

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

JUNE 30, 2005

NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the Bettendorf Community School District in Bettendorf, Iowa.

The District's revenues for the governmental funds totaled \$39,717,961 for the year ended June 30, 2005 and included \$18,007,604 in local tax, \$15,642,365 from the state, \$1,276,650 from the federal government, compensation for loss of capital assets of \$80,654 and \$215,087 in interest on investments.

Governmental fund expenditures for the year totaled \$40,153,415 and included \$23,298,237 for instruction, \$9,981,112 for support services and \$6,868,854 for other expenditures.

A copy of the audit report is available for review in the office of the Auditor of State and the Director of Finance and Business Service's office.

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Bettendorf Community School District

Officials

| <u>Name</u>  | <u>Title</u>                                   | <u>Term Expires</u> |
|--|--|---------------------|
| <b>Board of Education<br/>(Before September 2004 Election)</b> |  |                     |
| Barry Anderson   | President                                      | 2005                |
| Kathy Weigle   | Vice President                                 | 2004                |
| Steve Mayer  | Board Member                                   | 2004                |
| Debbie Roski   | Board Member                                   | 2004                |
| Jeannine Crockett  | Board Member                                   | 2005                |
| Paul Castro  | Board Member                                   | 2006                |
| Tom Luton  | Board Member                                   | 2006                |
| <b>Board of Education<br/>(After September 2004 Election)</b>  |  |                     |
| Barry Anderson   | President                                      | 2005                |
| Kathy Weigle   | Vice President                                 | 2007                |
| Jeannine Crockett  | Board Member                                   | 2005                |
| Paul Castro  | Board Member                                   | 2006                |
| Tom Luton  | Board Member                                   | 2006                |
| Steve Mayer  | Board Member                                   | 2007                |
| Barb Ehrmann   | Board Member                                   | 2007                |
| <b>School Officials</b>  |  |                     |
| Dr. John Perdue  | Superintendent                                 | 2006                |
| Dr. Carol Webb   | Assistant Superintendent                       | 2006                |
| Maxine McEnany   | Director of Financial<br>and Business Services | 2006                |
| Lynne Lindstrom  | Board Secretary                                | 2005                |
| Joe Slavens  | Board Treasurer                                | 2005                |
| William Davidson   | Attorney                                       | 2005                |
| Don Hoskins  | Attorney                                       | 2005                |

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bettendorf Community School District, Bettendorf, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Bettendorf Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated August 31, 2005 on our consideration of the Bettendorf Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports are 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. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Bettendorf Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for two years ended June 30, 2003 (which are not presented herein) and expressed an unqualified opinion on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

August 31, 2005

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Bettendorf Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$32,725,971 in fiscal 2004 to \$32,618,065 in fiscal 2005, while General Fund expenditures increased from \$31,089,802 in fiscal 2004 to \$32,729,905 in fiscal 2005. The District's General Fund balance decreased from \$7,451,204 in fiscal 2004 to a balance of \$7,339,364 in fiscal 2005, a 1.50% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in other local sources. The increase in expenditures was due to the increase in negotiated salary and benefits and equipment purchases.
- An increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$107,687 in fiscal year 2004 to \$191,314 in fiscal year 2005.
- The District's General Fund solvency ratio was 14.57% at June 30, 2005.
- Our special education deficit for the year ended June 30, 2005 was \$908,202. The deficit for fiscal year end June 30, 2004 was \$573,339. This represents an increase in the deficit balance of \$334,863. Our special needs students have increased by sixteen students from the 2004/2005 school year.
- The Internal Service Fund used for health insurance had a decrease of \$613,787 in fund balance. The main reason the self-funded insurance fund balance has decreased significantly is due to the plan experiencing high loss ratios.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Bettendorf Community School District as a whole and present an overall view of the District's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

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

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

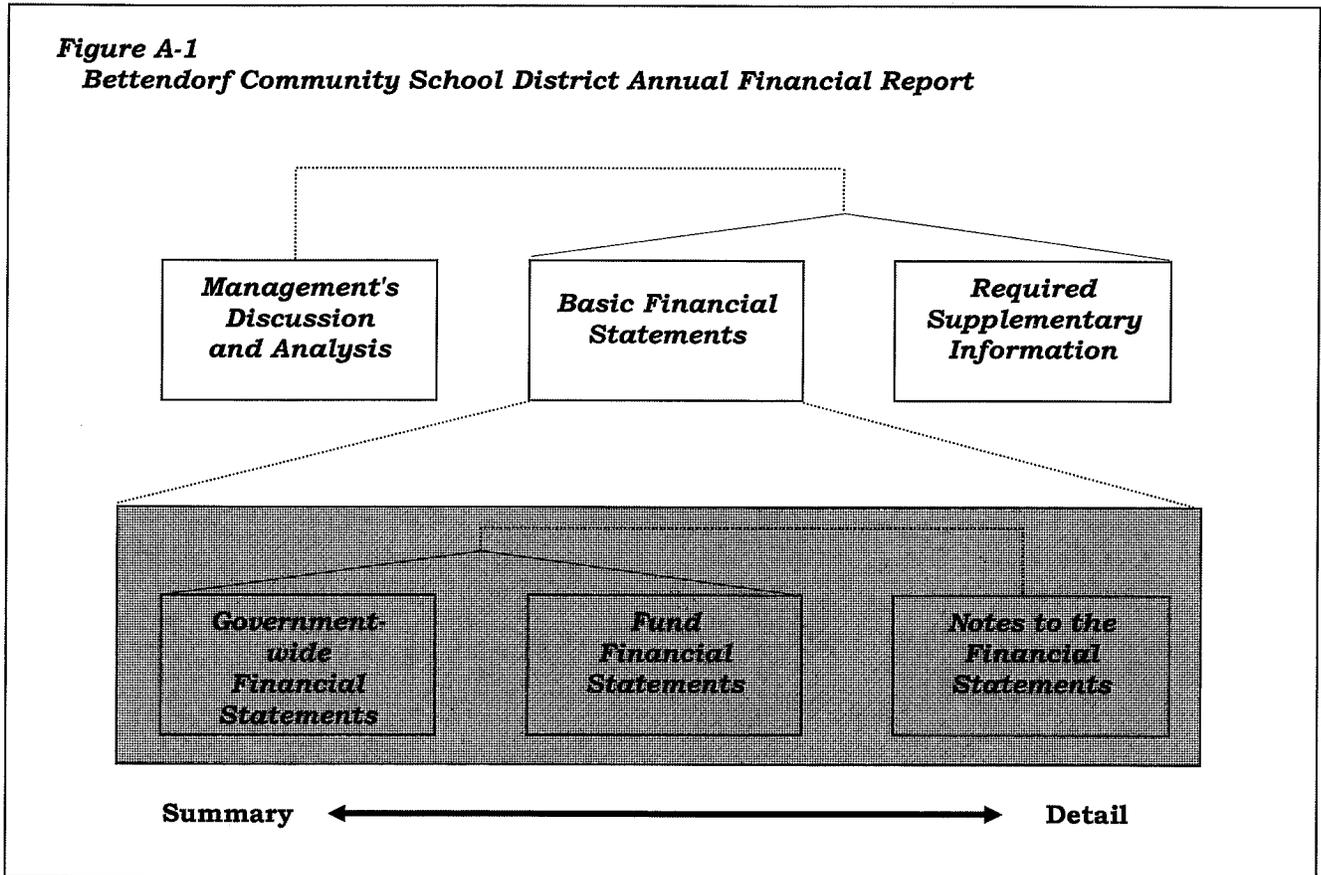


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Agency Fund – These are funds through which the District administers and accounts for certain outside groups.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-3  
Condensed Statement of Net Assets

|  | Governmental Activities |            | Business-type Activities |         | Total School District |            | Total Change |
|--|-------------------------|------------|--------------------------|---------|-----------------------|------------|--------------|
|  | 2005                    | 2004       | 2005                     | 2004    | 2005                  | 2004       | 2004-05      |
| Current and other assets                           | \$ 31,594,802           | 31,706,958 | 431,592                  | 514,412 | 32,026,394            | 32,221,370 | -0.61%       |
| Capital assets                                     | 26,275,801              | 23,193,060 | 158,653                  | 140,937 | 26,434,454            | 23,333,997 | 13.29%       |
| Total assets                                       | 57,870,603              | 54,900,018 | 590,245                  | 655,349 | 58,460,848            | 55,555,367 | 5.23%        |
| Long-term obligations                              | 6,117,207               | 6,632,201  | 0                        | 0       | 6,117,207             | 6,632,201  | -7.77%       |
| Other liabilities                                  | 20,032,068              | 19,097,603 | 83,454                   | 61,874  | 20,115,522            | 19,159,477 | 4.99%        |
| Total liabilities                                  | 26,149,275              | 25,729,804 | 83,454                   | 61,874  | 26,232,729            | 25,791,678 | 1.71%        |
| Net assets:  |                         |            |                          |         |                       |            |              |
| Invested in capital assets,<br>net of related debt | 21,960,325              | 18,758,321 | 158,653                  | 140,937 | 22,118,978            | 18,899,258 | 17.04%       |
| Restricted   | 890,089                 | 846,373    | 0                        | 0       | 890,089               | 846,373    | 5.17%        |
| Unrestricted                                       | 8,870,914               | 9,565,520  | 348,138                  | 452,538 | 9,219,052             | 10,018,058 | -7.98%       |
| Total net assets                                   | \$ 31,721,328           | 29,170,214 | 506,791                  | 593,475 | 32,228,119            | 29,763,689 | 8.28%        |

The District's combined net assets increased by 8.28%, or \$2,464,430, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$43,716, or 5.17% over the prior year. The increase was primarily a result of increased in the Special Revenue, Management Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$799,006, or 7.98%. This decrease in unrestricted net assets was a result of the District’s decrease in the Internal Service Fund net assets.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4  
Changes of Net Assets

|  | Governmental Activities |                   | Business-type Activities |                  | Total School District |                   | Total Change  |
|--|-------------------------|-------------------|--------------------------|------------------|-----------------------|-------------------|---------------|
|  | 2005                    | 2004              | 2005                     | 2004             | 2005                  | 2004              | 2004-05       |
| <b>Revenues:</b>   |                         |                   |                          |                  |                       |                   |               |
| <b>Program revenues:</b>                                   |                         |                   |                          |                  |                       |                   |               |
| Charges for services                                       | \$ 4,109,898            | 4,929,127         | 1,022,340                | 947,781          | 5,132,238             | 5,876,908         | -12.67%       |
| Operating grants and contributions and restricted interest | 3,676,498               | 2,895,864         | 438,527                  | 426,363          | 4,115,025             | 3,322,227         | 23.86%        |
| Capital grants and contributions and restricted interest   | 150,000                 | 0                 | 0                        | 0                | 150,000               | 0                 | 100.00%       |
| <b>General revenues:</b>                                   |                         |                   |                          |                  |                       |                   |               |
| Property tax   | 14,704,493              | 13,567,527        | 0                        | 0                | 14,704,493            | 13,567,527        | 8.38%         |
| Local option sales and service tax                         | 3,303,111               | 3,256,427         | 0                        | 0                | 3,303,111             | 3,256,427         | 1.43%         |
| Unrestricted state grants                                  | 13,478,220              | 13,130,610        | 0                        | 0                | 13,478,220            | 13,130,610        | 2.65%         |
| Other  | 15,721                  | 163,909           | 8,292                    | 1,376            | 24,013                | 165,285           | -85.47%       |
| <b>Total revenues</b>                                      | <b>39,437,941</b>       | <b>37,943,464</b> | <b>1,469,159</b>         | <b>1,375,520</b> | <b>40,907,100</b>     | <b>39,318,984</b> | <b>4.04%</b>  |
| <b>Program expenses:</b>                                   |                         |                   |                          |                  |                       |                   |               |
| <b>Governmental activities:</b>                            |                         |                   |                          |                  |                       |                   |               |
| Instructional  | 23,669,970              | 22,635,956        | 0                        | 0                | 23,669,970            | 22,635,956        | 4.57%         |
| Support services   | 10,135,666              | 9,954,805         | 0                        | 0                | 10,135,666            | 9,954,805         | 1.82%         |
| Non-instructional programs                                 | 29,612                  | 27,316            | 1,555,843                | 1,418,979        | 1,585,455             | 1,446,295         | 9.62%         |
| Other expenses   | 3,051,579               | 5,089,494         | 0                        | 0                | 3,051,579             | 5,089,494         | -40.04%       |
| <b>Total expenses</b>                                      | <b>36,886,827</b>       | <b>37,707,571</b> | <b>1,555,843</b>         | <b>1,418,979</b> | <b>38,442,670</b>     | <b>39,126,550</b> | <b>-1.75%</b> |
| Changes in net assets                                      | 2,551,114               | 235,893           | (86,684)                 | (43,459)         | 2,464,430             | 192,434           | 1180.66%      |
| Beginning net assets                                       | 29,170,214              | 28,934,321        | 593,475                  | 636,934          | 29,763,689            | 29,571,255        | 0.65%         |
| Ending net assets  | \$ 31,721,328           | 29,170,214        | 506,791                  | 593,475          | 32,228,119            | 29,763,689        | 8.28%         |

Property tax, local option sales and service tax and unrestricted state grants account for 77% of the total revenue. The District’s expenses primarily relate to instruction and support services which account for 88% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$39,437,941 and expenses were \$36,886,827.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

|                            | Total Cost<br>of Services | Net Cost<br>of Services |
|----------------------------|---------------------------|-------------------------|
| Instruction                | \$ 23,669,970             | 17,092,213              |
| Support services           | 10,135,666                | 10,075,449              |
| Non-instructional programs | 29,612                    | 29,612                  |
| Other expenses             | 3,051,579                 | 1,753,157               |
| Totals                     | <u>\$ 36,886,827</u>      | <u>28,950,431</u>       |

- The cost financed by users of the District's programs was \$4,109,898.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,826,498.
- The net cost of governmental activities was financed with \$14,704,493 in property tax, \$3,303,111 in local option sales and services tax, \$13,478,220 in state foundation aid, \$215,087 in interest income and a \$199,366 loss in disposal of capital assets.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$1,469,159 and expenses were \$1,555,843. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$9,915,576, below last year's ending fund balances of a \$10,351,030. However, the primary reason for the decrease in combined fund balances in fiscal 2005 is due to increased capital improvement expenditures in the Capital Projects Fund.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$7,451,204 to \$7,339,364, due in part to the increase in negotiated salary and benefit expenditures, a decrease in property tax revenue, a decrease in tuition revenue, and an increase in tuition expense.
- The Capital Projects Fund balance decreased from \$1,805,261 in fiscal 2004 to \$1,287,419 in fiscal 2005. While revenues remained approximately the same, the District increased spending for capital projects.

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## Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$593,475 at June 30, 2004 to \$506,791 at June 30, 2005, representing a decrease of 14.61%. The increase in revenues were more than offset by the increase in expenses, resulting from an increase in salaries, benefits and cost of supplies.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$1,447,181 more than budgeted revenues, a variance of 3.65%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, the District had invested \$26.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 11.73% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,407,379.

The original cost of the District's capital assets was \$48.9 million. Governmental funds account for \$48.3 million with the remainder of \$0.6 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building category. The District's buildings totaled \$23,024,024 at June 30, 2005, compared to \$20,226,548 reported at June 30, 2004. This significant increase resulted from the completion of prior years construction in progress.

Figure A-6  
Capital Assets, Net of Depreciation

|                          | Governmental Activities |                   | Business-type Activities |                | Total School District |                   | Total Change  |
|--------------------------|-------------------------|-------------------|--------------------------|----------------|-----------------------|-------------------|---------------|
|                          | 2005                    | 2004              | 2005                     | 2004           | 2005                  | 2004              | 2004-05       |
| Land                     | \$ 1,017,415            | 1,017,415         | 0                        | 0              | 1,017,415             | 1,017,415         | 0.00%         |
| Construction in progress | 1,509,128               | 1,143,665         | 0                        | 0              | 1,509,128             | 1,143,665         | 24.22%        |
| Buildings                | 23,024,024              | 20,226,548        | 0                        | 0              | 23,024,024            | 20,226,548        | 12.15%        |
| Land improvements        | 37,920                  | 40,837            | 0                        | 0              | 37,920                | 40,837            | -7.69%        |
| Machinery and equipment  | 687,314                 | 764,595           | 158,653                  | 140,937        | 845,967               | 905,532           | -7.04%        |
| Total                    | <u>\$ 26,275,801</u>    | <u>23,193,060</u> | <u>158,653</u>           | <u>140,937</u> | <u>26,434,454</u>     | <u>23,333,997</u> | <u>11.73%</u> |

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## Long-Term Debt

At June 30, 2005, the District had \$6,117,207 in general obligation and other long-term debt outstanding. This represents a decrease of 7.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bond indebtedness at June 30, 2005 of \$5,585,000.

The District had total outstanding Compensated Absences payable from the General Fund of \$124,696 at June 30, 2005.

The District had total outstanding Early Retirement payable from the General and Special Revenue - Management Funds of \$407,511 at June 30, 2005.

Figure A-7  
Outstanding Long-Term Obligations

|                          | Total School District |           | Total<br>Change |
|--------------------------|-----------------------|-----------|-----------------|
|                          | 2005                  | 2004      |                 |
| General Obligation Bonds | \$ 5,585,000          | 6,240,000 | -10.5%          |
| Early Retirement         | 407,511               | 275,135   | 48.1%           |
| Compensated Absences     | 124,696               | 117,066   | 6.5%            |
| Totals                   | \$ 6,117,207          | 6,632,201 | -7.8%           |

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Although the District has experienced declining enrollment for a number of years, the District had a slight increase in enrollment in fiscal year ended 2005 of 24.8 students. However, the district experienced a significant enrollment decline in the fall of 2005 of 89.8 students.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2004.
- Low allowable growth over several years and enrollment decreases has negatively impacted the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.
- On September 9, 2003 voters in the District passed a voter-approved physical plant and equipment levy not to exceed \$1.34 per \$1,000 assessed valuation for ten years commencing July 1, 2004. The 2004/2005 \$.33 regular PPEL levy and 1.34 voted PPEL levy generated \$1,669,831 property tax income.
- The 10-year local option sales tax will expire in 2009. During the 2004 legislative session lawmakers voted to approve a statewide local option tax pool. The statewide average local option tax per pupil is \$575. At the current time the Scott County per pupil amount is \$824. We will continue to receive the taxes generated by our County until our 10-year tax

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expires. At that time we will receive the statewide average set by the legislature if the tax is renewed.

- On August 1, 2005 the Board of Education refinanced the district's outstanding 1997 and 1998 Bonds. U.S. Bank was the purchaser at an average interest cost of 3.4%. The net savings to the district for the lower interest cost was \$158,252.
- The Board of Education has approved construction of a new two-section elementary school, replacing Neil Armstrong Elementary School, based on the recommendation of Russell Construction. The location will be on the current Ray Stensvad Administration Center site. The project is budgeted for \$8.8 million dollars and will be funded through the Local Option Sales and Services Tax (\$5,300,000), the Voter-Approved Physical Plant and Equipment Levy (\$3,000,000), and the district has applied for the Harkin Construction Grant for \$500,000. Construction will begin in June, 2006 and is expected to be completed in July, 2007.
- The district is in the process of developing a 28E agreement to rent space from the City of Bettendorf to share a building space with Scott Community College and Iowa State Extension for district Administrative Offices.
- The Board of Education has directed that a committee be formed to look at alternatives for renovation of the Middle School Pod area.
- The District continues to repay 100% of outstanding bonds from the local option sales tax receipts. The Board has determined they will not be issuing any debt, unless they chose to borrow against any future sales tax.
- Overall usage of electricity increased 6.8% for fiscal year end June 30, 2005. The increase was likely due to the addition of air conditioning and construction.
- All schools, with the exception BMS and RSAC decreased their usage of natural gas. This balanced out the increase in cost per therm so that the actual expense for natural gas overall remained basically the same. Cost per therm increased approximately 14 cents across all the schools.
- When we contracted our natural gas several years ago the prices were in the \$4 to \$5 per MMbtu range. Current costs are in the \$11 range, which does not afford us the opportunity to contract for the 2006 winter. We have budgeted for an expected 30% increase in natural gas costs for fiscal year ended June 30, 2006.
- The District is self-funded for health insurance. The fund balance has decreased significantly since last year. On June 30, 2004, the fund balance was just over \$2.70 million dollars, while on June 30, 2005 it is roughly \$2.09 million. When the required claim reserves (the incurred but not reported or processed claims) are included, the school's health plan fund surplus has decreased from roughly \$2.25 million at June 30, 2004 to \$1.6 million at June 30, 2005. This represents nearly a 29% decrease in surplus funds. The June 30, 2005 balance represents just over 4.8 months of claims and expenses to cover fluctuations. At June 30, 2004, the surplus represented nearly 8.8 months of claims. This represents a 55% reduction from 2004 to 2005.
- The Board of Education has implemented a revised early retirement plan for a three-year period beginning with fiscal year ended June 30, 2004. The plan allows people who are at least 55 years of age and who have been full-time with the District for at least 15 years to retire with a benefit of \$2,400 per year paid into a Health Reimbursement Arrangement

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(HRA) until age 65 or for 10 years, whichever is less, and \$10 per day for unused sick leave to be paid into an HRA.

- The District was awarded a three year (2004-2007) Carol M. White Physical Education for Progress Grant. The fiscal impact is:

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

- The Board of Education lowered the tax rate from \$15.78 per \$1,000 taxable valuation for the fiscal year ended June 30, 2004 to \$15.47 for the fiscal year ended June 30, 2005. The current year end June 30, 2006 tax rate is \$14.69.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Maxine McEnany, Director of Financial and Business Services, Bettendorf Community School District, 3311 Central Avenue, Bettendorf, Iowa, 52722.

BASIC FINANCIAL STATEMENTS

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

|  | Governmental<br>Activities | Business-type<br>Activities | Total             |
|--|----------------------------|-----------------------------|-------------------|
| <b>ASSETS</b>  |                            |                             |                   |
| Cash and pooled investments                                | \$ 14,458,721              | 388,807                     | 14,847,528        |
| Receivables:   |                            |                             |                   |
| Property tax:  |                            |                             |                   |
| Delinquent   | 215,399                    | 0                           | 215,399           |
| Succeeding year  | 15,330,767                 | 0                           | 15,330,767        |
| Interfund  | 49,787                     | 0                           | 49,787            |
| Accounts   | 170,211                    | 6,520                       | 176,731           |
| Due from other governments                                 | 1,369,917                  | 3,519                       | 1,373,436         |
| Inventories  | 0                          | 32,746                      | 32,746            |
| Capital assets, net of accumulated<br>depreciation(Note 5) | 26,275,801                 | 158,653                     | 26,434,454        |
| <b>TOTAL ASSETS</b>  | <b>57,870,603</b>          | <b>590,245</b>              | <b>58,460,848</b> |
| <b>LIABILITIES</b>   |                            |                             |                   |
| Interfund payable  | 129                        | 49,658                      | 49,787            |
| Accounts payable   | 1,078,512                  | 0                           | 1,078,512         |
| Salaries and benefits payable                              | 3,009,816                  | 490                         | 3,010,306         |
| Incurred but not reported claims                           | 498,931                    | 0                           | 498,931           |
| Interest payable   | 22,595                     | 0                           | 22,595            |
| Deferred revenue:  |                            |                             |                   |
| Succeeding year property tax                               | 15,330,767                 | 0                           | 15,330,767        |
| Other  | 91,318                     | 33,306                      | 124,624           |
| Long-term liabilities(Note 6):                             |                            |                             |                   |
| Portion due within one year:                               |                            |                             |                   |
| General obligation bonds payable                           | 685,000                    | 0                           | 685,000           |
| Early retirement payable                                   | 91,649                     | 0                           | 91,649            |
| Compensated absences                                       | 124,696                    | 0                           | 124,696           |
| Portion due after one year:                                |                            |                             |                   |
| General obligation bonds payable                           | 4,900,000                  | 0                           | 4,900,000         |
| Early retirement payable                                   | 315,862                    | 0                           | 315,862           |
| <b>TOTAL LIABILITIES</b>                                   | <b>26,149,275</b>          | <b>83,454</b>               | <b>26,232,729</b> |
| <b>NET ASSETS</b>  |                            |                             |                   |
| Investment in capital assets, net of<br>related debt       | 21,960,325                 | 158,653                     | 22,118,978        |
| Restricted for:  |                            |                             |                   |
| Other  | 13,507                     | 0                           | 13,507            |
| Management levy  | 233,113                    | 0                           | 233,113           |
| Physical plant and equipment levy                          | 281,648                    | 0                           | 281,648           |
| Other special revenue purposes                             | 361,821                    | 0                           | 361,821           |
| Unrestricted   | 8,870,914                  | 348,138                     | 9,219,052         |
| <b>TOTAL NET ASSETS</b>                                    | <b>\$ 31,721,328</b>       | <b>506,791</b>              | <b>32,228,119</b> |

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005

| Functions/Programs                          | Expenses             | Program Revenues     |   |   |
|---|----------------------|----------------------|---|---|
|   |                      | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| <b>Governmental activities:</b>             |                      |                      |   |   |
| Instruction:                                |                      |                      |   |   |
| Regular instruction                         | \$ 14,985,302        | 1,978,763            | 2,327,446   | 0   |
| Special instruction                         | 4,850,979            | 420,259              | 200,630   | 0   |
| Other instruction                           | 3,833,689            | 1,650,659            | 0   | 0   |
|   | <u>23,669,970</u>    | <u>4,049,681</u>     | <u>2,528,076</u>  | <u>0</u>  |
| Support services:                           |                      |                      |   |   |
| Student services                            | 686,318              | 0                    | 0   | 0   |
| Instructional staff services                | 599,182              | 0                    | 0   | 0   |
| Administration services                     | 4,793,416            | 0                    | 0   | 0   |
| Operation and maintenance of plant services | 3,386,557            | 0                    | 0   | 0   |
| Transportation services                     | 670,193              | 60,217               | 0   | 0   |
|   | <u>10,135,666</u>    | <u>60,217</u>        | <u>0</u>  | <u>0</u>  |
| Non-instructional programs                  | <u>29,612</u>        | <u>0</u>             | <u>0</u>  | <u>0</u>  |
| Other expenditures:                         |                      |                      |   |   |
| Facilities acquisitions                     | 404,814              | 0                    | 0   | 150,000   |
| Long-term debt interest                     | 307,084              | 0                    | 0   | 0   |
| AEA flowthrough                             | 1,148,422            | 0                    | 1,148,422   | 0   |
| Depreciation(unallocated)*                  | 1,191,259            | 0                    | 0   | 0   |
|   | <u>3,051,579</u>     | <u>0</u>             | <u>1,148,422</u>  | <u>150,000</u>  |
| Total governmental activities               | <u>36,886,827</u>    | <u>4,109,898</u>     | <u>3,676,498</u>  | <u>150,000</u>  |
| <b>Business-Type activities:</b>            |                      |                      |   |   |
| Non-instructional programs:                 |                      |                      |   |   |
| Nutrition services                          | 1,555,843            | 1,022,340            | 438,527   | 0   |
| Total                                       | <u>\$ 38,442,670</u> | <u>5,132,238</u>     | <u>4,115,025</u>  | <u>150,000</u>  |

**General Revenues (Expenses) :**

Property tax levied for:  
 General purposes  
 Capital outlay  
 Local option sales and service tax  
 Unrestricted state grants  
 Unrestricted investment earnings  
 Loss on disposal of capital assets

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

| Net (Expense) Revenue<br>and Changes in Net Assets |                             |                     |
|--|-----------------------------|---------------------|
| Governmental<br>Activities                         | Business-Type<br>Activities | Total               |
| (10,679,093)                                       | 0                           | (10,679,093)        |
| (4,230,090)  | 0                           | (4,230,090)         |
| (2,183,030)  | 0                           | (2,183,030)         |
| <u>(17,092,213)</u>                                | <u>0</u>                    | <u>(17,092,213)</u> |
| (686,318)  | 0                           | (686,318)           |
| (599,182)  | 0                           | (599,182)           |
| (4,793,416)  | 0                           | (4,793,416)         |
| (3,386,557)  | 0                           | (3,386,557)         |
| (609,976)  | 0                           | (609,976)           |
| <u>(10,075,449)</u>                                | <u>0</u>                    | <u>(10,075,449)</u> |
| (29,612)   | 0                           | (29,612)            |
| (254,814)  | 0                           | (254,814)           |
| (307,084)  | 0                           | (307,084)           |
| 0  | 0                           | 0                   |
| (1,191,259)  | 0                           | (1,191,259)         |
| <u>(1,753,157)</u>                                 | <u>0</u>                    | <u>(1,753,157)</u>  |
| (28,950,431)                                       | 0                           | (28,950,431)        |
| 0  | (94,976)                    | (94,976)            |
| <u>(28,950,431)</u>                                | <u>(94,976)</u>             | <u>(29,045,407)</u> |
| \$ 13,033,979                                      | 0                           | 13,033,979          |
| 1,670,514  | 0                           | 1,670,514           |
| 3,303,111  | 0                           | 3,303,111           |
| 13,478,220   | 0                           | 13,478,220          |
| 215,087  | 8,292                       | 223,379             |
| (199,366)  | 0                           | (199,366)           |
| <u>31,501,545</u>                                  | <u>8,292</u>                | <u>31,509,837</u>   |
| 2,551,114  | (86,684)                    | 2,464,430           |
| <u>29,170,214</u>                                  | <u>593,475</u>              | <u>29,763,689</u>   |
| <u>\$ 31,721,328</u>                               | <u>506,791</u>              | <u>32,228,119</u>   |

BETTENDORF COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

|  | General              | Capital<br>Projects | Other<br>Nonmajor<br>Governmental<br>Funds | Total             |
|--|----------------------|---------------------|--|-------------------|
| <b>ASSETS</b>                              |                      |                     |  |                   |
| Cash and pooled investments                | \$ 9,932,985         | 960,471             | 1,477,270                                  | 12,370,726        |
| Receivables:                               |                      |                     |  |                   |
| Property tax                               |                      |                     |  |                   |
| Delinquent                                 | 176,719              | 0                   | 38,680                                     | 215,399           |
| Succeeding year                            | 12,701,627           | 0                   | 2,629,140                                  | 15,330,767        |
| Interfund                                  | 49,787               | 0                   | 0  | 49,787            |
| Accounts                                   | 73,762               | 0                   | 15,760                                     | 89,522            |
| Due from other governments                 | 860,780              | 509,137             | 0  | 1,369,917         |
| <b>TOTAL ASSETS</b>                        | <b>\$ 23,795,660</b> | <b>1,469,608</b>    | <b>4,160,850</b>                           | <b>29,426,118</b> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                      |                     |  |                   |
| Liabilities:                               |                      |                     |  |                   |
| Interfund payable                          | \$ 0                 | 0                   | 129  | 129               |
| Accounts payable                           | 653,535              | 182,189             | 242,788                                    | 1,078,512         |
| Salaries and benefits payable              | 3,009,816            | 0                   | 0  | 3,009,816         |
| Deferred revenue:                          |                      |                     |  |                   |
| Succeeding year property tax               | 12,701,627           | 0                   | 2,629,140                                  | 15,330,767        |
| Other                                      | 91,318               | 0                   | 0  | 91,318            |
| Total liabilities                          | 16,456,296           | 182,189             | 2,872,057                                  | 19,510,542        |
| Fund balances:                             |                      |                     |  |                   |
| Reserved for:                              |                      |                     |  |                   |
| Other                                      | 13,507               | 0                   | 0  | 13,507            |
| Unreserved:                                |                      |                     |  |                   |
| Designated:                                |                      |                     |  |                   |
| Special purposes by the board              | 575,000              | 0                   | 0  | 575,000           |
| Cash flow                                  | 2,000,000            | 0                   | 0  | 2,000,000         |
| Undesignated                               | 4,750,857            | 1,287,419           | 1,288,793                                  | 7,327,069         |
| Total fund balances                        | 7,339,364            | 1,287,419           | 1,288,793                                  | 9,915,576         |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 23,795,660</b> | <b>1,469,608</b>    | <b>4,160,850</b>                           | <b>29,426,118</b> |

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2005

|  |           |                                 |
|--|-----------|---------------------------------|
| <b>Total fund balances of governmental funds (page 18)</b>   | \$        | 9,915,576                       |
| <br><i>Amounts reported for governmental activities in the statement of net assets are different because:</i>  |           |                                 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.  |           | 26,275,801                      |
| Blending of the Internal Service Fund to be reflected on an entity-wide basis.   |           | 1,669,753                       |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.   |           | (22,595)                        |
| Long-term liabilities, including bonds payable, early retirement payable, and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. |           | (6,117,207)                     |
|  |           | <hr style="width: 100%;"/>      |
| <b>Net assets of governmental activites (page 15)</b>  | <b>\$</b> | <b><u><u>31,721,328</u></u></b> |

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005

|   | General             | Capital<br>Projects | Other<br>Nonmajor<br>Governmental<br>Funds | Total             |
|---|---------------------|---------------------|--|-------------------|
| <b>REVENUES:</b>  |                     |                     |  |                   |
| Local sources:  |                     |                     |  |                   |
| Local tax   | \$ 12,127,025       | 3,303,111           | 2,577,468                                  | 18,007,604        |
| Tuition   | 2,399,022           | 0                   | 0  | 2,399,022         |
| Other   | 1,124,915           | 220,195             | 847,248                                    | 2,192,358         |
| Intermediate sources                                    | 119,308             | 0                   | 0  | 119,308           |
| State sources   | 15,640,491          | 0                   | 1,874                                      | 15,642,365        |
| Federal sources   | 1,126,650           | 150,000             | 0  | 1,276,650         |
| Total revenues  | <u>32,537,411</u>   | <u>3,673,306</u>    | <u>3,426,590</u>                           | <u>39,637,307</u> |
| <b>EXPENDITURES:</b>                                    |                     |                     |  |                   |
| Current:  |                     |                     |  |                   |
| Instruction:  |                     |                     |  |                   |
| Regular instruction                                     | 14,552,757          | 0                   | 171,377                                    | 14,724,134        |
| Special instruction                                     | 4,734,324           | 0                   | 0  | 4,734,324         |
| Other instruction                                       | 3,042,858           | 0                   | 796,921                                    | 3,839,779         |
|   | <u>22,329,939</u>   | <u>0</u>            | <u>968,298</u>                             | <u>23,298,237</u> |
| Support services:                                       |                     |                     |  |                   |
| Student services  | 675,195             | 0                   | 0  | 675,195           |
| Instructional staff services                            | 583,015             | 0                   | 0  | 583,015           |
| Administration services                                 | 4,335,310           | 0                   | 369,170                                    | 4,704,480         |
| Operation and maintenance of plant services             | 3,089,487           | 0                   | 252,492                                    | 3,341,979         |
| Transportation services                                 | 563,325             | 0                   | 113,118                                    | 676,443           |
|   | <u>9,246,332</u>    | <u>0</u>            | <u>734,780</u>                             | <u>9,981,112</u>  |
| Non-instructional programs:                             |                     |                     |  |                   |
| Community services and other operations                 | 5,212               | 0                   | 0  | 5,212             |
| Other expenditures:                                     |                     |                     |  |                   |
| Facilities acquisitions                                 | 0                   | 3,226,217           | 1,529,511                                  | 4,755,728         |
| Long-term debt:   |                     |                     |  |                   |
| Principal   | 0                   | 0                   | 655,000                                    | 655,000           |
| Interest and fiscal charges                             | 0                   | 6,534               | 303,170                                    | 309,704           |
| AEA flowthrough   | 1,148,422           | 0                   | 0  | 1,148,422         |
|   | <u>1,148,422</u>    | <u>3,232,751</u>    | <u>2,487,681</u>                           | <u>6,868,854</u>  |
| Total expenditures                                      | <u>32,729,905</u>   | <u>3,232,751</u>    | <u>4,190,759</u>                           | <u>40,153,415</u> |
| Excess(deficiency) of revenues over(under) expenditures | (192,494)           | 440,555             | (764,169)                                  | (516,108)         |
| Other financing sources(uses):                          |                     |                     |  |                   |
| Transfers in  | 0                   | 0                   | 958,397                                    | 958,397           |
| Transfers out   | 0                   | (958,397)           | 0  | (958,397)         |
| Compensation for loss of capital assets                 | 80,654              | 0                   | 0  | 80,654            |
| Total other financing sources(uses)                     | <u>80,654</u>       | <u>(958,397)</u>    | <u>958,397</u>                             | <u>80,654</u>     |
| Net change in fund balances                             | (111,840)           | (517,842)           | 194,228                                    | (435,454)         |
| Fund balance beginning of year                          | 7,451,204           | 1,805,261           | 1,094,565                                  | 10,351,030        |
| Fund balance end of year                                | <u>\$ 7,339,364</u> | <u>1,287,419</u>    | <u>1,288,793</u>                           | <u>9,915,576</u>  |

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2005

|  |                  |                     |
|--|------------------|---------------------|
| <b>Net change in fund balances - total governmental funds (page 20)</b>  |                  | \$ (435,454)        |
| <b>Amounts reported for governmental activities in the statement of activities are different because:</b>  |                  |                     |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows: |                  |                     |
| Capital outlays  | \$ 4,745,551     |                     |
| Depreciation expense   | (1,382,790)      |                     |
| Loss on disposal of capital assets   | <u>(280,020)</u> | 3,082,741           |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.  |                  | 655,000             |
| Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis.  |                  | (613,787)           |
| Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.   |                  | 2,620               |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.  |                  |                     |
| Early retirement   | \$ (132,376)     |                     |
| Compensated absences   | <u>(7,630)</u>   | <u>(140,006)</u>    |
| <b>Changes in net assets of governmental activities (page 17)</b>  |                  | <u>\$ 2,551,114</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005

|   | Business-Type  |  |
|---|--|--|
|   | Activities:<br>Enterprise<br>Fund<br>School<br>Nutrition | Governmental<br>Activities:<br>Internal<br>Service<br>Fund |
| ASSETS  |  |  |
| Current assets:   |  |  |
| Cash and pooled investments                                 | \$ 388,807   | 2,087,995  |
| Accounts receivable   | 6,520  | 80,689   |
| Due from other governments                                  | 3,519  | 0  |
| Inventories   | 32,746   | 0  |
| Total current assets  | <u>431,592</u>   | <u>2,168,684</u>   |
| Non-current assets:   |  |  |
| Capital assets:   |  |  |
| Machinery and equipment, net of<br>accumulated depreciation | 158,653  | 0  |
| Total non-current assets                                    | <u>158,653</u>   | <u>0</u>   |
| TOTAL ASSETS  | <u>590,245</u>   | <u>2,168,684</u>   |
| LIABILITIES   |  |  |
| Current liabilities:  |  |  |
| Interfund payable   | 49,658   | 0  |
| Salaries and benefits payable                               | 490  | 0  |
| Incurred but not reported claims                            | 0  | 498,931  |
| Deferred revenue:   |  |  |
| Other   | 33,306   | 0  |
| TOTAL LIABILITIES   | <u>83,454</u>  | <u>498,931</u>   |
| NET ASSETS  |  |  |
| Investment in capital assets                                | 158,653  | 0  |
| Unrestricted  | 348,138  | 1,669,753  |
| TOTAL NET ASSETS  | <u>\$ 506,791</u>  | <u>1,669,753</u>   |

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2005

|                              | Business-Type  |  |
|------------------------------|--|--|
|                              | Activities:<br>Enterprise<br>Fund<br>School<br>Nutrition | Governmental<br>Activities:<br>Internal<br>Service<br>Fund |
| OPERATING REVENUE:           |  |  |
| Local sources:               |  |  |
| Charges for services         | \$ 1,022,340   | 3,092,046  |
| TOTAL OPERATING REVENUES     | <u>1,022,340</u>   | <u>3,092,046</u>   |
| OPERATING EXPENSES:          |  |  |
| Non-instructional programs:  |  |  |
| Salaries                     | 473,800  | 0  |
| Benefits                     | 120,973  | 3,644,804  |
| Services                     | 35,088   | 61,029   |
| Supplies                     | 901,393  | 0  |
| Depreciation                 | 24,589   | 0  |
| TOTAL OPERATING EXPENSES     | <u>1,555,843</u>   | <u>3,705,833</u>   |
| OPERATING LOSS               | <u>(533,503)</u>   | <u>(613,787)</u>   |
| NON-OPERATING REVENUES:      |  |  |
| State sources                | 15,770   | 0  |
| Federal sources              | 422,757  | 0  |
| Interest income              | 8,292  | 0  |
| TOTAL NON-OPERATING REVENUES | <u>446,819</u>   | <u>0</u>   |
| Changes in net assets        | (86,684)   | (613,787)  |
| Net assets beginning of year | <u>593,475</u>   | <u>2,283,540</u>   |
| Net assets end of year       | <u>\$ 506,791</u>  | <u>1,669,753</u>   |

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2005

|  | Business-Type  |  |
|--|--|--|
|  | Activities:<br>Enterprise<br>Fund<br>School<br>Nutrition | Governmental<br>Activities:<br>Internal<br>Service<br>Fund |
| Cash flows from operating activities:  |  |  |
| Cash received from sale of lunches and breakfasts  | \$ 1,037,222   | 0  |
| Cash received from miscellaneous operating activities  | 1,982  | 3,040,400  |
| Cash payments to employees for services  | (597,308)  | 0  |
| Cash payments to suppliers for goods or services   | (867,332)  | (3,657,021)  |
| Net cash used in operating activities  | <u>(425,436)</u>   | <u>(616,621)</u>   |
| Cash flows from non-capital financing activities:  |  |  |
| State grants received  | 15,770   | 0  |
| Federal grants received  | 347,633  | 0  |
| Loan from General Fund   | 5,143  | 0  |
| Net cash provided by non-capital financing activities  | <u>368,546</u>   | <u>0</u>   |
| Cash flows from capital activities:  |  |  |
| Acquisition of assets  | (42,305)   | 0  |
| Net cash used in capital activities  | <u>(42,305)</u>  | <u>0</u>   |
| Cash flows from investing activities:  |  |  |
| Interest on investment   | 8,292  | 0  |
| Net cash provided by investing activities  | <u>8,292</u>   | <u>0</u>   |
| Net decrease in cash and cash equivalents  | (90,903)   | (616,621)  |
| Cash and cash equivalents at beginning of year   | 479,710  | 2,704,616  |
| Cash and cash equivalents at end of year   | <u>\$ 388,807</u>  | <u>2,087,995</u>   |
| Reconciliation of operating loss to net cash used in operating activities:                                     |  |  |
| Operating loss   | \$ (533,503)   | (613,787)  |
| Adjustments to reconcile operating loss to net cash used in operating activities:                              |  |  |
| Commodities consumed   | 71,605   | 0  |
| Depreciation   | 24,589   | 0  |
| Increase in inventories  | (2,456)  | 0  |
| Increase in accounts receivable  | (2,108)  | (51,646)   |
| Increase in incurred but not reported claims   | 0  | 48,812   |
| Decrease in salaries and benefits payable  | (2,535)  | 0  |
| Increase in deferred revenues  | 18,972   | 0  |
| Net cash used in operating activities  | <u>\$ (425,436)</u>                                      | <u>(616,621)</u>   |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET: |  |  |
| Current assets:  |  |  |
| Cash and investments   | <u>\$ 388,807</u>  | <u>2,087,995</u>   |
| NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:  |  |  |
| During the year ended June 30, 2005, the District received Federal commodities valued at \$71,605.             |  |  |

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2005

|                             | <u>Agency<br/>Fund</u>    |
|-----------------------------|---------------------------|
| ASSETS                      |                           |
| Cash and pooled investments | <u>\$          15,046</u> |
| LIABILITIES                 |                           |
| Due to other groups         | <u>\$          15,046</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

**(1) Summary of Significant Accounting Policies**

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

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

**A. Reporting Entity**

For financial reporting purposes, Bettendorf Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Bettendorf Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

| Assets                          | Amount   |
|---------------------------------|----------|
| Land                            | \$ 5,000 |
| Buildings                       | 5,000    |
| Land improvements               | 5,000    |
| Machinery and equipment:        |          |
| School Nutrition Fund equipment | 500      |
| Other machinery and equipment   | 5,000    |

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

| Asset Class             | Estimated<br>Useful Lives<br>(In Years) |
|-------------------------|---|
| Buildings               | 50 years                                |
| Land improvements       | 20 years                                |
| Machinery and equipment | 5-15 years                              |

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the support services and non-instructional functional program area exceeded the amount budgeted.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and

instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2005.

**(3) Interfund Receivables and Payables**

The detail of interfund receivable and payable balances for the year ended June 30, 2005 are as follows:

| Receivable Fund | Payable Fund                         | Amount           |
|-----------------|--------------------------------------|------------------|
| General         | Special Revenue,<br>Student Activity | \$ 129           |
| General         | Enterprise,<br>School Nutrition      | 49,658           |
| Total           |                                      | <u>\$ 49,787</u> |

The Special Revenue, Student Activity Fund is repaying the General Fund for fees paid during the school year. The balance will be repaid by June 30, 2006.

The Enterprise, School Nutrition Fund is repaying the General Fund for salaries and benefits paid during the 2004-05 school year. The balance will be repaid by June 30, 2006.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

| Transfer to  | Transfer from    | Amount            |
|--------------|------------------|-------------------|
| Debt Service | Capital Projects | <u>\$ 958,397</u> |

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2005 is as follows:

|   | Balance<br>Beginning<br>of Year | Increases        | Decreases        | Balance<br>End<br>of Year |
|---|---------------------------------|------------------|------------------|---------------------------|
| Governmental activities:                    |                                 |                  |                  |                           |
| Capital assets not being depreciated:       |                                 |                  |                  |                           |
| Land  | \$ 1,017,415                    | 0                | 0                | 1,017,415                 |
| Construction in progress                    | 1,143,665                       | 1,509,128        | 1,143,665        | 1,509,128                 |
| Total capital assets not being depreciated  | <u>2,161,080</u>                | <u>1,509,128</u> | <u>1,143,665</u> | <u>2,526,543</u>          |
| Capital assets being depreciated:           |                                 |                  |                  |                           |
| Buildings                                   | 36,877,410                      | 3,985,451        | 87,162           | 40,775,699                |
| Land improvements                           | 150,938                         | 0                | 0                | 150,938                   |
| Machinery and equipment                     | 4,818,053                       | 394,637          | 393,256          | 4,819,434                 |
| Total capital assets being depreciated      | <u>41,846,401</u>               | <u>4,380,088</u> | <u>480,418</u>   | <u>45,746,071</u>         |
| Less accumulated depreciation for:          |                                 |                  |                  |                           |
| Buildings                                   | 16,650,862                      | 1,188,342        | 87,529           | 17,751,675                |
| Land improvements                           | 110,101                         | 2,917            | 0                | 113,018                   |
| Machinery and equipment                     | 4,053,458                       | 191,531          | 112,869          | 4,132,120                 |
| Total accumulated depreciation              | <u>20,814,421</u>               | <u>1,382,790</u> | <u>200,398</u>   | <u>21,996,813</u>         |
| Total capital assets being depreciated, net | <u>21,031,980</u>               | <u>2,997,298</u> | <u>280,020</u>   | <u>23,749,258</u>         |
| Governmental activities capital assets, net | <u>\$ 23,193,060</u>            | <u>4,506,426</u> | <u>1,423,685</u> | <u>26,275,801</u>         |

|  | Balance<br>Beginning of<br>Year | Increases     | Decreases | Balance<br>End<br>of Year |
|--|---------------------------------|---------------|-----------|---------------------------|
| Business-type activities:                    |                                 |               |           |                           |
| Machinery and equipment                      | \$ 532,501                      | 42,305        | 0         | 574,806                   |
| Less accumulated depreciation                | 391,564                         | 24,589        | 0         | 416,153                   |
| Business-type activities capital assets, net | <u>\$ 140,937</u>               | <u>17,716</u> | <u>0</u>  | <u>158,653</u>            |

Depreciation expense was charged by the District as follows:

|  |  |                     |
|--|--|---------------------|
| Governmental activities:                           |  |                     |
| Instruction:                                       |  |                     |
| Regular  |  | \$ 32,486           |
| Other  |  | 12,808              |
| Support services:                                  |  |                     |
| Administration                                     |  | 17,932              |
| Operation and maintenance                          |  | 25,865              |
| Transportation                                     |  | 102,440             |
|  |  | <u>191,531</u>      |
| Unallocated depreciation                           |  | <u>1,191,259</u>    |
| Total governmental activities depreciation expense |  | <u>\$ 1,382,790</u> |
| Business-type activities:                          |  |                     |
| Food services                                      |  | <u>\$ 24,589</u>    |

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

|                          | Balance<br>Beginning<br>of Year | Additions | Deletions | Balance<br>End of<br>Year | Due<br>Within<br>One Year |
|--------------------------|---------------------------------|-----------|-----------|---------------------------|---------------------------|
| General Obligation Bonds | \$ 6,240,000                    | 0         | 655,000   | 5,585,000                 | 685,000                   |
| Early Retirement         | 275,135                         | 244,800   | 112,424   | 407,511                   | 91,649                    |
| Compensated Absences     | 117,066                         | 124,696   | 117,066   | 124,696                   | 124,696                   |
| Total                    | \$ 6,632,201                    | 369,496   | 884,490   | 6,117,207                 | 901,345                   |

Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness is as follows:

| Year<br>Ending<br>June 30, | Bond Issue of May 1, 1997 |              |          | Bond Issue of January 1, 1998 |              |          | Total        |           |
|----------------------------|---------------------------|--------------|----------|-------------------------------|--------------|----------|--------------|-----------|
|                            | Interest<br>Rates         | Principal    | Interest | Interest<br>Rates             | Principal    | Interest | Principal    | Interest  |
| 2006                       | 5.15%                     | \$ 325,000   | 141,974  | 4.50%                         | \$ 360,000   | 129,170  | 685,000      | 271,144   |
| 2007                       | 5.20                      | 350,000      | 125,238  | 4.50                          | 370,000      | 112,970  | 720,000      | 238,208   |
| 2008                       | 5.20                      | 375,000      | 107,037  | 4.50                          | 380,000      | 96,320   | 755,000      | 203,357   |
| 2009                       | 5.20                      | 400,000      | 87,538   | 4.50                          | 395,000      | 79,220   | 795,000      | 166,758   |
| 2010                       | 5.20                      | 400,000      | 66,738   | 4.50                          | 435,000      | 61,445   | 835,000      | 128,183   |
| 2011                       | 5.25                      | 425,000      | 45,937   | 4.50                          | 450,000      | 41,870   | 875,000      | 87,807    |
| 2012                       | 5.25                      | 450,000      | 23,625   | 6.00                          | 470,000      | 21,620   | 920,000      | 45,245    |
| Total                      |                           | \$ 2,725,000 | 598,087  |                               | \$ 2,860,000 | 542,615  | \$ 5,585,000 | 1,140,702 |

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The benefits will be \$2,400 per year paid into a Health Reimbursement Arrangement (HRA) until age 65 or for 10 years, whichever is less, and \$10 per day for unused sick leave to be paid into an HRA. A liability has been recorded in the Statement of Net Assets for government-wide activities for these early retirement benefits. Early retirement benefits paid during the year ended June 30, 2005, totaled \$112,424.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$1,189,429, \$1,028,320 and \$1,243,757 respectively, equal to the required contributions for each year.

**(8) Risk Management**

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

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was a \$1,669,753 at June 30, 2005. The incurred but not recorded and unpaid claims liability of \$498,931 reported in the plan at June 30, 2005 based on the requirements of GASB Statement Number 10, is set up as a liability on the statement of net assets.

In addition, the District is exposed to various risks to loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,148,422 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2005, disbursements in the support services and non-instructional programs functional program areas exceeded the amount budgeted.

REQUIRED SUPPLEMENTAL INFORMATION

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS  
 AND ENTERPRISE FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2005

|   | Governmental<br>Fund Types<br>Actual | Proprietary<br>Fund Type<br>Actual |
|---|--------------------------------------|------------------------------------|
| Revenues:   |                                      |                                    |
| Local sources   | \$ 22,598,984                        | 1,030,632                          |
| Intermediate sources  | 119,308                              | 0                                  |
| State sources   | 15,642,365                           | 15,770                             |
| Federal sources   | 1,276,650                            | 422,757                            |
| Total revenues  | <u>39,637,307</u>                    | <u>1,469,159</u>                   |
| Expenditures:   |                                      |                                    |
| Instruction   | 23,298,237                           | 0                                  |
| Support services  | 9,981,112                            | 0                                  |
| Non-instructional programs  | 5,212                                | 1,555,843                          |
| Other expenditures  | 6,868,854                            | 0                                  |
| Total expenditures  | <u>40,153,415</u>                    | <u>1,555,843</u>                   |
| Deficiency of revenues under<br>expenditures                                | (516,108)                            | (86,684)                           |
| Other financing sources, net  | <u>80,654</u>                        | <u>0</u>                           |
| Deficiency of revenues and<br>other financing sources under<br>expenditures | (435,454)                            | (86,684)                           |
| Balance beginning of year   | <u>10,351,030</u>                    | <u>593,475</u>                     |
| Balance end of year   | <u>\$ 9,915,576</u>                  | <u>506,791</u>                     |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

| Total<br>Actual   | Budgeted Amounts  |                   | Final to<br>Actual<br>Variance -<br>Positive<br>(Negative) |
|-------------------|-------------------|-------------------|--|
|                   | Original          | Final             |  |
| 23,629,616        | 22,972,356        | 22,972,356        | 657,260  |
| 119,308           | 10,000            | 10,000            | 109,308  |
| 15,658,135        | 15,689,929        | 15,689,929        | (31,794)   |
| 1,699,407         | 987,000           | 987,000           | 712,407  |
| <u>41,106,466</u> | <u>39,659,285</u> | <u>39,659,285</u> | <u>1,447,181</u>   |
| 23,298,237        | 23,885,000        | 23,885,000        | 586,763  |
| 9,981,112         | 9,699,000         | 9,699,000         | (282,112)  |
| 1,561,055         | 1,320,000         | 1,320,000         | (241,055)  |
| 6,868,854         | 7,181,964         | 7,181,964         | 313,110  |
| <u>41,709,258</u> | <u>42,085,964</u> | <u>42,085,964</u> | <u>376,706</u>   |
| (602,792)         | (2,426,679)       | (2,426,679)       | 1,823,887  |
| 80,654            | 0                 | 0                 | 80,654   |
| (522,138)         | (2,426,679)       | (2,426,679)       | 1,904,541  |
| <u>10,944,505</u> | <u>9,191,444</u>  | <u>9,191,444</u>  | <u>1,753,061</u>   |
| <u>10,422,367</u> | <u>6,764,765</u>  | <u>6,764,765</u>  | <u>3,657,602</u>   |

BETTENDORF COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2005, disbursements in the support services and non-instructional programs functional program areas exceeded the amounts budgeted.

OTHER SUPPLEMENTAL INFORMATION

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2005

|  | Special Revenue Funds |                     |  |                                      |                 | Total<br>Other<br>Nonmajor<br>Governmental<br>Funds |
|--|-----------------------|---------------------|--|--------------------------------------|-----------------|---|
|  | Manage-<br>ment       | Student<br>Activity | Physical<br>Plant and<br>Equipment<br>Levy | Total<br>Special<br>Revenue<br>Funds | Debt<br>Service |   |
| <b>ASSETS</b>                                |                       |                     |  |                                      |                 |   |
| Cash and pooled investments                  | \$ 628,388            | 362,553             | 481,329                                    | 1,472,270                            | 5,000           | 1,477,270   |
| Receivables:                                 |                       |                     |  |                                      |                 |   |
| Property tax                                 |                       |                     |  |                                      |                 |   |
| Current year delinquent                      | 13,226                | 0                   | 25,454                                     | 38,680                               | 0               | 38,680  |
| Succeeding year                              | 860,374               | 0                   | 1,768,766                                  | 2,629,140                            | 0               | 2,629,140   |
| Accounts                                     | 0                     | 12,657              | 3,103                                      | 15,760                               | 0               | 15,760  |
| <b>TOTAL ASSETS</b>                          | <b>\$ 1,501,988</b>   | <b>375,210</b>      | <b>2,278,652</b>                           | <b>4,155,850</b>                     | <b>5,000</b>    | <b>4,160,850</b>                                    |
| <b>LIABILITIES AND FUND EQUITY</b>           |                       |                     |  |                                      |                 |   |
| Liabilities:                                 |                       |                     |  |                                      |                 |   |
| Interfund payable                            | \$ 0                  | 129                 | 0  | 129                                  | 0               | 129   |
| Accounts payable                             | 990                   | 13,260              | 228,238                                    | 242,488                              | 300             | 242,788   |
| Deferred revenue:                            |                       |                     |  |                                      |                 |   |
| Succeeding year property tax                 | 860,374               | 0                   | 1,768,766                                  | 2,629,140                            | 0               | 2,629,140   |
|  | 861,364               | 13,389              | 1,997,004                                  | 2,871,757                            | 300             | 2,872,057   |
| Fund equity:                                 |                       |                     |  |                                      |                 |   |
| Fund balances:                               |                       |                     |  |                                      |                 |   |
| Reserved for Debt Service                    | 0                     | 0                   | 0  | 0                                    | 4,700           | 4,700   |
| Unreserved, undesignated                     | 640,624               | 361,821             | 281,648                                    | 1,284,093                            | 0               | 1,284,093   |
|  | 640,624               | 361,821             | 281,648                                    | 1,284,093                            | 4,700           | 1,288,793   |
| <b>TOTAL LIABILITIES AND<br/>FUND EQUITY</b> | <b>\$ 1,501,988</b>   | <b>375,210</b>      | <b>2,278,652</b>                           | <b>4,155,850</b>                     | <b>5,000</b>    | <b>4,160,850</b>                                    |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2005

|  | Special Revenue Funds |                     |  |                                      |                  | Total<br>Other<br>Nonmajor<br>Government<br>Funds |
|--|-----------------------|---------------------|--|--------------------------------------|------------------|---|
|  | Manage-<br>ment       | Student<br>Activity | Physical<br>Plant and<br>Equipment<br>Levy | Total<br>Special<br>Revenue<br>Funds | Debt<br>Service  |   |
| <b>REVENUES:</b>   |                       |                     |  |                                      |                  |   |
| Local sources:   |                       |                     |  |                                      |                  |   |
| Local tax  | \$ 906,954            | 0                   | 1,670,514                                  | 2,577,468                            | 0                | 2,577,468   |
| Other  | 2,927                 | 784,342             | 54,980                                     | 842,249                              | 4,999            | 847,248   |
| State sources  | 682                   | 0                   | 1,192                                      | 1,874                                | 0                | 1,874   |
| <b>TOTAL REVENUES</b>  | <b>910,563</b>        | <b>784,342</b>      | <b>1,726,686</b>                           | <b>3,421,591</b>                     | <b>4,999</b>     | <b>3,426,590</b>                                  |
| <b>EXPENDITURES:</b>   |                       |                     |  |                                      |                  |   |
| Current:   |                       |                     |  |                                      |                  |   |
| Instruction:   |                       |                     |  |                                      |                  |   |
| Regular instruction  | 154,701               | 0                   | 16,676                                     | 171,377                              | 0                | 171,377   |
| Other instruction  | 0                     | 796,921             | 0  | 796,921                              | 0                | 796,921   |
|  | 154,701               | 796,921             | 16,676                                     | 968,298                              | 0                | 968,298   |
| Support services:  |                       |                     |  |                                      |                  |   |
| Student services   | 0                     | 0                   | 0  | 0                                    | 0                | 0   |
| Instructional staff services   | 0                     | 0                   | 0  | 0                                    | 0                | 0   |
| Administration services  | 209,683               | 0                   | 159,487                                    | 369,170                              | 0                | 369,170   |
| Operation and maintenance of plant services                          | 177,456               | 0                   | 75,036                                     | 252,492                              | 0                | 252,492   |
| Transportation services  | 41,099                | 0                   | 72,019                                     | 113,118                              | 0                | 113,118   |
|  | 428,238               | 0                   | 306,542                                    | 734,780                              | 0                | 734,780   |
| Other expenditures:  |                       |                     |  |                                      |                  |   |
| Facilities acquisitions  | 0                     | 0                   | 1,529,511                                  | 1,529,511                            | 0                | 1,529,511   |
| Long-term debt:  |                       |                     |  |                                      |                  |   |
| Principal  | 0                     | 0                   | 0  | 0                                    | 655,000          | 655,000   |
| Interest and fiscal charges  | 0                     | 0                   | 0  | 0                                    | 303,170          | 303,170   |
|  | 0                     | 0                   | 1,529,511                                  | 1,529,511                            | 958,170          | 2,487,681   |
| <b>TOTAL EXPENDITURES</b>  | <b>582,939</b>        | <b>796,921</b>      | <b>1,852,729</b>                           | <b>3,232,589</b>                     | <b>958,170</b>   | <b>4,190,759</b>                                  |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <b>327,624</b>        | <b>(12,579)</b>     | <b>(126,043)</b>                           | <b>189,002</b>                       | <b>(953,171)</b> | <b>(764,169)</b>                                  |
| Other financing sources:   |                       |                     |  |                                      |                  |   |
| Transfers in   | 0                     | 0                   | 0  | 0                                    | 958,397          | 958,397   |
| <b>Net change in fund balances</b>                                   | <b>327,624</b>        | <b>(12,579)</b>     | <b>(126,043)</b>                           | <b>189,002</b>                       | <b>5,226</b>     | <b>194,228</b>                                    |
| Fund balance beginning of year                                       | 313,000               | 374,400             | 407,691                                    | 1,095,091                            | (526)            | 1,094,565   |
| <b>Fund balance end of year</b>                                      | <b>\$ 640,624</b>     | <b>361,821</b>      | <b>281,648</b>                             | <b>1,284,093</b>                     | <b>4,700</b>     | <b>1,288,793</b>                                  |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2005

| Account              | Balance<br>Beginning<br>of Year | Revenues | Expendi-<br>tures | Balance<br>End<br>of Year |
|----------------------|---------------------------------|----------|-------------------|---------------------------|
| Vocal Music 1        | \$ 1,480                        | 8,211    | 5,820             | 3,871                     |
| Vocal Music 2        | 1,707                           | 7,376    | 5,442             | 3,641                     |
| Instrumental Music   | 4,382                           | 1,148    | 1,126             | 4,404                     |
| Orchestra            | 125                             | 6,042    | 5,466             | 701                       |
| Co-Ed Athletics      | 723                             | 1,679    | 1,093             | 1,309                     |
| Sports Uniforms      | 2,677                           | 0        | 2,677             | 0                         |
| BMS Cheerleading     | (796)                           | 4,889    | 1,507             | 2,586                     |
| Fundraiser           | (26)                            | 10       | (26)              | 10                        |
| Bookstore            | 1,464                           | 10       | (392)             | 1,866                     |
| Pop Fund             | 0                               | 0        | 433               | (433)                     |
| Quest                | 1                               | 0        | 1                 | 0                         |
| Citizens Ed Council  | 334                             | 0        | 334               | 0                         |
| Health Club          | 622                             | 4        | 60                | 566                       |
| Interest             | 2,457                           | 348      | 2,491             | 314                       |
| Arts Education       | (711)                           | 0        | (715)             | 4                         |
| Business Partners    | 1,096                           | 0        | 1,096             | 0                         |
| Yearbk/Photo Club    | 5,280                           | 6,640    | 11,059            | 861                       |
| Reading Club         | 70                              | 385      | 308               | 147                       |
| Library Club         | 1,425                           | 17       | 167               | 1,275                     |
| Foreign Lang Club    | 549                             | 4        | (11)              | 564                       |
| Spec Ed Activities   | 71                              | 1        | 2                 | 70                        |
| Student Council      | 9,170                           | 4,031    | 3,377             | 9,824                     |
| Computer Club        | 1                               | 0        | 0                 | 1                         |
| Lang Arts Pubs       | 1                               | 0        | 1                 | 0                         |
| Growl Newspaper      | 7                               | 0        | 7                 | 0                         |
| Living Skills Club   | 1,257                           | 0        | 146               | 1,111                     |
| School Paper         | (6,022)                         | 4,081    | (1,997)           | 56                        |
| Sail/Tag Fundraiser  | 3,362                           | 397      | 2,413             | 1,346                     |
| Art Club             | 197                             | 1        | 44                | 154                       |
| German Club          | 135                             | 1        | 122               | 14                        |
| Ceramics Club        | 381                             | 2        | (9)               | 392                       |
| N.A. Fundraiser      | 653                             | 294      | 276               | 671                       |
| N.A. Bookstore       | 2,481                           | 405      | (54)              | 2,940                     |
| N.A. Shooting Stars  | 309                             | 347      | 339               | 317                       |
| Hoover Fundraiser    | 418                             | 158      | (10)              | 586                       |
| Hoover Bookstore     | 7,703                           | 2,276    | 3,055             | 6,924                     |
| Hoover Pop Fund      | 3,234                           | 1,097    | 812               | 3,519                     |
| Jefferson Fundraiser | 13                              | 0        | (1)               | 14                        |
| Jefferson Bookstore  | 4,904                           | 1,571    | 1,702             | 4,773                     |
| P.N. Bookstore       | 3,254                           | 16       | 626               | 2,644                     |
| P.N. Pop Fund        | 969                             | 5        | 156               | 818                       |
| M.T. Fundraiser      | 114                             | 1        | (3)               | 118                       |
| M.T. Bookstore       | 13,119                          | 2,342    | 6,459             | 9,002                     |
| M.T. Bookstore - BD  | 247                             | 539      | 369               | 417                       |
| G.W. Fundraiser      | 5,653                           | 5,749    | 8,799             | 2,603                     |

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2005

| Account             | Balance<br>Beginning<br>of Year | Revenues | Expendi-<br>tures | Balance<br>End<br>of Year |
|---------------------|---------------------------------|----------|-------------------|---------------------------|
| G.W. Bookstore      | 3,259                           | 757      | (72)              | 4,088                     |
| G.W. Pop Fund       | 1,560                           | 1,284    | (34)              | 2,878                     |
| House-4             | 713                             | 1,736    | 1,802             | 647                       |
| 6-House I           | 1,241                           | 1,784    | 2,580             | 445                       |
| 6-House II          | 1,428                           | 1,758    | 1,911             | 1,275                     |
| 6-House III         | 469                             | 1,843    | 1,661             | 651                       |
| 7-House I           | 504                             | 600      | 852               | 252                       |
| 7-House II          | 366                             | 828      | 811               | 383                       |
| 7-House III         | 541                             | 3        | 33                | 511                       |
| 8-House I           | 714                             | 7,642    | 8,200             | 156                       |
| 8-House II          | 1,645                           | 3,566    | 3,749             | 1,462                     |
| 8-House III         | (74)                            | 2,885    | 3,481             | (670)                     |
| School Fundraising  | 11,517                          | 28,329   | 33,696            | 6,150                     |
| Student Needs       | 350                             | 378      | (1,078)           | 1,806                     |
| BWCA                | 7,830                           | 21,943   | 26,265            | 3,508                     |
| Elem Outdoor Educ   | 3,155                           | 12,828   | 9,748             | 6,235                     |
| BMS Outdoor Educ    | 75                              | 22,542   | 20,847            | 1,770                     |
| BHS Outdoor Educ    | (133)                           | 0        | 0                 | (133)                     |
| Mis Outdoor Educ    | 1,453                           | 4        | 794               | 663                       |
| IAMLE Conference    | (286)                           | 0        | 0                 | (286)                     |
| OD Ed Arts In Educ  | 1,613                           | 10       | (35)              | 1,658                     |
| Drama               | 3,809                           | 29,393   | 18,898            | 14,304                    |
| Debate              | 1,764                           | 1,635    | 2,481             | 918                       |
| Mock Trial          | 0                               | 380      | 300               | 80                        |
| Vocal Music         | 5,822                           | 20,211   | 14,113            | 11,920                    |
| Instrumental Music  | 5,926                           | 87,121   | 99,258            | (6,211)                   |
| Musical             | 4,389                           | 1,795    | 5,684             | 500                       |
| Co-Ed Athletics     | 146,509                         | 152,864  | 151,927           | 147,446                   |
| Boys Basketball     | 0                               | 28,056   | 28,056            | 0                         |
| Football            | 0                               | 24,037   | 24,037            | 0                         |
| Boys Soccer         | 0                               | 10,298   | 10,967            | (669)                     |
| Baseball            | 0                               | 14,649   | 14,997            | (348)                     |
| Boys Track          | 0                               | 12,021   | 12,237            | (216)                     |
| Boys Cross Country  | 0                               | 991      | 991               | 0                         |
| Boys Tennis         | 0                               | 1,872    | 1,745             | 127                       |
| Boys Golf           | 0                               | 2,525    | 2,525             | 0                         |
| Boys Swimming       | 0                               | 2,971    | 2,971             | 0                         |
| Wrestling           | 0                               | 11,656   | 11,656            | 0                         |
| Girls Basketball    | 0                               | 9,859    | 9,859             | 0                         |
| Volleyball          | 0                               | 9,665    | 10,490            | (825)                     |
| Girls Soccer        | 0                               | 4,304    | 4,304             | 0                         |
| Softball            | 0                               | 7,324    | 7,383             | (59)                      |
| Girls Track         | 0                               | 8,726    | 8,964             | (238)                     |
| Girls Cross Country | 0                               | 2,417    | 2,417             | 0                         |
| Girls Tennis        | 0                               | 1,913    | 1,913             | 0                         |

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2005

| Account              | Balance<br>Beginning<br>of Year | Revenues       | Expendi-<br>tures | Balance<br>End<br>of Year |
|----------------------|---------------------------------|----------------|-------------------|---------------------------|
| Girls Golf           | 0                               | 1,315          | 1,051             | 264                       |
| Girls Swimming       | 0                               | 4,056          | 4,056             | 0                         |
| Bookstore            | 57                              | 0              | 0                 | 57                        |
| Interest             | 2,259                           | 444            | 2,259             | 444                       |
| Close Up             | 5                               | 367            | 284               | 88                        |
| Amicus               | 3,485                           | 404            | 737               | 3,152                     |
| Activity Tickets     | 325                             | 14,412         | 74                | 14,663                    |
| Science Club         | 943                             | 805            | 1,667             | 81                        |
| Scholastic Bowl      | 849                             | 48             | 450               | 447                       |
| Yearbk-Beacon        | 3,761                           | 43,190         | 46,619            | 332                       |
| Student Council      | 12,723                          | 27,649         | 26,385            | 13,987                    |
| SADD                 | 886                             | 373            | 420               | 839                       |
| Cheerleaders         | 937                             | 17,941         | 16,216            | 2,662                     |
| Japanese Club        | 1,843                           | 379            | (17)              | 2,239                     |
| Growl Newspaper      | 11,194                          | 7,541          | 8,573             | 10,162                    |
| SAVE                 | 2,182                           | 1,685          | 1,574             | 2,293                     |
| HIV Peer Educ        | 211                             | 990            | 641               | 560                       |
| Spanish Club         | 5,357                           | 4,283          | 7,069             | 2,571                     |
| Nat Honor Soc        | 122                             | 661            | 802               | (19)                      |
| Outdoor Club         | 43                              | 0              | 0                 | 43                        |
| German Club          | 15,485                          | 2,275          | 10,280            | 7,480                     |
| Latin Club           | 5,654                           | 402            | (49)              | 6,105                     |
| French Club          | 1,085                           | 1,987          | 401               | 2,671                     |
| Prof Business        | 856                             | 373            | 150               | 1,079                     |
| Goldusters           | 233                             | 14,230         | 13,508            | 955                       |
| Goldusters-Athletics | (1,275)                         | 1,275          | 0                 | 0                         |
| Art Club             | 2,065                           | 594            | 1,757             | 902                       |
| Key Club             | 360                             | 368            | 381               | 347                       |
| Club Vennding        | 7,106                           | 6,906          | 7,626             | 6,386                     |
| Pr Club Vending      | 2,793                           | 5,259          | 6,173             | 1,879                     |
| Pr Student Needs     | 313                             | 437            | 167               | 583                       |
| Class of 2003        | 2,089                           | 0              | 2,089             | 0                         |
| Class of 2004        | 4,159                           | 0              | 4,120             | 39                        |
| Class of 2005        | 2,588                           | 3,510          | 3,400             | 2,698                     |
| Class of 2006        | 2,133                           | 1,441          | 115               | 3,459                     |
| Class of 2007        | 925                             | 907            | (8)               | 1,840                     |
| Class of 2008        | 0                               | 355            | 0                 | 355                       |
| <b>Total</b>         | <b>\$ 374,400</b>               | <b>784,342</b> | <b>796,921</b>    | <b>361,821</b>            |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2005

|                             | Balance<br>Beginning<br>of Year | Additions | Deductions | Balance<br>End<br>of Year |
|-----------------------------|---------------------------------|-----------|------------|---------------------------|
| ASSETS                      |                                 |           |            |                           |
| Cash and pooled investments | \$ 13,729                       | 7,794     | 6,477      | 15,046                    |
| LIABILITIES                 |                                 |           |            |                           |
| Due to other groups         | \$ 13,729                       | 7,794     | 6,477      | 15,046                    |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

|   | Modified Accrual Basis |                   |                   |                   |
|---|------------------------|-------------------|-------------------|-------------------|
|   | Years Ended June 30,   |                   |                   |                   |
|   | 2005                   | 2004              | 2003              | 2002              |
| <b>Revenues:</b>                            |                        |                   |                   |                   |
| Local sources:                              |                        |                   |                   |                   |
| Local tax                                   | \$ 18,007,604          | 16,823,954        | 16,698,423        | 15,404,839        |
| Tuition                                     | 2,399,022              | 2,046,563         | 2,649,352         | 2,172,588         |
| Other                                       | 2,192,358              | 3,038,648         | 2,444,698         | 2,941,357         |
| Intermediate sources                        | 119,308                | 2,902             | 51,336            | 16,003            |
| State sources                               | 15,642,365             | 15,280,414        | 15,667,950        | 15,478,241        |
| Federal sources                             | 1,276,650              | 746,060           | 755,032           | 735,775           |
| <b>Total</b>                                | <b>\$ 39,637,307</b>   | <b>37,938,541</b> | <b>38,266,791</b> | <b>36,748,803</b> |
| <b>Expenditures:</b>                        |                        |                   |                   |                   |
| Instruction:                                |                        |                   |                   |                   |
| Regular instruction                         | \$ 14,724,134          | 14,274,129        | 15,251,343        | 15,162,437        |
| Special instruction                         | 4,734,324              | 5,716,290         | 5,108,065         | 4,426,200         |
| Other instruction                           | 3,839,779              | 2,125,947         | 2,317,323         | 2,326,973         |
| Support services:                           |                        |                   |                   |                   |
| Student services                            | 675,195                | 779,098           | 838,990           | 933,693           |
| Instructional staff services                | 583,015                | 1,505,432         | 978,952           | 957,341           |
| Administration services                     | 4,704,480              | 3,501,533         | 3,337,133         | 3,049,291         |
| Operation and maintenance of plant services | 3,341,979              | 3,108,767         | 2,873,097         | 2,904,801         |
| Transportation services                     | 676,443                | 626,091           | 533,593           | 480,494           |
| Central support services                    | 0                      | 170,495           | 432,209           | 0                 |
| Non-instructional programs                  | 5,212                  | 6,748             | 131,887           | 0                 |
| Other expenditures:                         |                        |                   |                   |                   |
| Facilities acquisitions                     | 4,755,728              | 3,767,811         | 4,102,135         | 2,590,140         |
| Long-term debt:                             |                        |                   |                   |                   |
| Principal                                   | 655,000                | 625,000           | 595,000           | 570,000           |
| Interest and other charges                  | 309,704                | 332,945           | 361,220           | 388,107           |
| AEA flow-through                            | 1,148,422              | 1,136,605         | 1,211,815         | 1,208,247         |
| <b>Total</b>                                | <b>\$ 40,153,415</b>   | <b>37,676,891</b> | <b>38,072,762</b> | <b>34,997,724</b> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2005

| GRANTOR/PROGRAM   | CFDA<br>NUMBER | GRANT<br>NUMBER | PROGRAM<br>EXPENDITURES |
|---|----------------|-----------------|-------------------------|
| DIRECT:   |                |                 |                         |
| DEPARTMENT OF EDUCATION:  |                |                 |                         |
| FUND FOR THE IMPROVEMENT OF EDUCATION<br>(CAROL M. WHITE PHYSICAL EDUCATION<br>PROGRAM) |                |                 |                         |
|   | 84.215         | FY 05           | \$ <u>259,745</u>       |
| INDIRECT:   |                |                 |                         |
| DEPARTMENT OF AGRICULTURE:  |                |                 |                         |
| IOWA DEPARTMENT OF EDUCATION:   |                |                 |                         |
| FOOD DISTRIBUTION (non-cash)  |                |                 |                         |
|   | 10.550         | FY 05           | <u>71,605</u>           |
| SCHOOL NUTRITION CLUSTER PROGRAMS:  |                |                 |                         |
| SCHOOL BREAKFAST PROGRAM  |                |                 |                         |
|   | 10.553         | FY 05           | 59,653                  |
| NATIONAL SCHOOL LUNCH PROGRAM   |                |                 |                         |
|   | 10.555         | FY 05           | <u>291,499</u>          |
|   |                |                 | <u>351,152</u>          |
| DEPARTMENT OF EDUCATION:  |                |                 |                         |
| IOWA DEPARTMENT OF EDUCATION:   |                |                 |                         |
| TITLE I GRANTS TO LOCAL EDUCA-<br>TIONAL AGENCIES                                       |                |                 |                         |
|   | 84.010         | 0621-G          | <u>256,934</u>          |
| SAFE AND DRUG-FREE SCHOOLS AND<br>COMMUNITIES - STATE GRANTS                            |                |                 |                         |
|   | 84.186         | FY 05           | <u>14,907</u>           |
| FUND FOR THE IMPROVEMENT OF EDUCATION   |                |                 |                         |
|   | 84.215         | FY 05           | <u>150,000</u>          |
| STATE GRANTS FOR INNOVATIVE<br>PROGRAMS   |                |                 |                         |
|   | 84.298         | FY 05           | <u>17,081</u>           |
| TITLE III - ENGLISH LANGUAGE ACQUISITION<br>STATE GRANTS                                |                |                 |                         |
|   | 84.365         | FY 05           | <u>499</u>              |
| IMPROVING TEACHER QUALITY STATE GRANTS  |                |                 |                         |
|   | 84.367         | FY 05           | <u>117,131</u>          |
| GRANTS FOR ENHANCED ASSESSMENT INSTRUMENTS  |                |                 |                         |
|   | 84.368         | FY 05           | <u>2,000</u>            |
| GRANTS FOR STATE ASSESSMENTS AND<br>RELATED ACTIVITIES                                  |                |                 |                         |
|   | 84.369         | FY 05           | <u>26,952</u>           |

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2005

| GRANTOR/PROGRAM   | CFDA<br>NUMBER | GRANT<br>NUMBER | PROGRAM<br>EXPENDITURES |
|---|----------------|-----------------|-------------------------|
| MISSISSIPPI BEND AREA EDUCATION AGENCY:<br>SPECIAL EDUCATION - GRANTS TO<br>STATES (PART B) | 84.027         | FY 05           | <u>200,630</u>          |
| VOCATIONAL EDUCATION - BASIC<br>GRANTS TO STATES  | 84.048         | FY 05           | <u>9,011</u>            |
| SUPPORTING SCHOOLS IN EMERGENCY RESPONSE<br>AND CRISIS MANAGEMENT                           | 84.184E        | FY 05           | <u>4,750</u>            |
| SCOTT COUNTY:<br>JUVENILE ACCOUNTABILITY INCENTIVE<br>BLOCK GRANT                           | 16.523         | FY 04           | <u>90,984</u>           |
| TOTAL   |                |                 | <u>\$ 1,573,381</u>     |

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# NOLTE, CORNMAN & JOHNSON P.C.

## Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

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

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 Bettendorf Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 31, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

### Compliance and Other Matters

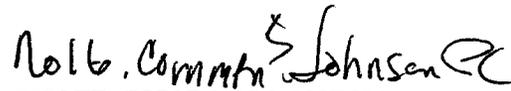
As part of obtaining reasonable assurance about whether Bettendorf Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have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

immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

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

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

August 31, 2005

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

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

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### Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Bettendorf Community School District:

#### Compliance

We have audited the compliance of Bettendorf Community School District with the types of compliance requirements described in 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, 2005. Bettendorf Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Bettendorf Community School District's management. Our responsibility is to express an opinion on Bettendorf Community School District's compliance based on our audit.

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

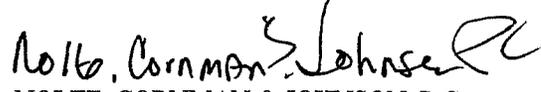
In our opinion, Bettendorf Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

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

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

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

August 31, 2005

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
  - Clustered Programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  - Individual Programs:
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Bettendorf Community School District qualified as a low-risk auditee.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that in the Student Activity Fund the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

II-B-05 School Nutrition Deferred Revenues - Individual student account balances for lunches are available, however, the District does not reconcile the deferred revenue lunch accounts to meals actually eaten.

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

Response - We will comply with this recommendation.

Conclusion - Response accepted.

II-C-05 School Nutrition Deposit Adjustments - We noted during our audit that the deposit slips are being adjusted by the Bank and individual schools making deposits of School Nutrition revenues are not informed of these changes.

Recommendation - The individual schools in the District should be notified of the changes made to the deposit slips.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

II-D-05 Exclusive Vendor Contract - The District has signed an exclusive vendor contract with Pepsi. This contract is set for 16 years, with the initial proceeds appearing to go to the Booster Clubs.

Recommendation - The exclusive vendor contract should be reviewed and any contracts in association with it for propriety. The revenues for exclusive vendor contract agreements should be recorded in the General Fund.

Response - We will review contracts with exclusive vendors and record revenues appropriately in the General Fund.

Conclusion - Response accepted.

II-E-05 Safeguarding of Certificate of Deposit - We noted during our audit that the District has a certificate of deposit in the high school activity fund. This certificate is maintained at the high school rather than the central office.

Recommendation - The certificate of deposit should be maintained by the financial office. The activities office should not normally be responsible for investments or renewals.

Response - We will monitor the certificate of deposit at the central office.

Conclusion - Response accepted.

II-F-05 Purchase Orders - We noted during our audit that the District uses a purchase order system, however some purchase orders appear to be completed after purchases are made.

Recommendation - The purchase order system allows for the District to monitor expenses which have already been obligated and therefore providing information as to what is yet available. By approving purchase orders after ordering is completed, the District is more likely to exceed budgeted amounts. The District should review procedures in place and make necessary changes to ensure purchase orders are completed prior to purchasing.

Response - We are asking the auditors to do additional procedures by reviewing the operational and transportation departments to assist in the set up of procedures and practices to ensure proper procedures are in place.

Conclusion - Response acknowledged.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No reportable conditions were reported.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

Part IV: Other Findings Related to Statutory Reporting

IV-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget - District disbursements for the year ended June 30, 2005 exceeded the amount budgeted in the support services and non-instructional programs functional program areas.

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

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

Conclusion - Response accepted.

IV-C-05 Questionable Disbursements – We noted a disbursement which may not meet the public purpose as defined in an Attorney General’s opinion dated April 25, 1979. We noted a check dated 6/20/05 for \$43.50 to Knees Florist for funeral flowers.

Recommendation - The District should document public purpose for expenditures. The District has a policy to identify public purpose served in specific instances and for documentation requirements, but did not note the public purpose for this disbursement.

Response - We will review disbursement procedures in place and the public purpose policy in an attempt to ensure disbursements will meet public purpose.

Conclusion - Response accepted.

IV-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-05 Business Transactions - No business transactions between the District and District officials were noted.

IV-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-05 PPEL Disbursements under \$500 - We noted during our audit that the District purchased three vacuums from Des Moines Sanitary Supply Co for \$1,304, which were below the \$500 limit, from the Special Revenue, Physical Plant and Equipment Levy(PPEL) Fund.

Recommendation - The District should make a corrective transfer from the General Fund to PPEL to correct this purchase. The District should review allowable expenses and procedures for purchasing equipment with PPEL monies.

Response - We will comply with this recommendation and make the corrective transfer.

Conclusion - Response accepted.