Revenues*

Federal and state grants are recorded as receivables, and the revenue is recognized during the period in which the District fulfills the requirements for receiving the grant awards in the government-wide statements. In the governmental fund statements the revenue must meet the measurable and available criteria. Amounts received for which legal claims or applicable requirements have not been met are recorded as deferred revenue. Certain intergovernmental revenues have been included as a reservation of fund balance based on the District's legal claim to the resources and its intention to spend such funds only for the purpose reported.

*Inventories*

Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value at standard prices furnished by the United States Department of Agriculture for government commodities. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

*Prepaid Expenses*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

*Capital Assets*

Capital assets used in governmental and business-type activities of the District are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation.

Interest incurred during construction is not capitalized.

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as construction-in-progress as the projects are constructed.

The District has no assets that meet the definition of infrastructure.

All assets capitalized by the District must have a useful life of two years or more and have a cost that exceeds the following minimum thresholds:

<u>Assets</u>	<u>Threshold</u>
Land improvements	\$ 3,500
Buildings	3,500
Building improvements	3,500
Furniture and equipment	3,500

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

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings	50
Building improvements	20
Furniture and equipment	5-10

Capital assets are reported at the fund level for proprietary funds, but not for governmental funds.

*Salaries and Benefits Payable*

Payroll and related expenditures for teachers, principals, and administrators with annual contracts corresponding to the current school year, which are payable in July, August, and September, 2004, have been accrued as liabilities as of June 30, 2004.

*Health Claims and Administrative Costs Payable*

Health care costs for claims with dates of service incurred prior to year-end which were paid subsequent to year-end have been estimated and accrued as liabilities as of June 30, 2004.

*Compensated Absences*

Non-instructional District employees accumulate vacation hours for subsequent use or for payment upon termination. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004, and includes certain salary related payments. The compensated absences liability is reported as a liability in the government-wide statements. In governmental funds, however, these accrued benefits are considered long-term liabilities similar to that of long-term debt and are not reported as a fund liability.

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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*Deferred Revenue*

Although certain revenues are measurable in the Governmental Fund statements, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents 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 and the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year-end.

*Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance 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.

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING**

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 internal service and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America. 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 by fund, the legal level of control is at the aggregated functional area 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. The District was in compliance with such formula for fiscal 2004. Expenditures by functional area were as follows:

	Amended Budget	Actual	Variance Positive (Negative)
Instruction	\$ 93,325,073	\$ 93,949,560	\$ (624,487)
Support services	33,871,689	31,565,614	2,306,075
Non-instructional programs	6,727,989	6,723,773	4,216
Other expenditures	<u>26,248,661</u>	<u>24,125,683</u>	<u>2,122,978</u>
	<u>\$ 160,173,412</u>	<u>\$ 156,364,630</u>	<u>\$ 3,808,782</u>

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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With respect to actual expenditures exceeding budgeted expenditures, management will monitor budget to actual results on a monthly basis and will continue to do so to ensure expenditures do not exceed budgeted amounts.

The District follows these procedures in establishing budgetary data:

1. The Administration submits to the Board of Education a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted and the proposed budget is available for inspection to obtain taxpayer comments. The proposed budget is readily available at least 30 days prior to final action by the Board.
3. Prior to April 15, the budget is legally adopted through passage of a resolution which is filed with the County Auditor to obtain tax revenues.
4. The Board of Education may amend the budget after it is approved using the same procedures required to approve the original budget. The budget was amended April 14, 2003, to increase the authorization of expenditures by \$9,678,074.
5. All annual appropriations lapse at fiscal year end.
6. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

**NOTE 3 – CASH AND INVESTMENTS**

The District's deposits in banks 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. Therefore, financial institutions are not required to collateralize the deposits.

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

The District had investments in the Iowa Schools Joint Investment Trust (ISJIT) which are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The value of the investment is not the same as the value of the pool shares. ISJIT is registered with and regulated by the Securities and Exchange Commission.

As of June 30, 2004, the book balance of the District's cash deposits plus petty cash totaled \$39,375,318 and the bank balances totaled \$42,548,401.

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

The District's investments are categorized to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a qualifying financial institution's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a broker or dealer or by the qualifying financial institution's trust department or agent but not in the District's name. As of June 30, 2004, the District had no investments subject to categorization.

Investments as of June 30, 2004, not subject to categorization:

Iowa Schools Joint Investment Trust \$ 648,828

The District's investments during the year did not vary substantially from those at year-end in level of risk.

**NOTE 4 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2004, was as follows:

	Balance July 1 2003	Increases	Decreases	Balance June 30 2004
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 3,835,258	\$ -	\$ (15,000)	\$ 3,820,258
Construction in progress	<u>37,606,580</u>	<u>4,133,405</u>	<u>(36,640,324)</u>	<u>5,099,661</u>
Total capital assets, not being depreciated	<u>41,441,838</u>	<u>4,133,405</u>	<u>(36,655,324)</u>	<u>8,919,919</u>
Capital assets, being depreciated				
Land improvements	9,091,180	471,428	-	9,562,608
Buildings	59,489,951	33,449,496	(115,000)	92,824,447
Building improvements	15,374,519	8,097,914	-	23,472,433
Furniture and equipment	<u>5,806,520</u>	<u>30,927</u>	<u>(134,841)</u>	<u>5,702,606</u>
Total capital assets being depreciated	<u>89,762,170</u>	<u>42,049,765</u>	<u>(249,841)</u>	<u>131,562,094</u>
Less accumulated depreciation for				
Land improvements	6,252,822	432,773	-	6,685,595
Buildings	27,834,719	1,302,743	(115,000)	29,022,462
Building improvements	1,147,642	981,875	-	2,129,517
Furniture and equipment	<u>4,718,150</u>	<u>168,052</u>	<u>(134,841)</u>	<u>4,751,361</u>
Total accumulated depreciation	<u>39,953,333</u>	<u>2,885,443</u>	<u>(249,841)</u>	<u>42,588,935</u>

(continued on next page)

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

	Balance July 1 2003	Increases	Decreases	Balance June 30 2004
Total capital assets being depreciated, net	<u>\$ 49,808,837</u>	<u>\$ 39,164,322</u>	<u>\$ -</u>	<u>\$ 88,973,159</u>
Governmental activities capital assets, net	<u>\$ 91,250,675</u>	<u>\$ 43,297,727</u>	<u>\$(36,655,324)</u>	<u>\$ 97,893,078</u>
Business-type activities				
Capital assets, being depreciated equipment	<u>\$ 1,677,763</u>	<u>\$ 30,395</u>	<u>\$ -</u>	<u>\$ 1,708,158</u>
Less accumulated depreciation for equipment	<u>776,038</u>	<u>128,616</u>	<u>-</u>	<u>904,654</u>
Business-type activities capital assets, net	<u>\$ 901,725</u>	<u>\$ (98,221)</u>	<u>\$ -</u>	<u>\$ 803,504</u>

Depreciation expense was charged to the activities of the District as follows:

Governmental activities	
Instruction	\$ 2,804,746
Instructional staff support services	14,315
General administration	13,437
Building administration	4,924
Plant operation and maintenance	39,660
Student transportation	7,278
Central support services	<u>1,083</u>
	<u>\$ 2,885,443</u>
Business-type activities	
Food services	\$ 128,192
Day care	<u>424</u>
	<u>\$ 128,616</u>

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 5 – INTERFUND BALANCES AND TRANSFERS**

Interfund balances at June 30, 2004, consisted of the following:

Due to	Due from					Total
	General	Capital Projects	Nonmajor Governmental Funds	School Nutrition	Day Care	
General Fund	\$ -	\$ -	\$ 154,245	\$ 346,093	\$ 13,524	\$ 513,862
Capital projects	12,568	-	-	-	-	12,568
Nonmajor governmental funds	8,177	6,396	-	-	-	14,573
School nutrition	642	-	-	-	-	642
Day care	4	-	-	-	-	4
	<u>\$ 21,391</u>	<u>\$ 6,396</u>	<u>\$ 154,245</u>	<u>\$ 346,093</u>	<u>\$ 13,524</u>	<u>\$ 541,649</u>

\$321,696 of the balance due to the General Fund from the School Nutrition Fund represents the reimbursement due for the indirect costs incurred in school nutrition operations paid by the General Fund.

The balance of \$140,696 due to the General Fund from the Physical Plant and Equipment Fund, a nonmajor governmental fund, represents reimbursement due for equipment expenditures made in the General Fund.

All remaining balances represent amounts due to the General Fund for the reimbursement of payroll related benefits.

Interfund transfers for the year ended June 30, 2004, consisted of the following:

Transfer in	Transfer out		
	Capital Projects	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 12,966	\$ 12,966
Nonmajor governmental funds	885,260	-	885,260
Total	<u>\$ 885,260</u>	<u>\$ 12,966</u>	<u>\$ 898,226</u>

Transfers to the General Fund from the nonmajor governmental funds represents interest earned in the Student Activity Fund required to be transferred to the General Fund by state code.

Transfers to the Debt Service Fund, a nonmajor governmental fund, are for the principal and interest payments of the local option sales tax bonds.

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 6 – LONG-TERM LIABILITIES**

*Changes in Long-Term Liabilities*

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

	Governmental Activities				Early Retirement Obligations		
	Local Option Sales Tax Bonds	Early Retirement Obligations	Compen- sated Absences	Total	Early Retirement Obligations	Compen- sated Absences	Total
Balance, beginning of year	\$ 42,735,000	\$ 2,594,076	\$ 443,922	\$ 45,773,068	\$ -	\$ 3,886	\$ 3,886
Additions	-	1,219,195	417,402	1,636,597	12,048	2,628	14,676
Reductions	<u>(5,230,000)</u>	<u>(605,761)</u>	<u>(443,922)</u>	<u>(6,279,683)</u>	-	<u>(3,886)</u>	<u>3,886</u>
Balance, end of year	<u>\$ 37,505,000</u>	<u>\$ 3,207,510</u>	<u>\$ 417,402</u>	<u>\$ 41,129,982</u>	<u>\$ 12,048</u>	<u>\$ 2,628</u>	<u>\$ 14,676</u>
Due within one year	<u>\$ 5,590,000</u>	<u>\$ 852,345</u>	<u>\$ 417,402</u>	<u>\$ 6,859,747</u>	<u>\$ 2,269</u>	<u>\$ 2,628</u>	<u>\$ 4,867</u>

For the governmental activities, early retirement obligations are generally liquidated by the management fund, and compensated absences are generally liquidated by the general fund.

*Local Option Sales Tax Bonds*

The District has issued bonds to make local option sales tax revenues of future years immediately available for the acquisition, construction, and updating of capital facilities.

	Interest Rate	Maturity Date	Original Balance	Balance June 30, 2004
Sales and service tax revenue bonds, Series 1999	4.9% - 4.95%	7/1/09	\$ 8,400,000	\$ 5,500,000
Sales and service tax revenue bonds, Series 2000	5.25% - 5.3%	7/1/09	9,500,000	6,925,000
Sales and service tax revenue bonds, Series 2001	5.0%	7/1/09	15,000,000	11,870,000
Sales and service tax revenue bonds, Series 2002	3.5% - 4.6%	7/1/09	15,000,000	<u>13,210,000</u>
				<u>\$ 37,505,000</u>

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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The annual requirements including interest to service the local option sales tax bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 5,590,000	\$ 1,644,840	\$ 7,234,840
2006	5,835,000	1,385,316	7,220,316
2007	6,095,000	1,110,850	7,205,850
2008	6,370,000	818,137	7,188,137
2009	6,655,000	503,881	7,158,881
2010	<u>6,960,000</u>	<u>170,858</u>	<u>7,130,858</u>
	<u>\$ 37,505,000</u>	<u>\$ 5,633,882</u>	<u>\$ 43,138,882</u>

*Early Retirement Obligations*

The District's early retirement program is periodically offered to certain classifications of employees who are between the ages of 55 and 65 at retirement. The employee must be eligible to receive Iowa Public Employees Retirement System (IPERS) benefits and must have been employed by the District for a set number of years. Benefits are received in the form of cash or health insurance. Early retirement benefits paid during the year ended June 30, 2004, totaled \$605,761.

*Legal Debt Margin*

As of June 30, 2004, the outstanding general obligation debt of the District did not exceed the statutory debt limit.

**NOTE 7 – PENSION AND RETIREMENT BENEFITS**

*IPERS*

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 covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002, were \$4,632,225, \$4,581,128, and \$4,560,009, respectively, equal to the required contributions for each year.

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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*403(b) Plan*

The District also contributes to a 403(b) deferred compensation plan for employees at the administrator level. Salary reduction contributions under a 403(b) plan that are the result of a one-time irrevocable election made when an individual is first eligible for the plan are deemed to be employer contributions, not salary reduction contributions. The District contributes 9% of compensation for eligible employees to the plan.

The District also contributes additional amounts for administrators and clerical staff not electing the District's medical and dental coverage.

The District's contribution for the year ended June 30, 2004, was \$688,514.

**NOTE 8 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. There were no reductions in insurance coverage from the prior year.

The District has established an administrative service insurance plan for its employees' accident, medical and dental insurance coverage. The plan is primarily funded through employer contributions. Self-insurance is in effect up to an individual stop loss amount of \$175,000 and an annual aggregate stop loss for the excess of 125% of estimated claims or approximately \$16,100,000 for 2004.

Coverage from a private insurance company is maintained for losses in excess of the stop loss amounts. Such coverage is activated based on claims actually paid during the policy year. All claims-handling procedures are performed by an independent claims administrator. There was no reduction in insurance coverage from the prior year.

The District's estimated liability for health claims and related administrative costs incurred prior to year-end but not paid is accrued. The estimated liability is based on a combination of known claims filed after year end and an estimate of incurred but not reported claims based on prior years' payment history. The estimated liability does not include any allocated or unallocated claims adjustment expense. Changes in the accrual balance for the years ended June 30, 2004 and 2003, are as follows:

	<u>2004</u>	<u>2003</u>
Health claims payable balance, beginning of year	\$ 1,850,432	\$ 1,522,991
Incurred claims (including IBNR)	12,616,571	11,845,822
Claim payments	<u>(12,494,064)</u>	<u>(11,518,391)</u>
Health claims payable balance, end of year	<u>\$ 1,972,939</u>	<u>\$ 1,850,432</u>

Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

The District has entered into various construction and repair contracts for projects throughout the District. At June 30, 2004, the portion of these contracts which has not been paid or accrued as a liability totals \$9,316,853.

The District is a defendant in various lawsuits which have arisen in the normal course of business. Total damages claimed are substantial; however, it has been the District's experience that such actions are settled for amounts substantially less than those claimed. In addition, most claims are covered by insurance. In the opinion of District officials and legal counsel, the ultimate liability, if any, resulting from such litigation will not materially affect the financial statements of the District.

**NOTE 10 – AGREEMENT WITH GENESIS MEDICAL CENTER**

The District's Day Care Fund received \$102,480 from Genesis Medical Center (Genesis) in a prior year to provide assistance for the relocation of the Day Care Center. The District is to pay to Genesis a portion of the annual net revenues of the Center until \$102,480 has been reached. As of June 30, 2004, \$47,194 of net revenues has been paid or accrued as a payable to Genesis, leaving a \$55,286 balance of future net revenues due to Genesis.

**NOTE 11 – NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS**

The Governmental Accounting Standards Board (GASB) has issued five statements not yet implemented by the Davenport Community School District. The statements, which might impact the Davenport Community School District, are as follows:

Statement No. 40, *Deposit and Investment Risk Disclosures* issued March 2003, will be effective for the School District for the fiscal year ending June 30, 2005. This statement addresses common deposit and investment risks related to credit risk, interest rate risk, and foreign currency risk.

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* issued November 2003, will be effective for the School District for the fiscal year ending June 30, 2006. This statement establishes accounting and financial reporting standards for impairment of capital assets and also clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* issued April 2004, will be effective for the School District for the fiscal year ending June 30, 2007. This statement establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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Statement No. 44, *Economic Condition Reporting: The Statistical Section* issued May 2004, will be effective for the School District for the fiscal year ending June 30, 2006. This statement amends previous guidance regarding preparation of the statistical section for governments that issue a comprehensive annual financial report.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* issued June 2004, will be effective for the School District for the fiscal year ending June 30, 2008. This statement establishes standards for the measurement, recognition, and display of (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

The School District's management has not yet determined the effect these statements will have on the School District's financial statements.

DAVENPORT  
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*Supplementary  
Information*

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## **NONMAJOR GOVERNMENTAL FUNDS**

**Special Revenue Funds** – The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

**Management Fund** – Accounts for the property taxes and other revenue used to pay unemployment benefits, liability insurance and costs of judgments and settlements, employee insurance, and early retirement benefits for the District's employees.

**Student Activity Fund** – Accounts for the student activity groups of the District.

**Physical Plant and Equipment (PPE) Fund** – Accounts for the property taxes and other revenues to be used in the acquisition, construction and repair of capital facilities, and other miscellaneous projects.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulations of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Management	Student Activity	Physical Plant and Equipment		
<b>ASSETS</b>					
Cash and investments	\$ 376,607	\$ 745,144	\$ 3,083,386	\$ 469,807	\$ 4,674,944
Receivables:					
Property taxes	3,523,148	-	4,052,003	-	7,575,151
Other	-	24,007	29	5	24,041
Due from other governmental units	-	-	14,730	-	14,730
Due from other funds	4,373	962	8,891	347	14,573
	<u>4,373</u>	<u>962</u>	<u>8,891</u>	<u>347</u>	<u>14,573</u>
 Total assets	<u>\$ 3,904,128</u>	<u>\$ 770,113</u>	<u>\$ 7,159,039</u>	<u>\$ 470,159</u>	<u>\$ 12,303,439</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 9,168	\$ 51,317	\$ 433,293	\$ -	\$ 493,778
Accrued payroll and payroll taxes	-	1,144	-	-	1,144
Due to other funds	86	13,162	140,997	-	154,245
Deferred revenue	3,473,032	-	3,992,180	-	7,465,212
	<u>3,473,032</u>	<u>-</u>	<u>3,992,180</u>	<u>-</u>	<u>7,465,212</u>
 Total liabilities	<u>3,482,286</u>	<u>65,623</u>	<u>4,566,470</u>	<u>-</u>	<u>8,114,379</u>
<b>FUND BALANCES</b>					
Reserved for:					
Debt service	-	-	-	470,159	470,159
Student activities	-	704,490	-	-	704,490
Unreserved, undesignated	421,842	-	2,592,569	-	3,014,411
	<u>421,842</u>	<u>-</u>	<u>2,592,569</u>	<u>-</u>	<u>3,014,411</u>
 Total fund balances	<u>421,842</u>	<u>704,490</u>	<u>2,592,569</u>	<u>470,159</u>	<u>4,189,060</u>
 Total liabilities and fund balances	<u>\$ 3,904,128</u>	<u>\$ 770,113</u>	<u>\$ 7,159,039</u>	<u>\$ 470,159</u>	<u>\$ 12,303,439</u>

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	Special Revenue				Total Nonmajor
	Management	Student Activity	Physical Plant and Equipment	Debt Service	Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 2,962,414	\$ -	\$ 3,989,329	\$ -	\$ 6,951,743
Intergovernmental	5,458	-	138,531	-	143,989
Interest	1,081	7,504	23,662	5,131	37,378
Other	-	1,504,049	3,760	-	1,507,809
Total revenues	<u>2,968,953</u>	<u>1,511,553</u>	<u>4,155,282</u>	<u>5,131</u>	<u>8,640,919</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	600,273	1,524,526	-	-	2,124,799
Student support services	46,672	-	-	-	46,672
Instructional staff support services	18,242	-	-	-	18,242
General administration	1,507,716	-	-	-	1,507,716
Building administration	31,324	-	-	-	31,324
Plant operation and maintenance	-	-	1,673,354	-	1,673,354
Capital outlay	-	-	3,560,814	-	3,560,814
Debt service:					
Principal	-	-	-	5,230,000	5,230,000
Interest	-	-	-	1,885,142	1,885,142
Total expenditures	<u>2,204,227</u>	<u>1,524,526</u>	<u>5,234,168</u>	<u>7,115,142</u>	<u>16,078,063</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	<u>764,726</u>	<u>(12,973)</u>	<u>(1,078,886)</u>	<u>(7,110,011)</u>	<u>(7,437,144)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	885,260	885,260
Transfers out	-	(12,966)	-	-	(12,966)
Total other financing sources (uses)	<u>-</u>	<u>(12,966)</u>	<u>-</u>	<u>885,260</u>	<u>872,294</u>
<b>SPECIAL ITEM</b>					
Proceeds from sale of school property	-	-	162,889	-	162,889
<b>NET CHANGE IN FUND BALANCES</b>					
	764,726	(25,939)	(915,997)	(6,224,751)	(6,401,961)
<b>FUND BALANCES (DEFICIT), BEGINNING</b>					
	<u>(342,884)</u>	<u>730,429</u>	<u>3,508,566</u>	<u>6,694,910</u>	<u>10,591,021</u>
<b>FUND BALANCES, ENDING</b>					
	<u>\$ 421,842</u>	<u>\$ 704,490</u>	<u>\$ 2,592,569</u>	<u>\$ 470,159</u>	<u>\$ 4,189,060</u>

**DAVENPORT COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF CHANGES IN BALANCES  
STUDENT ACTIVITY FUND  
FOR THE YEAR ENDED JUNE 30, 2004**

	Balance June 30 2003	Revenues	Expenditures	Transfers	Balance June 30 2004
District-wide Athletics	\$ 782	\$ 6,363	\$ 6,363	\$ -	\$ 782
Central High School Athletics	14,296	63,979	48,140	-	30,135
North High School Athletics	5,795	60,093	48,606	-	17,282
West High School Athletics	24,954	65,833	56,135	-	34,652
Central High School	132,022	228,892	222,486	-	138,428
Central Band Uniforms	-	24,049	19,350	-	4,699
North High School	8,100	236,618	267,539	-	(22,821)
West High School	174,496	375,386	365,117	-	184,765
Kimberly Center	1,555	1,938	3,493	-	-
Smart Intermediate School	30,677	49,838	46,123	-	34,392
Sudlow Intermediate School	64,023	96,802	98,102	-	62,723
Walcott Elementary and Intermediate School	42,914	53,262	61,511	-	34,665
Willams Intermediate School	28,754	81,427	93,083	-	17,098
Williams IDOT Grant	-	1,000	862	-	138
Wood Intermediate School	26,086	51,849	51,191	-	26,744
Young Intermediate School	14,895	13,947	15,083	-	13,759
Adams Elementary	9,354	3,399	4,494	-	8,259
Blue Grass Elementary	12,796	14,324	21,582	-	5,538
Buchanan Elementary	18,535	13,266	14,994	-	16,807
Buffalo Elementary	15,542	4,911	5,833	-	14,620
Eisenhower Elementary	4,492	5,504	4,844	-	5,152
Fillmore Elementary	1,260	1,819	226	-	2,853
Garfield Elementary	1,383	1,572	1,104	-	1,851
Harrison Elementary	2,056	6,685	6,228	-	2,513
Hayes Elementary	8,351	10,737	12,353	-	6,735
Jackson Elementary	1,300	166	1,262	-	204
Jefferson Elementary	877	-	823	-	54
Lincoln Elementary	3,753	3,002	1,665	-	5,090
Madison Elementary	18,940	7,349	8,039	-	18,250
McKinley Elementary	19,542	12,198	22,154	-	9,586
Monroe Elementary	11,855	3,689	9,645	-	5,899
Truman Elementary	1,986	-	17	-	1,969
Washington Elementary	9,121	1,266	334	-	10,053
Wilson Elementary	6,971	2,886	5,745	-	4,112
Unallocated interest income	12,966	7,504	-	(12,966)	7,504
<b>Total Special Revenue Student Activity Fund</b>	<b>\$ 730,429</b>	<b>\$ 1,511,553</b>	<b>\$ 1,524,526</b>	<b>\$ (12,966)</b>	<b>\$ 704,490</b>

## **AGENCY FUND**

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments.

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Cash and investments	\$ 63,514	\$ 134,764	\$ 110,541	\$ 87,737
Due from other funds	<u>269</u>	<u>-</u>	<u>269</u>	<u>-</u>
Total assets	<u>\$ 63,783</u>	<u>\$ 134,764</u>	<u>\$ 110,810</u>	<u>\$ 87,737</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 656	\$ 1,485	\$ 656	\$ 1,485
Due to activity groups	63,116	148,923	125,787	86,252
Due to other funds	<u>11</u>	<u>-</u>	<u>11</u>	<u>-</u>
Total liabilities	<u>\$ 63,783</u>	<u>\$ 150,408</u>	<u>\$ 126,454</u>	<u>\$ 87,737</u>

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**COMBINING SCHEDULE OF CHANGES IN AMOUNTS DUE TO ACTIVITY GROUPS**  
**AGENCY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	Balance June 30 2003	Additions	Deletions	Balance June 30 2004
Administration Pop Account	\$ 4,647	\$ 3,683	\$ 2,830	\$ 5,500
Central Staff Pop Account	7,577	53,335	48,838	12,074
Buchanan Pop Account	3,870	2,733	4,033	2,570
Fillmore Pop Account	645	2,292	1,400	1,537
Harrison Pop Account	6,462	10,173	11,742	4,893
Hoover Pop Account	30	-	-	30
Lincoln Pop Account	4,331	3,042	2,618	4,755
Madison Teacher's Pop Account	2,711	2,281	2,552	2,440
Monroe Pop Account	2,936	6,538	8,183	1,291
North Pop Account	5,093	14,169	13,242	6,020
Smart Pop Account	4,396	7,897	6,863	5,430
Truman Pop Account	333	2,506	1,289	1,550
Young Staff Pop Account	996	997	1,310	683
Washington Pop Account	2,242	2,757	2,461	2,538
West Pop Account	2,156	18,809	2,460	18,505
West After Prom Account	-	1,000	1,000	-
Williams Sunshine Pop Account	242	27	124	145
Wilson Pop Account	10,989	5,960	7,433	9,516
Wood Pop Account	-	9,373	6,216	3,157
Youth Fest	3,460	1,351	1,193	3,618
	<u>3,460</u>	<u>1,351</u>	<u>1,193</u>	<u>3,618</u>
Total	<u>\$ 63,116</u>	<u>\$ 148,923</u>	<u>\$ 125,787</u>	<u>\$ 86,252</u>

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# DAVENPORT COMMUNITY SCHOOL DISTRICT

## Government-wide Expenses by Function

### Last Three Fiscal Years

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Fiscal Year	Instruction	Student Support Services	Instructional Staff Support Services	General Administration	Building Administration	Business Administration	Plant Operation and Maintenance
<b>2004</b>	\$96,345,329	\$3,626,534	\$2,940,963	\$2,535,403	\$8,125,994	\$1,060,832	\$10,316,051
<b>2003</b>	\$93,629,997	\$2,909,873	\$3,085,657	\$2,884,288	\$8,561,479	\$902,771	\$10,428,662
<b>2002</b>	\$90,265,176	\$2,946,202	\$4,135,267	\$2,430,463	\$8,496,206	\$962,615	\$11,642,431

*Note: The District implemented GASB 34 in the 2001-02 fiscal year.*

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Student Transportation	Central Support Services	Community Services	Area Education Agency	Other Expenditures	Interest on Long Term Debt	Food Services	Day Care	TOTAL
\$3,754,103	\$1,736,469	\$42,652	\$4,911,280	\$108,209	\$1,771,719	\$6,329,378	\$353,194	\$143,958,110
\$3,568,003	\$1,798,342	\$80,752	\$5,180,587	\$0	\$1,973,294	\$5,967,580	\$360,225	\$141,331,510
\$3,394,219	\$1,534,609	\$81,511	\$5,188,282	\$0	\$1,661,272	\$5,761,785	\$332,755	\$138,832,793

# DAVENPORT COMMUNITY SCHOOL DISTRICT

## Government-wide Revenue

### Last Three Fiscal Years

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Fiscal Year	Program Revenues		
	Charges for Services	Operating Grants & Contributions	Capital Grants and Contributions
2004	\$6,588,031	\$24,209,574	\$310,070
2003	\$5,383,610	\$23,050,832	\$377,356
2002	\$5,184,656	\$23,530,849	\$0

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General Revenues					
Property Taxes	Other Taxes	Unrestricted State Aid & Grants	Interest & Investment Earnings	Miscellaneous	TOTAL
\$51,609,343	\$13,512,282	\$60,904,421	\$259,450	\$769,794	\$158,162,965
\$49,562,253	\$13,303,691	\$59,924,250	\$492,511	\$2,336,690	\$154,431,193
\$44,127,732	\$13,727,303	\$58,305,016	\$837,881	\$2,515,449	\$148,228,886

# DAVENPORT COMMUNITY SCHOOL DISTRICT

## General Fund Revenues by Source

### Last Ten Fiscal Years

	2004	2003	2002	2001
Property tax	\$ 44,261,436	\$ 43,937,036	\$ 38,616,770	\$ 38,540,937
Mobile home taxes	98,311	100,773	97,541	96,639
Tuition	1,032,262	1,272,734	303,234	1,211,748
Transportation	57,505	55,978	21,730	19,721
Interest on investments	100,304	129,219	163,807	425,953
Bookstore supplies	266,211	262,734	220,696	222,783
Rentals	231,305	203,989	237,520	218,384
Contributions	-	-	-	1,200
Textbooks	296,353	291,281	225,348	215,202
Services provided others	557,418	553,967	496,709	575,810
Refund of prior years exp.	12,243	976	1,731	690
Other local revenue	731,532	891,649	876,311	603,988
<b>TOTAL LOCAL REVENUE</b>	<b>\$ 47,644,880</b>	<b>\$ 47,700,336</b>	<b>\$ 42,241,463</b>	<b>\$ 42,133,055</b>
State foundation aid	\$ 60,039,244	\$ 59,924,250	\$ 58,305,016	\$ 60,332,936
Instructional support	805,450	844,894	924,716	1,024,277
Shelter/Juv home	59,727	38,936	100,907	33,091
Phase I, II, III	1,426,580	1,781,565	2,252,864	2,276,161
AEA Flowthrough	4,911,280	5,180,587	5,188,282	5,373,552
Transportation aid nonpublic	234,295	293,612	314,712	307,923
Textbook aid nonpublic	27,993	30,923	39,000	41,440
State grants	631,988	667,047	692,418	674,159
Other state revenue	2,618,765	2,455,579	2,807,180	2,129,693
<b>TOTAL STATE REVENUE</b>	<b>\$ 70,755,322</b>	<b>\$ 71,217,393</b>	<b>\$ 70,625,095</b>	<b>\$ 72,193,232</b>
Other Unrestricted Direct Federal	\$ 1,662,704	\$ 1,781,028	\$ 1,224,318	\$ 288,981
Title VI	-	124,851	131,124	218,277
Other Unrestricted Federal Revenue	143,287	73,757	-	-
Other Restricted Direct Federal	37,389	32,698	-	-
Title I	3,822,583	3,265,564	2,998,583	3,259,846
ECIA Chapter 2	-	-	-	-
Carl Perkins	336,673	338,762	356,918	366,418
EESA II	13,420	35,523	107,400	72,127
McKinney Homeless	-	37,002	20,000	2,998
Drug Free Schools	100,596	127,891	204,053	85,603
Other Restricted Indirect Federal	3,371,834	1,980,467	1,927,999	1,678,276
<b>TOTAL FEDERAL REVENUE</b>	<b>\$ 9,488,486</b>	<b>\$ 7,797,543</b>	<b>\$ 6,970,395</b>	<b>\$ 5,972,526</b>
Other sources	\$ 18,971	\$ 21,843	\$ 45,317	\$ 91,736
<b>TOTAL OTHER SOURCES</b>	<b>\$ 18,971</b>	<b>\$ 21,843</b>	<b>\$ 45,317</b>	<b>\$ 91,736</b>
<b>TOTAL REVENUES</b>	<b>\$ 127,907,659</b>	<b>\$ 126,737,115</b>	<b>\$ 119,882,270</b>	<b>\$ 120,390,549</b>

Percentage Increase (Decrease) 0.92% 5.72% 0.42% 6.67%

Includes only General Fund Revenues and Other Financing Sources

Source: District Financial Records

2000	1999	1998	1997	1996	1995
\$ 34,609,948	\$ 35,633,694	\$ 32,975,690	\$ 31,445,251	\$ 33,371,190	\$ 32,219,234
90,902	101,503	107,429	97,039	105,950	105,129
1,474,373	1,310,323	1,410,791	1,210,516	1,138,690	1,779,640
24,922	27,717	57,897	50,964	49,270	38,646
279,730	529,502	606,464	420,585	1,064,432	442,424
231,847	233,200	235,982	243,229	104,769	7,272
37,873	202,390	198,974	162,446	256,352	259,023
202,708	50	641	20,922	99,235	111,938
-	233,264	240,723	247,072	297,269	287,278
217,774	580,117	475,256	549,140	465,766	550,145
611,953	831	-	-	-	-
1,282,103	782,480	828,650	343,626	368,551	64,112
<u>\$ 39,064,133</u>	<u>\$ 39,635,071</u>	<u>\$ 37,138,497</u>	<u>\$ 34,790,790</u>	<u>\$ 37,321,474</u>	<u>\$ 35,864,841</u>
\$ 57,233,130	\$ 54,801,338	\$ 52,712,063	\$ 50,237,834	\$ 46,414,878	\$ 48,567,956
963,458	937,262	1,006,812	1,065,397	950,014	1,040,931
73,410	21,610	26,605	7,469	101,597	94,255
2,251,786	2,276,501	2,307,170	2,312,657	2,351,647	2,397,014
5,138,469	5,051,240	4,831,115	4,627,957	4,480,339	4,352,519
363,896	389,792	329,861	355,021	317,894	357,285
45,745	44,842	48,866	43,534	29,117	7,238
621,988	764,731	1,259,080	1,124,827	1,132,474	830,537
1,639,563	1,075,365	1,157,052	1,127,217	92,969	70,119
<u>\$ 68,331,445</u>	<u>\$ 65,362,681</u>	<u>\$ 63,678,624</u>	<u>\$ 60,901,913</u>	<u>\$ 55,870,929</u>	<u>\$ 57,717,854</u>
\$ 192,565	\$ -	\$ -	\$ -	\$ -	\$ -
134,173	37,917	168,913	65,951	145,612	-
27,996	-	-	-	-	-
-	-	-	-	-	-
3,885,596	2,745,307	2,548,602	2,341,471	1,900,394	2,243,847
-	-	-	-	-	154,867
246,328	278,652	321,372	324,669	315,800	230,715
195,395	91,452	85,776	44,718	70,763	65,980
20,000	20,000	19	39,883	19,101	-
85,719	145,803	257,521	152,306	170,350	125,613
674,099	321,806	103,285	1,631	19,151	95,648
<u>\$ 5,461,871</u>	<u>\$ 3,640,937</u>	<u>\$ 3,485,488</u>	<u>\$ 2,970,629</u>	<u>\$ 2,641,171</u>	<u>\$ 2,916,670</u>
<u>\$ 2,997</u>	<u>\$ 1,630</u>	<u>\$ 938,128</u>	<u>\$ 15,201</u>	<u>\$ 25,386</u>	<u>\$ 7,085</u>
<u>\$ 2,997</u>	<u>\$ 1,630</u>	<u>\$ 938,128</u>	<u>\$ 15,201</u>	<u>\$ 25,386</u>	<u>\$ 7,085</u>
<b><u>\$ 112,860,446</u></b>	<b><u>\$ 108,640,319</u></b>	<b><u>\$ 105,240,737</u></b>	<b><u>\$ 98,678,533</u></b>	<b><u>\$ 95,858,960</u></b>	<b><u>\$ 96,506,450</u></b>
3.88%	3.23%	6.65%	2.94%	-0.67%	3.94%

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**General Fund Expenditures by Function**  
**Last Ten Fiscal Years**

	2004	2003	2002	2001
Regular Instruction	\$ 57,572,305	\$ 58,249,100	\$ 58,640,683	\$ 56,542,395
Special Ed Instruction	-	-	-	-
Other Special Instruction	29,536,847	27,778,509	23,973,721	22,779,961
Vocational Instruction	2,796,810	719,584	751,336	808,297
Cocurricular Instruction	1,616,430	1,606,989	1,633,821	1,639,668
Nonpublic Instruction	112,419	140,163	231,230	271,489
Adult/Continuing Ed	189,950	199,487	209,413	207,608
Attendance & Social Work	-	10,839	14,262	9,435
Guidance Services	2,391,859	1,693,963	1,848,085	2,006,751
Health Services	1,188,003	902,525	839,089	835,966
Other student services	-	241,869	244,766	190,887
Improvement of Instruction	1,113,197	1,163,763	1,782,511	1,765,447
Educational Media	1,795,209	1,887,637	2,342,877	3,667,696
Other Instr Staff Support Svcs.	-	-	-	-
Board of Education	229,966	293,937	425,925	329,909
Executive Administration	784,284	1,062,391	973,666	879,743
School Administration	8,089,746	8,435,626	8,388,355	8,632,068
Business Administration/Interest	1,060,832	989,488	960,963	924,441
Operation and Maintenance	7,720,037	7,874,979	7,644,444	8,497,750
Student Transportation	3,746,825	3,560,724	3,386,941	3,381,568
Central Support	1,735,386	1,818,619	1,470,924	1,343,438
Other Support Svcs	106,316	80,751	63,685	-
Food Service	1,893	-	-	-
Community Service & Ed Op	42,652	80,751	81,511	117,427
Debt Service Long-Term	-	-	-	-
AEA Flowthrough	4,911,280	5,180,587	5,188,282	5,373,552
<b>TOTAL EXPENDITURES</b>	<b>\$ 126,742,246</b>	<b>\$ 123,891,530</b>	<b>\$ 121,096,490</b>	<b>\$ 120,205,496</b>
Percentage Increase (Decrease)	2.30%	2.31%	0.74%	4.97%

Includes only General Fund Expenditures

Source: District Financial Records

2000	1999	1998	1997	1996	1995
\$ 54,775,582	\$ 51,197,575	\$ 49,285,972	\$ 46,487,408	\$ 45,911,332	\$ 42,578,719
-	-	-	-	11,397,562	-
21,743,422	20,227,032	20,061,439	17,627,753	5,003,302	14,944,366
587,282	463,255	474,489	422,798	523,683	486,055
1,536,639	1,678,525	1,521,972	1,461,993	1,494,277	1,306,145
-	50,344	-	57,623	41,873	2,109
196,433	215,904	163,605	156,024	161,917	-
10,672	7,902	59,481	56,188	67,497	270,333
2,043,570	1,831,844	1,859,615	1,800,052	1,955,629	1,953,235
836,571	780,957	765,890	803,980	786,337	719,608
154,813	150,175	139,434	122,547	165,945	307,674
1,116,531	1,776,677	2,054,784	1,742,440	670,782	491,377
2,795,165	3,202,876	2,829,518	2,377,789	2,192,244	2,256,133
1,468,337	-	-	-	-	-
643,897	1,119,670	270,207	654,469	467,939	481,942
8,221,255	756,434	1,158,636	472,223	459,167	444,814
914,766	7,549,307	7,923,083	7,386,449	7,149,337	6,891,780
-	819,077	33,179	895,925	908,498	758,654
7,559,751	8,611,050	8,532,845	8,360,033	8,384,413	8,069,247
3,280,788	3,152,188	2,567,865	2,621,682	2,554,217	2,351,074
1,247,712	924,746	990,517	834,949	518,355	461,737
101,885	95,170	-	-	-	-
-	-	-	-	-	429
145,153	104,378	80,152	67,924	106,465	42,943
-	-	-	-	-	158,972
<u>5,138,469</u>	<u>5,061,649</u>	<u>4,860,539</u>	<u>4,655,125</u>	<u>4,480,339</u>	<u>4,352,519</u>
<u>\$ 114,518,693</u>	<u>\$ 109,776,735</u>	<u>\$ 105,633,222</u>	<u>\$ 99,065,374</u>	<u>\$ 95,401,110</u>	<u>\$ 89,329,865</u>
4.32%	3.92%	6.63%	3.84%	6.80%	3.04%

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

<b>Collection Fiscal Year Ending</b>	<b>Levy Fiscal Year Ending</b>	<b>Total Tax Levy</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Total Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Ratio of Delinquent Taxes to Total Tax Levy</b>
2003-04	2002	\$48,626,737	\$48,578,772	99.90%	\$47,965	0.10%
2002-03	2001	\$47,174,096	\$47,096,785	99.84%	\$77,311	0.16%
2001-02	2000	\$44,081,430	\$43,809,809	99.38%	\$271,621	0.62%
2000-01	1999	\$40,915,128	\$40,869,765	99.89%	\$45,363	0.11%
1999-00	1998	\$39,529,157	\$39,463,615	99.83%	\$65,541	0.17%
1998-99	1997	\$39,723,166	\$39,680,004	99.89%	\$43,234	0.11%
1997-98	1996	\$36,399,499	\$36,389,460	99.97%	\$10,040	0.03%
1996-97	1995	\$35,344,717	\$35,299,048	99.87%	\$43,548	0.12%
1995-96	1994	\$37,148,284	\$37,086,315	99.83%	\$61,969	0.17%
1994-95	1993	\$35,949,153	\$35,863,567	99.76%	\$85,585	0.24%

*Sources: Muscatine County Auditor's Office and Scott County Auditor's Office*

DAVENPORT  
COMMUNITY  
SCHOOLS



# DAVENPORT COMMUNITY SCHOOL DISTRICT

## Assessed and Estimated Actual Value of Property

### Last Ten Fiscal Years

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Levy Year	Collection Year	Real Property		Personal Property	
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2002	2003-04	\$2,992,254,894	\$3,978,054,705	\$35,784,917	\$35,784,917
2001	2002-03	\$2,929,902,406	\$3,782,343,963	\$36,370,965	\$36,370,965
2000	2001-02	\$2,587,066,279	\$3,673,937,065	\$33,117,781	\$33,117,781
1999	2000-01	\$2,484,714,587	\$3,608,185,091	\$55,903,012	\$55,903,012
1998	1999-00	\$2,336,180,564	\$3,310,341,641	\$82,413,989	\$82,413,989
1997	1998-99	\$2,254,811,822	\$3,268,481,908	\$89,725,966	\$89,725,966
1996	1997-98	\$2,093,936,278	\$2,912,505,421	\$91,205,416	\$91,205,416
1995	1996-97	\$2,023,880,533	\$2,834,318,359	\$89,575,637	\$89,575,637
1994	1995-96	\$1,951,500,048	\$2,518,373,058	\$82,787,797	\$82,787,797
1993	1994-95	\$1,911,899,252	\$2,455,276,762	\$77,434,411	\$77,434,411

Source: Scott County Auditor's Office

Utilities		Total		Total Assessed Value to Total Estimated Actual Value
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
\$226,853,877	\$226,853,877	\$3,254,893,688	\$4,240,693,499	76.75381%
\$217,000,491	\$217,274,495	\$3,183,273,862	\$4,035,989,423	78.87221%
\$212,034,311	\$212,034,311	\$2,832,218,371	\$3,919,089,157	72.26726%
\$214,191,684	\$214,191,684	\$2,754,809,283	\$3,878,279,787	71.03173%
\$221,302,221	\$221,302,221	\$2,639,896,774	\$3,614,057,851	73.04523%
\$240,828,666	\$240,872,996	\$2,585,366,454	\$3,599,080,870	71.83408%
\$194,825,504	\$194,825,504	\$2,379,967,198	\$3,198,536,341	74.40801%
\$205,553,174	\$205,894,773	\$2,319,009,344	\$3,129,788,769	74.09476%
\$222,046,149	\$229,968,154	\$2,256,333,994	\$2,831,129,009	79.69732%
\$204,353,862	\$204,353,862	\$2,193,687,525	\$2,737,065,035	80.14744%

# DAVENPORT COMMUNITY SCHOOL DISTRICT

## Property Tax Rates Per \$1,000 Assessed Valuation

### All Overlapping Governments

### Last Ten Fiscal Years

City	Levy Year	Collection Year	State	Area IX Community College	Ag Extension - BANGS	Assessor
Davenport	2002	2003-04	\$0.00500	0.61738	0.06221	0.31521
	2001	2002-03	0.00500	0.62633	0.06248	0.37656
	2000	2001-02	0.00500	0.60382	0.06790	0.33488
	1999	2000-01	0.00500	0.60302	0.06700	0.31303
	1998	1999-00	0.00500	0.54709	0.06732	0.29311
	1997	1998-99	0.00500	0.57182	0.03868	0.29389
	1996	1997-98	0.00500	0.58671	0.04077	0.34669
	1995	1996-97	0.00500	0.51543	0.41444	0.34674
	1994	1995-96	0.00500	0.51856	0.04246	0.28729
	1993	1994-95	0.00500	0.52125	0.04352	0.28684
Blue Grass	2002	2003-04	\$0.00500	0.61738	0.06221	0.33119
	2001	2002-03	0.00500	0.62633	0.06248	0.33124
	2000	2001-02	0.00500	0.60382	0.06790	0.33488
	1999	2000-01	0.00500	0.60302	0.06700	0.31303
	1998	1999-00	0.00500	0.54709	0.06732	0.29311
	1997	1998-99	0.00500	0.57182	0.03868	0.29389
	1996	1997-98	0.00500	0.58671	0.04077	0.34669
	1995	1996-97	0.00500	0.51543	0.41444	0.34674
	1994	1995-96	0.00500	0.51856	0.04246	0.28729
	1993	1994-95	0.00500	0.52125	0.04352	0.28684
Walcott	2002	2003-04	\$0.00500	0.61738	0.06221	0.33119
	2001	2002-03	0.00500	0.62633	0.06248	0.33124
	2000	2001-02	0.00500	0.60382	0.06790	0.33488
	1999	2000-01	0.00500	0.60302	0.06700	0.31303
	1998	1999-00	0.00500	0.54709	0.06732	0.29311
	1997	1998-99	0.00500	0.57182	0.03868	0.29389
	1996	1997-98	0.00500	0.58671	0.04077	0.34669
	1995	1996-97	0.00500	0.51543	0.41444	0.34674
	1994	1995-96	0.00500	0.51856	0.04246	0.28729
	1993	1994-95	0.00500	0.52125	0.04352	0.28684
Buffalo	2002	2003-04	\$0.00500	0.61738	0.06221	0.33119
	2001	2002-03	0.00500	0.62633	0.06248	0.33124
	2000	2001-02	0.00500	0.60382	0.06790	0.33488
	1999	2000-01	0.00500	0.60302	0.06700	0.31303
	1998	1999-00	0.00500	0.54709	0.06732	0.29311
	1997	1998-99	0.00500	0.57182	0.03868	0.29389
	1996	1997-98	0.00500	0.58671	0.04077	0.34669
	1995	1996-97	0.00500	0.51543	0.41444	0.34674
	1994	1995-96	0.00500	0.51856	0.04246	0.28729
	1993	1994-95	0.00500	0.52125	0.04352	0.28684

Source: Scott County Auditor's Office

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<u>Scott County</u>	<u>Davenport Community School District</u>	<u>City</u>	<u>Total</u>	<u>Ratio of Davenport Community School District to Total</u>
4.80887	17.07873	14.96445	37.85185	45.12%
4.48067	16.96204	14.63000	37.14308	45.67%
4.17307	15.46758	14.00000	34.65225	44.64%
4.16147	15.50967	14.60301	35.26220	43.98%
4.06203	14.92898	13.95123	33.85476	44.10%
3.91472	15.26607	13.96012	34.05030	44.83%
4.19239	15.19448	13.96012	34.32616	44.27%
4.32681	15.33816	13.96012	34.90670	43.94%
4.42243	16.65193	13.95250	35.88017	46.41%
4.96037	16.58807	13.95999	36.36504	45.62%
4.80887	17.07873	12.48463	35.38801	48.26%
4.48067	16.96204	12.43356	34.90132	48.60%
4.17307	15.46758	11.56925	32.22150	48.00%
4.16147	15.50967	11.14846	31.80765	48.76%
4.06203	14.92898	10.38054	30.28407	49.30%
3.91472	15.26607	10.57459	30.66477	49.78%
4.19239	15.19448	11.60248	31.96852	47.53%
4.32681	15.33816	11.62014	32.56672	47.10%
4.42243	16.65193	13.55156	35.47923	46.93%
4.96037	16.58807	9.08312	31.48817	52.68%
4.80887	17.07873	9.50000	32.40338	52.71%
4.48067	16.96204	9.50001	31.96777	53.06%
4.17307	15.46758	10.00001	30.65226	50.46%
4.16147	15.50967	10.50225	31.16144	49.77%
4.06203	14.92898	10.09000	29.99353	49.77%
3.91472	15.26607	8.14002	28.23020	54.08%
4.19239	15.19448	6.70018	27.06622	56.14%
4.32681	15.33816	6.50002	27.44660	55.88%
4.42243	16.65193	6.15001	28.07768	59.31%
4.96037	16.58807	5.31160	27.71665	59.85%
4.80887	17.07873	7.65547	30.55885	55.89%
4.48067	16.96204	7.00203	29.46979	57.56%
4.17307	15.46758	6.99999	27.65224	55.94%
4.16147	15.50967	7.00003	27.65922	56.07%
4.06203	14.92898	6.65000	26.55353	56.22%
3.91472	15.26607	6.65000	26.74018	57.09%
4.19239	15.19448	6.65000	27.01604	56.24%
4.32681	15.33816	6.64999	27.59657	55.58%
4.42243	16.65193	6.65001	28.57768	58.27%
4.96037	16.58807	6.16514	28.57019	58.06%

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**Comparative Ratio of General Bonded Debt to Net Assessed Value**  
**Last Ten Fiscal Years**

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<u>Fiscal Year of Collection</u>	<u>Population</u>	<u>Net Assessed Value</u>	<u>General Bonded Debt</u>	<u>Ratio of General Bonded Debt to Net Assessed Value</u>	<u>General Bonded Debt Per Capita</u>
2003-04	118,561	\$2,992,254,894	\$0	0.00%	\$0
2002-03	118,561	\$2,929,902,406	\$0	0.00%	\$0
2001-02	118,561	\$2,832,218,371	\$0	0.00%	\$0
2000-01	118,561	\$2,754,809,283	\$0	0.00%	\$0
1999-00	118,561	\$2,639,896,774	\$0	0.00%	\$0
1998-99	118,561	\$2,585,366,454	\$0	0.00%	\$0
1997-98	118,561	\$2,379,967,198	\$0	0.00%	\$0
1996-97	118,561	\$2,319,009,344	\$0	0.00%	\$0
1995-96	118,561	\$2,256,333,994	\$0	0.00%	\$0
1994-95	118,561	\$2,193,687,525	\$0	0.00%	\$0

*Sources: District Financial Records and U.S. Census Bureau*

# DAVENPORT COMMUNITY SCHOOL DISTRICT

## Computation of Legal Debt Margin

June 30, 2004

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As of June 30, 2004 the District did not exceed its legal debt margin,  
Computed as follows:

Total Assessed Value	<u>\$ 2,992,254,894</u>
Debt limit 5% of total assessed value	\$149,612,745
Amount of debt applicable to debt limit, total general obligation bonded debt	\$0
Excess of debt limit over bonded debt outstanding, legal debt margin	<u>\$ 149,612,745</u>

*Sources: Scott County Auditor's Office and District Financial Records*

# DAVENPORT COMMUNITY SCHOOL DISTRICT

## Computation of Direct and Overlapping Debt

June 30, 2004

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<u>Name of Governmental Unit</u>	<u>Total Gross Debt Outstanding</u>	<u>Percentage Applicable to Davenport Community School district</u>	<u>Davenport Community School District Share of the Debt</u>
Scott County	\$ 9,245,000	56.71%	\$5,242,840
Eastern Iowa Community College	\$ 35,085,000	32.18%	\$11,290,353
City of Blue Grass	\$ 215,000	100.00%	\$215,000
City of Buffalo	\$ 490,000	100.00%	\$490,000
City of Davenport	\$ 119,840,000	93.23%	\$111,726,832
City of Walcott	\$ 520,000	94.89%	\$493,428
 Total direct and overlapping debt:	 <b>\$165,395,000</b>	 <b>78.27%</b>	 <b>\$129,458,453</b>

*Sources: Scott County Treasurer's Office and Muscatine County Treasurer's Office*

# DAVENPORT COMMUNITY SCHOOL DISTRICT

## Demographic and Miscellaneous Statistics

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### **The ABCs about Davenport Community Schools . .**

Davenport lies within the Quad Cities Metropolitan area, which is located in eastern Iowa and western Illinois on the Mississippi River, 165 miles west of Chicago. The Quad Cities is midway between Minneapolis and St. Louis. The area's 300-mile market of nearly 36.5 million people comprises nearly 15% of the nation's population.

**ACT (American College Testing) Entrance Exam** – Average composite scores consistently above national norms among district's college-bound high school students

**Budget** – \$182,808,260 in 2003-2004

**Communities Served** – Blue Grass, Buffalo, Davenport, and Walcott – covering 109 square miles

**Computers** – Average of 1 computer to each 3.5 students

**Cost of Living** – based on the U.S. Average of 100, the Quad Cities ranks as follows:

- Groceries – 98.1
- Housing – 97.6
- Utilities – 127.7
- Transportation – 99.1
- Health Care – 100.5
- Misc. Goods – 97.2

**Climate in the area is as follows –**

- Average Winter Temperature: 27.6
- Average Summer Temperature: 70.9
- Average Annual Precipitation: 40.26"
- Average Annual Snowfall: 30.6"
- Average Annual Sunny Days: 53.2%

# DAVENPORT COMMUNITY SCHOOL DISTRICT

## Demographic and Miscellaneous Statistics

---

### Curriculum Basics –

- *Elementary* (Kindergarten through Fifth Grade)
- Fine arts, health and safety, language arts, mathematics, physical education, reading, science, and social studies
  
- *Intermediate* (Sixth through Eighth Grade)
- Grade 6 - same as elementary
- Grades 7 and 8
  - Required Areas: health, language arts, mathematics, physical education, science and social studies
  - Elective Areas: art, business education, computer education, foreign languages, family and consumer science, industrial technology, music and reading
  
- *Senior High* (Ninth through Twelfth Grade)
- Required Course Areas: seven semesters of language arts, four semesters of mathematics, eight semesters of physical education, four semesters of science and six semesters of social studies
- Elective Courses: art, business education, driver education, foreign language, health, family and consumer science, humanities, industrial technology, music, journalism, drama, public speaking, and vocational education

### Curriculum Highlights –

- Pre-school and all-day kindergarten programming
- Comprehensive curricular offerings through 12th grade with learning objectives by grade in elementary and by course in secondary schools
- Programs to meet all kinds of student needs, including special education, talented and gifted, and the district's own solution-focused program
- Emphasis on the core skill of reading in the primary grades
- Exemplary arts programming recognized area-wide
- Innovative "brain-friendly" classroom learning environments and Skills for Life character education initiative
- Pioneering community-business partnerships to expand learning opportunities for students

### Employee Top Awards –

- Iowa Teacher of the Year
- Iowa Principal of the Year
- Iowa Central Office Administrator of the Year

# DAVENPORT COMMUNITY SCHOOL DISTRICT

## Demographic and Miscellaneous Statistics

---

### **Facilities –**

- Preschool Center – 1
- Elementary (some with preschool, all with kindergarten through fifth grade) – 19
- Intermediate (sixth through eighth grade) – 6
- Senior High (ninth through 12th grade) – 3
- Alternative Education (elementary through high school) – 1
- Athletic Stadium – 1
- Operations Center – 1
- Administration Services Center – 1

**Facility Maintenance** – One of first counties in the state in which voters approved a one-cent sales tax to fund major school renovations, resulting in nearly \$120 million over 10 years for the district

**Food Service** – Innovative and award-winning breakfast and lunch programs provided in all schools.

### **Guidelines for Elementary Class Sizes –**

- Kindergarten through first grade – 20 students
- Second through third grade – 21 students
- Fourth through fifth grade – 26 students

### **Professional Employees' Credentials –**

- Bachelors' Degrees – 100%
- Masters' Degrees – 47%
- Specialist or Doctorate Degrees – 2%

### **Program & School Top Awards –**

- Iowa FINE – First in the Nation in Education – Awards
- U.S. Department of Education Blue Ribbon Award
- Iowa Diversity Award
- American Association of School Administrators Leadership for Learning Award
- American School Board Journal Magna Award
- American Red Cross National School and Community Award for Youth in Health and Safety
- Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association and Association of School Business Officials
- National Association of Partners in Education Outstanding Partner Awards
- National School Public Relations Association Communications Awards
- U.S. Environmental Protection Agency Green Lights School System Partner of the Year

### **Student Top Awards (Just A Few!) –**

- Best Student Long Film Award in Iowa
- Top Iowa Individual Student and Team MathCounts Awards
- Top Ratings in Instrumental & Vocal Music
- SECME National Mousetrap Car Competition Second-Place Team

# DAVENPORT COMMUNITY SCHOOL DISTRICT

## Demographic and Miscellaneous Statistics

---

### **Student Diversity –**

- About 71% Euro-American
- About 29% African American, Asian American, Hispanic, Native American, and Bi-racial

### **Student Enrollment – 16,377 (2003-2004 Official Enrollment Count Day)**

**Transportation Services –** Free district bus transportation provided to students when the distance from their homes to schools exceeds the following:

- Elementary School – 1.5 miles
- Intermediate School – 2 miles
- High School – 3 miles

### **Unique Curriculum Offerings-**

- Read & Succeed Newborn Program – emphasizes the importance of modeling reading for children – from birth – in order to prepare them to be successful in school. The program involves a unique “Growing with Books” growth chart and a gift bag containing a variety of other reading related materials. The program materials are distributed to parents and caregivers of newborns with the help of the Davenport Public Library and local health care providers.
- Brain Compatible Classrooms – in which the stage is set for productive learning with eight components, including absence of threat, collaboration and an enriched environment.
- Skills for Living – woven throughout the curriculum, ranging from caring to integrity and onto resourcefulness.
- Hands-On Learning – students working together and experimenting with materials to internalize and make meaning out of abstract concepts.
- Accelerated Mathematics – a computer assisted program that allows elementary students to progress at their individual pace and master each mathematic skill presented
- Algebra for All – initially offered at two intermediate schools to help more students master algebra and seek a college education
- Science Inquiry/Technology Grant – funding from the Riverboat Development Authority for laptop computers and printers, presentation systems, micro-video probes, stereo and digital microscopes, digital cameras, and more to be used in secondary classrooms
- Core-Plus Mathematics – a course being pioneered across the country and in a Davenport high school in which students work in small groups with technology to develop their mathematical thinking skills and address real life situations

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**Property Values, Expenditures for Construction, and Bank Deposits**  
**Last Ten Fiscal Years**

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Levy Year	Property Values	Expenditures for Construction	Bank Deposits
2003	\$4,115,023,988	\$191,007,483	\$2,218,614,000
2002	\$3,978,054,705	\$164,263,405	\$2,254,000,000
2001	\$3,782,343,963	\$150,339,859	\$1,817,993,000
2000	\$3,673,937,065	\$147,896,774	\$1,615,840,000
1999	\$3,608,185,091	\$126,481,188	\$1,519,353,000
1998	\$3,310,341,641	\$118,167,957	\$1,498,613,000
1997	\$3,268,481,908	\$129,153,048	\$1,473,960,000
1996	\$2,912,505,421	\$102,612,157	\$1,517,426,000
1995	\$2,834,318,359	\$112,235,633	\$1,444,846,000
1994	\$2,518,373,058	\$99,527,704	\$1,432,799,000
1993	\$2,455,276,762	\$73,865,839	\$1,411,765,000

*Source: Property Values - Scott County Auditor's Office*

*Source: Expenditures for Construction - Scott County Assessor's Office*

*Source: Bank Deposits - FDIC*

# DAVENPORT COMMUNITY SCHOOL DISTRICT

## Principal Taxpayers

June 30, 2004

Taxpayers	2003 Total Taxable Value	Percentage to 2003 Total Taxable Value*
SDG Macerich Properties	71,516,500	2.52%
Davenport Water Co.	45,903,306	1.62%
Quanex Corporation	20,862,200	0.73%
Qwest	20,744,475	0.73%
LaFarge Corporation	18,777,713	0.66%
Bradley Operating LLP	14,724,800	0.52%
Genesis Medical Center	13,247,094	0.47%
Iowa 80 Truckstop, Inc	12,765,090	0.45%
Oscar Meyer Foods	12,543,615	0.44%
Davenport Center LTD Partnership	12,000,000	0.42%
Kimberly Club Apts.	11,996,500	0.42%
Winding Hills Apartments	11,507,790	0.41%
Rivercenter Plaza Development	10,981,000	0.39%
Genventures Inc.	10,770,700	0.38%
OPM II	10,699,627	0.38%
Indian Ridge Apartments Cooper	10,560,700	0.37%
TOTAL:	\$309,601,110	10.90%

\* 2003 Total Taxable Value = \$2,840,826,089  
(2003 Valuation for taxes payable 2004-2005)

Source: Scott County Auditor's Office

DAVENPORT  
COMMUNITY  
SCHOOLS



# DAVENPORT COMMUNITY SCHOOL DISTRICT

## Staffing Levels

### Last Ten Fiscal Years

<i>Personnel</i>	<i>04 -FTE</i>	<i>03 - FTE</i>	<i>02-FTE</i>	<i>01-FTE</i>	<i>00-FTE</i>
District Secretary/Treasurer	1	1	1	1	1.1
Superintendent	1	1	1	1	1
Asst. Superintendents	1	1	1	2	2
Principals	28	28	31	32	31
Asst. Principals	15.5	16	14	16	16
All other Administrators	15	14	15	11	11
Teachers	869.5	850.24	934.5	980.3	957.6
Teachers - Special Programs	257.1	240.02	241.5	283.5	309.3
Counselors	37.6	25	27.6	31	32
Library Specialist	25.3	26	25	30.5	30.5
Nurses	22	20.24	16.8	20.9	19.6
Bus Mgr/Accountant	2	2	3	3	3
Other Professional	7.3	8	5	4	4
Teacher Aides	376.4	370.43	405.5	404.4	335.1
Other Technical	12	11	11	13	13
Office/Clerical	112.2	112.39	103	120.2	117.3
Crafts/Trades	29	29	30	39	44
Operative	-	-	-	-	-
Service Workers	281.8	275.65	132	158.8	241.3
<b>TOTAL FTE</b>	<b>2093.7</b>	<b>2030.97</b>	<b>1997.9</b>	<b>2151.6</b>	<b>2168.8</b>

Source: District records as reported on Certified Annual Report in September with exception of current year.  
Current year data is estimated.

<i>99-FTE</i>	<i>98-FTE</i>	<i>97-FTE</i>	<i>96-FTE</i>	<i>95-FTE</i>
1	1	2	1	1
1	1	1	1	1
3	3	3	2	1
31	29	31	32	30
15	13	13	13	12
24.9	34	28	27	32
937.3	937	936	939	938.5
318	331.5	323	281	261
33	36	42	32	32
30.5	30	30.5	29.5	26.5
18.9	17.9	17.5	19	19
1	1	1	1	1
-	1	1	1	-
336.8	372.3	335.6	350.5	349.8
21	19.7	-	-	-
123.7	126.4	124	118	117
34	45	43	48	48.8
1.4	89	88.8	68	67.8
243	281	267	255	255.4
<b>2174.5</b>	<b>2368.8</b>	<b>2287.4</b>	<b>2218</b>	<b>2193.8</b>

# DAVENPORT COMMUNITY SCHOOL DISTRICT

## Major Employers in the Quad City Area

June 30, 2004

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<u>Name</u>	<u>Product/Service</u>	<u>Number of Employees</u>
John Deere and Company	Farm and Yard Implements	8215
Rock Island Arsenal	Government Weapons	6000
Genesis Health System	Health Care System	3000
ALCOA	Aluminum Manufacturer	2513
Trinity Regional Health System	Health Care System	2500
IBP	Beef Processing	2300
Kraft Foods/Oscar Mayer Division	Meat packaging	1635
APAC Customer Services Inc.	Fortune 500/1000 customer services	1200
Mid American Energy	Utility/energy delivery	1200
Illini Hospital	Medical	950
CNH Global	Agricultural equipment	816
APAC Teleservices	Marketing	800
KONE Inc.	Manufacture elevators, escalators, and autowalks	600
Von Maur	Retail store	550
UPS Distribution	Parcel Service	500

Source: Scott County Iowa - web site

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**Operating Cost Per Pupil**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Total Costs</u>	<u>Average Daily Attendance</u>	<u>Operating Cost Per Pupil</u>
2003-04	\$126,742,246	14,622	\$8,668
2002-03	\$123,891,530	14,754	\$8,397
2001-02	\$121,096,490	14,051	\$8,618
2000-01	\$120,205,496	14,261	\$8,429
1999-00	\$114,518,693	16,013	\$7,152
1998-99	\$109,776,735	15,784	\$6,955
1997-98	\$105,633,222	16,191	\$6,524
1996-97	\$99,065,374	16,064	\$6,167
1995-96	\$95,401,110	15,964	\$5,976
1994-95	\$89,329,865	15,950	\$5,601

Includes all General Fund expenditures

*Source: District Financial Records*

# DAVENPORT COMMUNITY SCHOOL DISTRICT

## Enrollment by Grade

### Last Ten Fiscal Years

Fall School Entry Year	K	1	2	3	4	5	6	7	8	9
1994-95	1352	1276	1337	1428	1311	1353	1342	1374	1369	1511
1995-96	1388	1371	1263	1332	1393	1279	1354	1287	1329	1440
1996-97	1407	1366	1374	1235	1329	1393	1250	1333	1275	1460
1997-98	1391	1380	1345	1333	1214	1310	1341	1277	1311	1364
1998-99	1350	1378	1351	1306	1321	1231	1263	1332	1256	1466
1999-00	1256	1360	1352	1357	1290	1339	1183	1277	1360	1428
2000-01	1177	1205	1332	1292	1314	1269	1305	1209	1230	1419
2001-02	1194	1185	1204	1294	1261	1288	1246	1302	1182	1353
2002-03	1190	1155	1153	1163	1249	1268	1251	1206	1270	1265
2003-04	1226	1157	1157	1100	1165	1244	1227	1257	1193	1352

*Enrollment as reported on third Friday in September for State certified count*

<b>10</b>	<b>11</b>	<b>12</b>	<b>Sub- Total Grades Kdg-5</b>	<b>Sub- Total Grades 6th-8th</b>	<b>Sub- Total Grades 9th-12th</b>	<b>Sub- Total Pre- School</b>	<b>Sub- Total Other</b>	<b>GRAND TOTAL</b>
1412	1294	1156	8057	4085	5373	179	28	17,722
1438	1331	1129	8026	3970	5338	161	40	17,535
1447	1332	1130	8104	3858	5369	192	17	17,540
1482	1323	1164	7973	3929	5333	195	31	17,461
1362	1317	1146	7937	3851	5291	194	15	17,288
1418	1154	1143	7954	3820	5143	212	237	17,366
1265	1200	991	7589	3744	4875	183	440	16,831
1302	1117	1053	7426	3730	4825	206	435	16,622
1251	1173	1070	7178	3727	4759	311	442	16,417
1228	1163	1105	7049	3677	4848	346	457	16,377

# DAVENPORT COMMUNITY SCHOOL DISTRICT

## General Analysis of Facilities, Classrooms, and Staffing

June 30, 2004

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Name of School	Date Constructed	Dates of Additions	Grades Served with Special Education
Elementary Schools:			
Adams	1950	1957, 1968, 2001	K-5
Blue Grass	1957	1963, 1978	K-5
Buchanan	1971	2001	K-5
Buffalo	2002		K-5
Eisenhower	1969	1995, 2001	K-5
Fillmore	1955	1957, 1960, 1983, 2001, 2003	K-5
Garfield	1923	1939, 1951, 1994, 2000	K-5
Harrison	1953	1956, 1960, 1968, 1983	K-5
Hayes	1923	1938, 1951, 2000, 2001	K-5
Hoover	1956	1975, 2004	PreK
Jackson	1973	1974, 2001	K-5
Jefferson/Edison	1939	1994	K-5
Lincoln	1939	1952, 1961	K-5
Madison	1939	1952, 1953, 2004	K-5
McKinley	1939	1952, 1960, 2004	K-5
Monroe	1938	1955, 2004	K-5
Truman	1977		K-5
Walcott	1956	1958, 1961, 1970, 2001	K-5
Washington	1939	1952, 1994, 2001	K-5
Wilson	1955	1958, 1962, 1967, 1969, 2001	K-5
Intermediate Schools:			
Smart	1917	1923, 1957, 1963, 2002	6-8
Sudlow	1917	1923, 1957, 1963, 2002	6-8
Walcott	1956	1958, 1961, 1970, 2001	6-8
Williams	1954	1983, 2002	6-8
Wood	1984	2001, 2003	6-8
Young	1917	1923, 1957, 1963	6-8
High Schools:			
Central	1904	1929, 1984	9-12
North	1972	1984, 1997, 2002	9-12
West	1973	1974, 2001, 2004	9-12
Alternative Schools:			
KCAE	1961		K-12

Source: District records

Other facilities non-student occupancy:

Administrative Service Center  
Brady Street Stadium  
Operations Center

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<u>Building and Certified Enrollment September, 2003</u>	<u>Teachers Actively Employed</u>
------------------------------------------------------------------	-------------------------------------------

554	41
336	26
345	37
316	21
417	38
440	34
459	35
527	34
349	32
81	11
396	31
404	35
287	24
326	30
404	33
445	39
373	29
182	14
245	22
509	42
658	58
693	58
428	34
772	60
775	64
351	37
1475	106
1142	86
2231	148
457	41

DAVENPORT  
COMMUNITY  
SCHOOLS





Consultants • Certified Public Accountants

**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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To the Board of Education  
Davenport Community School District  
Davenport, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Davenport Community School District (the “District”) as of and for the year ended June 30, 2004, which collectively comprise the District’s basic financial statements and have issued our report thereon dated October 25, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District’s operations for the year ended June 30, 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 item II-B-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated October 25, 2004.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the Davenport Community School District and other parties to whom Davenport 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 the Davenport 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.

*Eida Bailly LLP*

Dubuque, Iowa  
October 25, 2004



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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To the Board of Education  
Davenport Community School District  
Davenport, Iowa

Compliance

We have audited the compliance of the Davenport 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. The District's major federal programs are identified in the summary of the independent auditor's results section 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 the management of the Davenport Community School District. Our responsibility is to express an opinion on the Davenport Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Davenport 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 of the Davenport Community School District's compliance with those requirements.

In our opinion, the Davenport 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 the Davenport 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 the Davenport 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 the 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 reportable 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, contracts, and grants caused by error or fraud 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 the Davenport Community School District and other parties to whom the Davenport Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Eide Bailly LLP*

Dubuque, Iowa  
October 25, 2004

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

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
Department of Education:			
Twenty-First Century Community Learning Centers	84.287		\$ 915,114
Twenty-First Century Community Learning Centers	84.287		<u>742,156</u>
Total Direct			<u>1,657,270</u>
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
Food Donation	10.550		<u>453,328</u>
School Breakfast Program	10.553		691,740
National School Lunch Program	10.555		2,589,450
National School Lunch Program	10.555		19,604
Summer Food Service Program for Children	10.559		<u>102,449</u>
			<u>3,403,243</u>
Child and Adult Care Food Program	10.558		<u>6,984</u>
Department of Justice:			
City of Davenport, Iowa:			
Local Law Enforcement Block Grants Program	16.592		14,041
Local Law Enforcement Block Grants Program	16.592		<u>717</u>
			<u>14,758</u>
Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010		48,550
Title I Grants to Local Educational Agencies	84.010		3,082,062
Title I Grants to Local Educational Agencies	84.010		809,639
Title I Grants to Local Educational Agencies	84.010		<u>481,813</u>
			<u>4,422,064</u>
Special Education – Grants to States	84.027		<u>738,043</u>
Vocational Education – Basic Grants to States	84.048		<u>336,236</u>
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126		<u>53,411</u>

(continued)

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

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect: (continued)			
Department of Education: (continued)			
Iowa Department of Education: (continued)			
Safe and Drug-Free Schools and Communities – National Programs	84.184		\$ <u>24,647</u>
Safe and Drug-Free Schools and Communities – State Grants	84.186		<u>128,997</u>
Fund for the Improvement of Education	84.215		174,316
Fund for the Improvement of Education	84.215		<u>127,577</u>
			<u>301,893</u>
Eisenhower Professional Development State Grants	84.281		<u>13,418</u>
Innovative Education Program Strategies	84.298		36,366
Innovative Education Program Strategies	84.298		<u>76,306</u>
			<u>112,672</u>
Education Technology State Grants	84.318		<u>186,457</u>
Special Education – State Program Improvement Grants for Children with Disabilities	84.323		<u>50,392</u>
Advanced Placement Program	84.330		<u>104</u>
Comprehensive School Reform Demonstration	84.332		<u>108,091</u>
Reading Excellence	84.338		<u>12,688</u>
Reading First State Grants	84.357		<u>542,038</u>
Early Reading First	84.359		<u>15,000</u>
Improving Teacher Quality State Grants	84.367		<u>1,203,575</u>
Grants for State Assessments and Related Activities	84.369		<u>97,442</u>
Iowa Public Television: Star Schools	84.203		<u>1,000</u>
Area Education Agency, Davenport, Iowa: Title I Accountability Grants	84.348		<u>7,199</u>
English Language Acquisition Grants	84.365		<u>22,588</u>

(continued)

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

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect: (continued)			
Department of Health and Human Services:			
Iowa Department of Education:			
Medical Assistance Program	93.778		<u>\$ 229,045</u>
Corporation for National and Community Service:			
Iowa Department of Education:			
Learn and Serve America – School and Community Based Programs	94.004		<u>2,185</u>
Total Indirect			<u>12,487,498</u>
Total			<u>\$14,144,768</u>

**DAVENPORT COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2004**

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**NOTE 1. BASIS OF PRESENTATION**

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

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

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (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 are required to be reported in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered Programs:
    - CFDA 10.553 – School Breakfast Program
    - CFDA 10.555 – National School Lunch Program
    - CFDA 10.559 – Summer Food Service Program for Children
  - CFDA 10.550 – Food Donation
  - CFDA 84.357 – Reading First State Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$424,343.
- (i) The Davenport Community School District qualified as a low-risk auditee.

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

II-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget – Expenditures for the year ended June 30, 2004, exceeded the amounts budgeted in the instruction functional area.

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

Response – The budget will be amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures are allowed to exceed the budget.

Conclusion – Response accepted.

II-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

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

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**Part II: Other Findings Related to Statutory Reporting: (continued)**

II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted.

II-E-04 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-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 the coverage is adequate for current operations.

II-G-04 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-H-04 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2003 was overstated. The District's certified enrollment count included 15 dual enrolled students (resident home schooled students enrolled in an activity program) that were also included in the full-time K-12 category. This resulted in overstating the total actual enrollment at line 7 by 15 students.

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

Response – The District will contact the Iowa Department of Education and the Department of Management to resolve this matter.

Conclusion – Response accepted.

II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-04 Certified Annual Report – The Certified Annual Report (CAR) was filed with the Department of Education after the due date. As part of our audit, we recorded numerous audit adjustments which changed amounts reported on the CAR which was submitted.

Recommendation – We recommend that District personnel review the audit adjustments and incorporate them into the CAR for the year ending June 30, 2005, as adjustments to beginning fund balances.

Response – The District will review the audit adjustments and incorporate them into the June 30, 2005, Certified Annual Report as adjustments to beginning fund balances.

Conclusion – Response accepted.