

DAVENPORT COMMUNITY SCHOOL DISTRICT

in the counties of Scott & Muscatine,
State of Iowa

Comprehensive Annual Financial Report

Fiscal Year ended June 30, 2005

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

DAVENPORT
COMMUNITY
SCHOOLS



DAVENPORT COMMUNITY SCHOOL DISTRICT

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
Administrative Organizational Chart	1
Mission Statement	2
Board of Education and District Officials	3
Letter of Transmittal	4-12
GFOA Certificate of Achievement	13
ASBO Certificate of Excellence	14
FINANCIAL SECTION	
Independent Auditor's Report	15-16
Management's Discussion and Analysis	17-30
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	31
Statement of Activities	32
Fund Financial Statements	
Balance Sheet – Governmental Funds	33
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	34
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	35
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	36-37
Statement of Net Assets – Proprietary Funds	38
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	39
Statement of Cash Flows – Proprietary Funds	40
Statement of Fiduciary Assets and Liabilities – Agency Fund	41
Notes to Financial Statements	42-57
Required Supplementary Information	
Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances – Budget and Actual – All Governmental Funds and Enterprise Funds	58
Notes to Required Supplementary Information – Budgetary Reporting	59
Other Supplementary Information	
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Nonmajor Governmental Funds	60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	61
Combining Schedule of Changes in Balances – Student Activity Fund	62
Statement of Changes in Assets and Liabilities – Agency Fund	63
Combining Schedule of Changes in Amounts Due to Activity Groups – Agency Fund	64

DAVENPORT COMMUNITY SCHOOL DISTRICT

Table of Contents

	<u>Page</u>
STATISTICAL SECTION (Unaudited)	
Government-wide Expenses by Function	65
Government-wide Revenue	66
General Fund Revenues by Source	67
General Fund Expenditures by Function	68
Property Tax Levies and Collections	69
Assessed and Estimated Actual Value of Property	70
Property Tax Rates Per \$1,000 Assessed Valuation – All Overlapping Governments	71
Comparative Ratio of General Bonded Debt to Net Assessed Value	72
Computation of Legal Debt Margin	73
Computation of Direct and Overlapping Debt	74
Demographic and Miscellaneous Statistics	75-80
Property Values, Expenditures for Construction, and Bank Deposits	81
Principal Taxpayers	82
Staffing Levels	83
Major Employers in the Quad City Area	84
Operating Cost Per Pupil	85
Enrollment by Grade	86
General Analysis of Facilities, Classrooms, and Staffing	87
COMPLIANCE SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	88-89
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	90-91
Schedule of Expenditures of Federal Awards	92-94
Notes to the Schedule of Expenditures of Federal Awards	95
Schedule of Findings and Questioned Costs	96-97

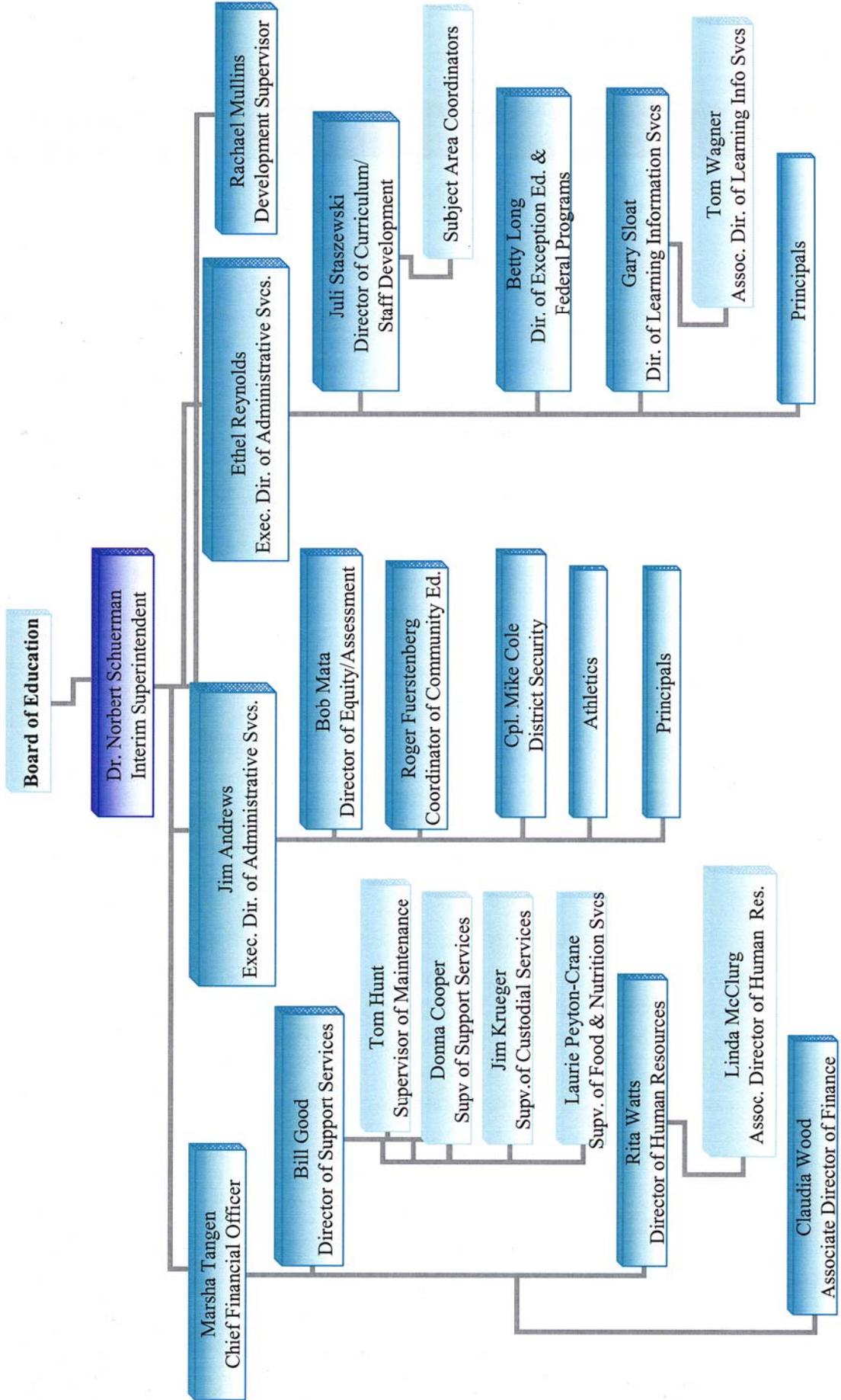
Introductory Section



DAVENPORT
COMMUNITY
SCHOOLS



Davenport Community Schools 2004-05 Organizational Chart



DAVENPORT
COMMUNITY
SCHOOLS



DAVENPORT COMMUNITY SCHOOL DISTRICT

Mission Statement

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

**DAVENPORT COMMUNITY SCHOOL DISTRICT
BOARD OF EDUCATION AND DISTRICT OFFICIALS
YEAR ENDED JUNE 30, 2005**

Board of Education

Patt Zamora	President	Expires 2006
Larry Roberson	Vice President	Expires 2006
Richard Clewell	Director	Expires 2007
Nikki DeFauw	Director	Expires 2007
Ralph Johanson	Director	Expires 2007
Alan Guard	Director	Expires 2005
Tim Tupper	Director	Expires 2005

District Officials

Dr. Norbert Schuerman	Superintendent
Linda Smith-Kortemeyer	Board Secretary/Treasurer
Marsha Tangen	Chief Financial Officer

December 5, 2005

To President Zamora, Members of the Board of Directors and Citizens of the Davenport Community School District:

It is indeed my pleasure to submit to you the Comprehensive Annual Financial Report, (CAFR) for the Davenport Community School District, (the "District") for the year ending June 30, 2005. This report has been prepared to conform to guidelines recommended by the Association of School Business Officials International and the Government Finance Officers Association of the United States and Canada.

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

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

Designed to meet the needs of a broad range of readers of financial statements, this CAFR is divided into four major sections:

1. The Introductory Section. This section includes the organizational chart for the District, a list of the Board of Directors and District officials, the District Mission Statement, a transmittal letter, and District accomplishments.

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

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

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

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

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

Eide Bailly LLP, Certified Public Accountants have issued an unqualified ("clean") opinion on the Davenport Community School District's financial statements for the year ended June 30, 2005. The independent auditor's report is located at the front of the financial section of this report

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statement. The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the District

The Davenport area is the home of hard-working, industrious people with both urban and rural ancestry. Boasting some of the most fertile farm ground in the world, Davenport is a community whose founder, Antoine LeClaire, played a role in the exploration of the Mississippi River region in the early 1800s. It also is a community where the first female public school superintendent served from 1874 to 1878 and a major school building program was accomplished during the throes of the Great Depression of the 1930s.

It was 1858 when LeClaire provided a \$500 loan to help establish the present Davenport Community Schools from several separate school systems in the area. Since then, the District has grown by building on its industrious heritage with innovative programs that serve the needs of all children.

Today, about 16,400 students attend the Davenport Community Schools, one of the largest School Districts in a state that is well-known for its excellent educational programming.

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

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

The District is composed of three high schools, six intermediate schools, nineteen elementary schools, two early childhood learning centers and various off-campus alternative educational programs. Public preschool is available at several of the elementary buildings. The District also provides day care services for infants through age five through a partnership with Genesis Health Care. Student enrollment (pre-school through high school) for the 2004-05 school year was approximately 16,400 regular and special education students. The District employs approximately 2,350 persons of whom approximately 1350 are professional staff and 1000 are support staff.

The average age of our elementary buildings is 53 years. There are two buildings that were built in 1923 and five were built in 1939. In 2002 the district built an elementary building in Buffalo, Iowa. The average age of our intermediate buildings is 65 years with 3 buildings built in 1917. Wood Intermediate was the last intermediate building constructed and that was in 1984. The district has three high schools; Central High constructed in 1904, West High in 1960 and North High School was originally built in 1972 as Wood Intermediate and was converted to a high school setting in 1984. All of our facilities are in excellent condition as we follow a rigorous maintenance schedule in order to maintain and enhance the historical beauty and integrity of our older facilities as well as preserve all the facilities in the District.

The curriculum of the Davenport Community Schools meets and, in many cases, exceeds requirements in Iowa, a state that is known for its quality education. In addition to general education courses offered, at the high school level, a variety of elective Industrial Technology courses is offered, allowing students to get a good head start at honing specialized and marketable skills. Some of the courses have become a tradition, while others have been added to keep pace with the changing times and advancements of technology.

Davenport Community School District also offers a wide range of programming opportunities for students across a wide range of special needs (or disabilities) ages 3 to graduation. Our commitment is to develop an individualized program based on the need of the student. The program will be provided in the least restrictive environment, based on the plan developed. The Talented & Gifted Program in Davenport serves students who demonstrate outstanding abilities or potential in the areas of general intellectual ability or specific ability aptitude.

Five schools provide immersion English Language Learning (ELL) Programs. Several of our buildings have program service centers where the goal is to help students become proficient in English so they also may attain high academic achievements in our schools. Once students become proficient in English at one of the program service centers, they return to their neighborhood elementary, intermediate, or high school. Recently, the District also began providing limited ELL services at all of the other elementary schools through a resource teacher. Participation in these limited ELL opportunities is decided by the principal, parents and District ELL director.

Eight elementary schools in the District operate on a balanced calendar. Students attend school for the same number of days as students who attend a school on a traditional schedule however the number of days is spread throughout the year with students typically attending school for nine weeks before having an intersession. Many of the schools will offer enrichment programs during the intersessions. Five of six intermediate schools offer middle school programming and all three of the District's high schools have block scheduling of classes.

The District was awarded a grant in 2004-05 for planning and another grant for implementation of Public Charter School Status for Lincoln Fundamental. The Lincoln Academy of Integrated Arts will be a charter conversion of the former Lincoln Fundamental Elementary School. The Lincoln Academy program is designed to engage the whole child through challenging academic, arts-infused learning in a safe and positive environment. Full time music, art and media specialists will work with a series of arts partners throughout the Quad Cities community to offer students and families an innovative and research based approach to learning through the creative arts.

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

Budgetary controls are maintained by the District. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the District's governing body. Activities of the General Fund, Special Revenue Funds, Enterprise Funds, Debt Service Fund and Capital Projects Fund are included in the annual budget.

The Board of Directors is required to adopt a final budget no later than April 15th each year. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the budgeted amount) is established by function and encompasses all fund types. To facilitate the monitoring of the legal provisions, and to provide more complete information to interested parties the District prepares a more detailed budget for each fund. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Economic Condition and Outlook

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

Economic Opportunities

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

Economic Challenges

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

- ✓ There is need for state-of-the-art buildings and infrastructure for business retention and attraction.
- ✓ There is lack of available, affordable housing.
- ✓ Periodic, repetitive river flooding affects structures built before floodplain ordinances were in effect.

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

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

Long term financial planning

Unreserved, undesignated fund balance in the general fund is up from 2003-04 but below what is recommended. The District's solvency ratio for 2004-05 is .7%. With a solvency ratio between 0-5% a fund balance is considered adequate for short term credit purposes as long as other economic trends such as property tax collections and enrollment are sound. Continued close monitoring of the budget is necessary to prevent operation shortfalls and the deterioration of financial position. In order to meet unforeseen financing requirements it is recommended that District have a solvency ratio of 5-10%.

The State of Iowa has implemented mid year budget reductions or not provided on time funding over the past several years. Without a sufficient fund balance, the District has had to resort to passing along mid year budget reductions. With careful planning and constant budget review, it is recommended that the District's reserves build to a point where the District can withstand mid year budget fluctuations and not have to implement further budget reductions.

With the exception of one year, the District's enrollment has declined for the past ten years and is projected to continue declining. The District's funding is dependent on enrollment. Declining enrollment equates to decreased funding. With over 80% of the District's resources required for salaries and benefits, staffing efficiencies will become a priority.

Plans are already in place to address the District's increasing deficit in special education. New staffing guidelines were implemented late in the 2004-05 school year with the intention of decreasing the number of staff required. Continued monitoring of the costs associated with special education will also be a priority.

Major initiatives

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

Goals and actions that support the District CSIP also have been developed by school-community groups at each school in the District. These individual school goals address the different needs of student groups at each school. The Five Year CSIP goals are as follows:

Student Achievement Goal:

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

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

Early Intervention Goal:

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

Safe & Drug Free Goal:

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

Career-Employability Goal:

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

The District has several major initiatives in place designed to advance the achievement of students and make progress toward the CSIP goals. Several of these initiatives are funded partially through grants or other categorical resources in addition to general fund resources:

- ❖ Making Middle Grades Work
- ❖ High Schools That Work
- ❖ Stepping Stones – after school programming
- ❖ Early Childhood Learning Centers
- ❖ Balanced Calendar Schools
- ❖ Lincoln Academy of the Integrated Arts

While the general fund budget is not the sole resource for the funding of the initiatives, careful monitoring will be needed to ensure current funding remains and does not transfer to a general fund requirement.

Several projects are scheduled to begin this year with funding coming from either the Physical Plant and Equipment Levy or from Local Option Sales Tax proceeds. Those projects for 2005-06 include:

- ❖ Remodeling at West High School
- ❖ Renovation at Lincoln Academy of Integrated Arts
- ❖ Climate control at Fillmore, Buchanan, Washington and Hayes

Several other projects will also take place during 2005-06 with the above mentioned funding in place.

Cash Management Policies and Practices

The District, in its effort to be a good manager of public funds, competitively bids its banking services every three years. The District bid for services beginning with the 2005-06 school year and is currently in a three year contract.

To maximize investment return, the District informally bids its investments with all local interested financial institutions and the Iowa Schools Joint Investment Trust. Interest revenue in the general fund was \$218,554; more than double that of fiscal year 2004-05. This was up due to the increase in interest rates on investments.

Risk Management

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

Awards

The Government Finance Officers Association of the United States and Canada, (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting and the Association of School Business Officials International, (ASBO) awards a Certificate of Excellence in Financial Reporting. The Davenport Community School District received both of these Certificates for its comprehensive annual financial report for the fiscal year ending June 30, 2004. Each Certificate is a prestigious national award, recognizing conformance with the highest standards for preparation of government financial reports.

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

These Certificates are valid for a period of one year only. The Davenport Community School District received these awards for its fiscal year 2004 Comprehensive Annual Financial Report. We believe that our current CAFR conforms to the requirements for both awards and therefore, we are submitting it to the GFOA and ASBO to determine its eligibility for each Certificate.

Acknowledgments

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

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

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



Marsha L Tangen, RSBA
Chief Financial Officer



Norbert Schuerman, Ph.D.
Superintendent

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Davenport Community School District, Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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



Nancy L. Zjelke

President

Jeffrey R. Emer

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

Davenport Community School District

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2004

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

President

Executive Director

DAVENPORT
COMMUNITY
SCHOOLS



Financial Section



DAVENPORT
COMMUNITY
SCHOOLS



INDEPENDENT AUDITOR'S REPORT

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 17 through 30 and 58 and 59 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in black ink that reads "Eide Sallly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
October 13, 2005

Davenport Community School District
Management Discussion and Analysis
For the Year Ended June 30, 2005

This section of the Davenport Community School District's Comprehensive Annual Financial Report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2005. The analysis focuses on school District financial performance as a whole. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The General Fund June 30, 2005 fund balance improved to \$2,236,377 from the June 30, 2004 fund balance of \$1,517,256. The increase was due to budget reductions implemented throughout the year, an increase in revenue received in Title I and an accounting adjustment required.
- The District's tax levy rate remained constant and did not increase for the 2004-05 school year.
- The District continues to be successful in receiving local, state and federal grants. In 2005 the District received almost \$13 million, or 9.75% of all general fund revenues.
- The certified enrollment for 2004-05 was down 193 students resulting in the District only receiving 2.88% in new funding compared to the state allowable growth amount of 4% for 2004-05.
- A turnaround in interest rates resulted in interest earnings in the General Fund to more than double from \$100,315 in fiscal year 2004 to \$218,554 in fiscal year 2005.
- Special education posted a deficit for 2004-05 of (\$2,329,554). This is the third year in a row that special education has ended the year in a deficit. The 2003-04 deficit was (\$1,270,896).

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements (District-wide and fund statements) including notes to the financial

statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

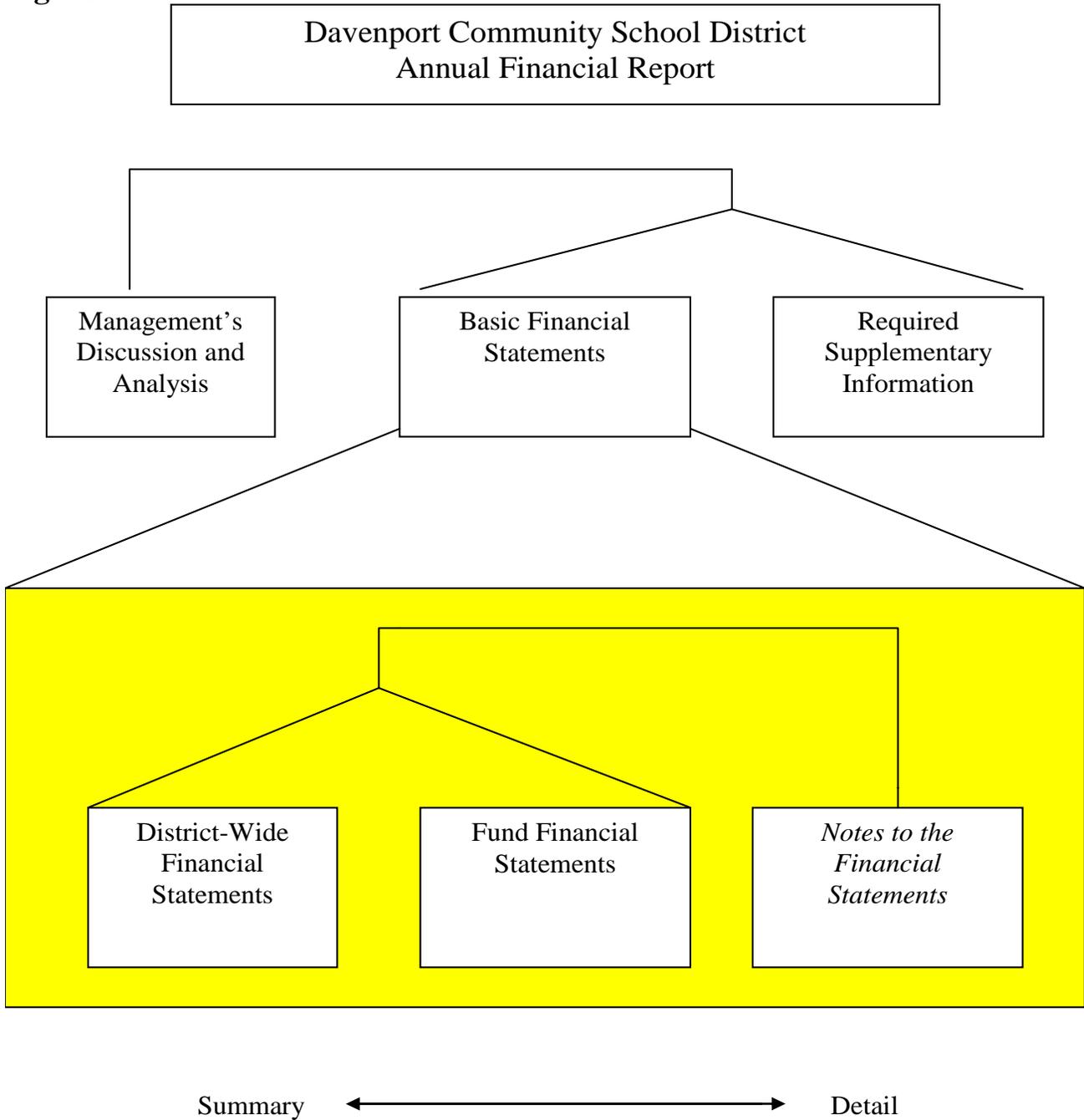


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

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

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

District-wide Financial Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District’s net assets. Net assets, the difference between the District’s assets and liabilities, are one way to measure the District’s overall financial position. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

- Over time, increases or decreases in the District’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall financial condition of the District additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities should be considered.

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

- *Governmental activities:* Most of the District’s basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District’s food service program and employee day care are included here.

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *Governmental funds:* Most of the District’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District’s *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one internal service fund, the self insurance fund.

- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

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

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2004	2005	2004	2005	2004	2005	2004-05
Current and other assets	\$98,773,940	\$99,363,708	\$657,499	\$692,569	\$99,431,439	\$100,056,277	0.6%
Capital assets	\$97,893,078	\$107,484,655	\$803,504	\$756,996	\$98,696,582	\$108,241,651	9.7%
Total Assets	\$196,667,018	\$206,848,363	\$1,461,003	\$1,449,565	\$198,128,021	\$208,297,928	5.1%
Long-term liabilities	\$34,279,944	\$28,283,608	\$0	\$0	\$34,279,944	\$28,283,608	-17.5%
Other liabilities	\$82,258,400	\$86,164,183	\$71,058	\$166,579	\$82,329,458	\$86,330,762	4.9%
Total liabilities	\$116,538,344	\$114,447,791	\$71,058	\$166,579	\$116,609,402	\$114,614,370	-1.7%
Net Assets							
Invested in capital assets, net of related debt	\$60,388,078	\$75,569,655	\$803,504	\$756,996	\$61,191,582	\$76,326,651	24.7%
Restricted	\$19,813,106	\$16,739,808	\$0	\$0	\$19,813,106	\$16,739,808	-15.5%
Unrestricted	-\$72,510	\$91,109	\$586,441	\$525,990	\$513,931	\$617,099	20.1%
TOTAL NET ASSETS	\$80,128,674	\$92,400,572	\$1,389,945	\$1,282,986	\$81,518,619	\$93,683,558	14.9%

The District’s combined net assets increased by 14.9% to \$93,683,558. The majority of this improvement in the financial position came from governmental activities, the net assets of which grew \$12,271,898. Unrestricted net assets improved to \$91,109 up from the 2004 amount of (\$72,510). The long term debt outstanding declined by \$5,996,336 as long term debt is paid off. Investments in capital assets (net of related debt) increased by \$15,135,069 as the District continues with an aggressive construction schedule remodeling and renovating school buildings with money from the Local Option Sales Tax Levy.

The net assets of the District’s business-type activities decreased by \$106,959. This is reflective of the retirement of long term debt, increase in other liabilities, and a decline in capital assets. Business type activities did not have the investment in capital assets as in previous years, and therefore the decrease is due in part to depreciation on the capital assets on hand. Also, there was almost a \$100,000 increase in other liabilities. This is due to an increase in accounts payable.

Changes in net assets. Figure A-4 shows the changes in net assets for the fiscal year 2005.

Figure A-4

Changes in Net Assets from Operating Results

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2004-05
	2004	2005	2004	2005	2004	2005	
Revenues							
Program Revenues							
Charges for services	\$ 3,959,144	\$ 3,109,533	\$ 2,628,887	\$ 2,773,847	\$ 6,588,031	\$ 5,883,380	-10.70%
Operating Grants & Contributions	20,235,392	\$ 22,204,449	\$3,974,182	\$ 4,158,185	\$ 24,209,574	\$ 26,362,634	8.89%
Capital Grants & Contributions	310,070	\$ 506,426			\$ 310,070	\$ 506,426	63.33%
General Revenues							
Property taxes & other taxes	65,121,625	\$ 66,743,555			\$ 65,121,625	\$ 66,743,555	2.49%
State formula aid	60,904,421	\$ 62,293,142			\$ 60,904,421	\$ 62,293,142	2.28%
Other	1,024,079	\$ 1,594,452	\$5,165	\$ 6,840	\$ 1,029,244	\$ 1,601,292	55.58%
Total Revenues	151,554,731	\$ 156,451,557	\$6,608,234	\$ 6,938,872	\$ 158,162,965	\$ 163,390,429	3.31%
Expenses							
Instruction	\$ 95,557,377	\$ 103,464,881			\$ 95,557,377	\$ 103,464,881	8.28%
Pupil & Instructional Svcs	6,567,497	\$ 6,599,315			\$ 6,567,497	\$ 6,599,315	0.48%
Administrative & Business	11,722,229	\$ 13,757,799			\$ 11,722,229	\$ 13,757,799	17.37%
Maintenance & Operations	10,316,051	\$ 10,912,469			\$ 10,316,051	\$ 10,912,469	5.78%
Transportation	3,754,103	\$ 2,931,059			\$ 3,754,103	\$ 2,931,059	-21.92%
Other	8,570,329	\$ 6,514,136	\$6,670,524	\$ 7,045,831	\$ 15,240,853	\$ 13,559,967	-11.03%
Total Expenses	136,487,586	\$ 144,179,659	\$6,670,524	\$ 7,045,831	\$ 143,158,110	\$ 151,225,490	5.64%
Excess (deficiency) before special item	\$ 15,067,145	\$ 12,271,898	\$ (62,290)	\$ (106,959)	\$ 15,004,855	\$ 12,164,939	-18.93%
Special item	147,889	\$ -		\$ -	147,889	\$ -	-100.00%
Increase (decrease) in net assets	15,215,034	12,271,898	-62,290	-106,959	15,152,744	12,164,939	-19.72%

Overall, the change in net assets decreased by 19.72% over 2003-04. As shown in Figure A-4, property tax and state aid provide 82.48% of the funding required for governmental programs while charges for services and operating grants make up 100% of the funding for business-type activities. Figure A-5 shows the near even split of funding received from property tax and state aid for governmental activities.

Revenues for governmental activities increased by only 3.23%. State aid was up only 2.28% despite allowable growth being set at 4% for 2004-05. This is a direct result of declining enrollment in the district. The “other” category is up by 55.70%. There was a reclassification of revenues this year. Revenue reported last year in Charges for Services was reclassified this year to Other.

The District's predominant expenses are related to instruction, as can be seen in Figure A-6. Basic Instructional services together with Pupil & Instructional services comprise 77.76% of the District's expenditures. Administrative and Business expenditures show an increase of 17.37% from 2003-04. The definition of what is included in Administrative and Business expenditures has changed for 2004-05. This category now includes expenditures for Central Support Services. These expenditures were included in the Pupil and Instructional Services category last year. That is reflective in the fact that Pupil and Instructional Services only shows a .48% increase. Overall, District expenses were up only 5.63% from 2003-04 in governmental activities.

Business type activities experienced a \$106,959 decrease in net assets for 2004-05. Total revenues increased \$330,638 or 5.00% while expenses increased by \$375,307 or 5.63%. Both the Food & Nutrition Fund and Day Care Fund are experiencing expenses greater than the revenue being generated. Food and Nutrition revenues have increased however the costs for salaries and benefits are greater than the additional revenue generated. The Day Care Fund is experiencing lower revenues as enrollment declines. Food & Nutrition saw a change in net assets of (\$104,969) and Employee Day Care of (\$1990).

Figure A-5

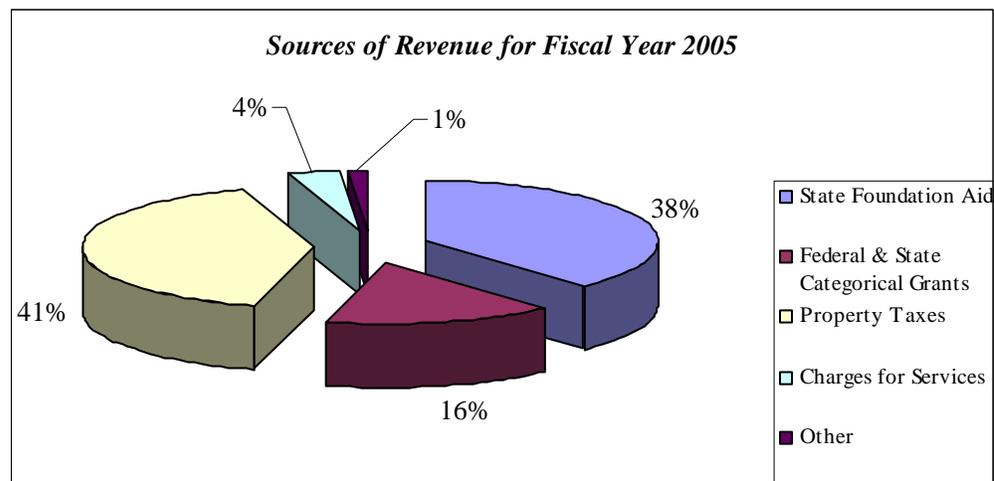
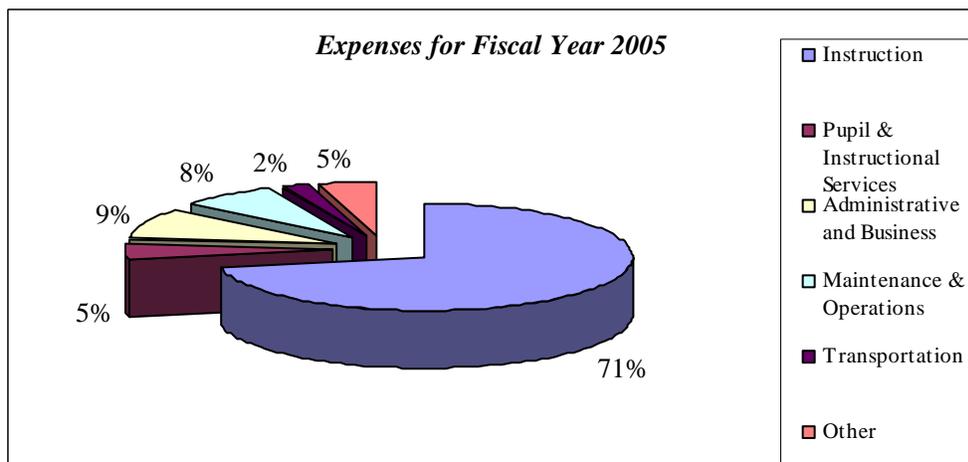


Figure A-6



Governmental Activities

Revenues for governmental activities were \$156,451,557 while total expenses amounted to \$144,179,659 (Figure A-4).

- The federal and state governments subsidized certain programs with grants and contributions of over \$22 million.
- This portion of governmental activities was financed with \$66,743,555 in property taxes and \$62,293,142 of unrestricted state aid based on the statewide finance formula.
- Charges for services account for only 1.99% of all governmental revenues.

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

Figure A-7

Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2004	2005	2004-05	2004	2005	2004-05%
Instruction	\$ 95,557,377	\$ 103,464,881	8.28%	\$ 78,103,680	\$ 83,649,230	7.10%
Pupil & Instructional Svcs	6,567,497	\$ 6,599,315	0.48%	5,650,700	\$ 5,497,992	-2.70%
Administrative & Business	11,722,229	\$ 13,757,799	17.37%	11,429,211	\$ 13,757,799	20.37%
Maintenance & Operations	10,316,051	\$ 10,912,469	5.78%	10,308,713	\$ 10,912,469	5.86%
Transportation	3,754,103	\$ 2,931,059	-21.92%	3,680,325	\$ 2,930,705	-20.37%
Other	8,570,329	\$ 6,514,136	-23.99%	3,598,303	\$ 1,611,056	-55.23%
TOTAL	\$ 136,487,586	\$ 144,179,659	5.64%	112,770,932	\$ 118,359,251	4.96%

- The cost of all governmental activities this year was \$144,179,659, up 5.64% from 2003-04.
- Most of the District's net costs of \$118,359,250 were financed by District and state taxpayers.

Business-Type Activities

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

- Business-type activities expenses exceeded revenues by \$106,959 for 2004-05. In 2003-04 expenses exceeded revenues by \$62,290.
- Charges for services in the Food & Nutrition Fund represent 37.38% of total revenue. This compares to 37.06% for 2003-04. This represents the amount paid for students/staff for daily food service. In the Day Care Fund, charges for services are 95.65% of total revenue. During 2003-04 this percentage was 90.05%.
- Federal and state reimbursement for meals, including payments for free and reduced lunches, was \$4,144,881. This reflects an increase of \$204,424 over last year. This is reflective of the District's population of "free and reduced" students, which is typically over 50% of the total.

Financial Analysis of the District's Funds

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

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

As of the end of the current fiscal year, the Davenport Schools governmental funds reported combined ending fund balances of \$18,160,374, a decrease of \$3,169,988 in comparison with the prior year. The biggest difference is in the Capital Projects fund which experienced an increase in expenditures of \$5,055,165 from last year. 2004-05 was the sixth year of a ten year levy of local option sales tax.

A little over 7% of this amount constitutes *unreserved fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$11,857,158), 2) to pay for Talented & Gifted programs (\$573,582), 3) for student activities (\$804,410), 4) prepaid expenses (\$683,924), 5) inventories (\$183,951) and 6) encumbrances (\$2,678,363).

The general fund is the chief operating fund of the Davenport Schools. At the end of the current fiscal year, unreserved fund balance of the general fund was \$794,920 while total fund balance increased to \$2,236,377.

The fund balance of the Davenport Schools general fund improved by \$1,517,256 during the current fiscal year. Key factors in this improvement are as follows:

- The district was presented with the 2004 Governor's Iowa Environmental Excellence Award recognizing energy efficiency and renewable energy. The district saved \$374,114 in energy costs in 2004-05 for a two year total savings of \$593,719
- Budget reductions were implemented during the year resulting in an estimated savings of almost \$1million. Budget reductions included eliminating the summer school program.
- A change in process for the billing of special education tuition resulting in an additional \$600,000 in revenue for 2004-05

The improvement in the fund balance resulted in spite of the fact that the District experienced a 83.3% increase in the special education deficit.

The capital projects fund has a total fund balance of \$10,568,769, down from \$15,624,046 in 2003-04. The District previously sold revenue bonds, the proceeds of which made up the majority of the fund balance last year. Construction during 2004-05 slowed down compared to previous years as planned construction projects were coming to completion. The district has expended the proceeds from the revenue bonds and is at a point where available revenues are much less during the year with the majority of sales tax proceeds paying off debt service. At year end, the District only had \$1,211,234 in construction contracts payable.

Budgetary Highlights

The District adopts a budget in April for the following year and at the same time considers and approves a budget amendment for expenditures for the current year. The District modified its original budget for 2004-05 to reflect:

- \$4,494,000 in additional capital projects
- \$4,401,921 in general fund expenditures
- \$2,124,719 in general fund revenues

A schedule showing the original and final budget amounts compared to the District's actual financial activity is provided in this report as required supplementary information.

Capital Asset and Debt Administration

Capital Assets

The Davenport Schools investment in capital assets for its governmental and business type activities as of June 30, 2005 amounts to \$108,241,651 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and furniture, and construction in progress. The total increase in the Davenport School's investment in capital assets for the current fiscal year was 9.7%.

Figure A-8

<i>Capital Assets (net of depreciation)</i>							
	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2004-05
	2004	2005	2004	2005	2004	2005	
Land and improvements	\$ 6,697,269	\$ 6,497,344			\$ 6,697,269	\$ 6,497,344	-3.0%
Construction in progress	5,099,661	\$ 10,503,876			\$ 5,099,661	\$ 10,503,876	106.0%
Buildings and improvements	85,144,901	\$ 89,485,284			\$ 85,144,901	\$ 89,485,284	5.1%
Equipment & Furniture	951,245	\$ 998,150	\$803,504	\$ 756,997	\$ 1,754,749	\$ 1,755,147	0.0%
TOTAL	97,893,076	\$ 107,484,655	\$803,504	\$ 756,997	\$ 98,696,580	\$ 108,241,652	9.7%

The difference between 2003-04 and 2004-05 is the completion of several construction projects. The amount of Construction in Progress increased by \$5,404,215 and Buildings and Improvements increased by \$4,340,383. The numbers of projects under construction during the summer months has increased over last year.

Construction in progress activities include:

- Renovation and addition to JB Young Intermediate
- Renovation at Washington Elementary
- Renovation at Blue Grass Elementary
- Renovation at McKinley Elementary

More detailed information on the District’s capital assets can be found in Note 3 to the financial statements.

Long-Term Debt

At year-end, the District had \$0 in general obligation bonds and other long-term debt outstanding. The District has not had general obligation bond debt since 1990-91. The District has sold \$47.9 million in sales tax revenue bonds in the past three years to help finance facilities construction and improvements throughout the District.

More detailed information on the District’s long term debt can be found in Note 5 to the financial statements.

Factors Bearing on the District’s Future

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

- All bargaining unit contracts with two exceptions are one year contracts, and open for renegotiation for next year. Salary and benefits represent 80.29% of general fund expenditures. Salary and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact upon the District’s General Fund budget.

- The district settled contracts based on a projected 14% increase in health insurance. Once contracts were settled the district's renewal came in closer to 19%. The difference in the actual renewal and the negotiated amount could have a negative impact on the fund balance of the self insurance fund.
- District enrollment is projected to continue declining. Under Iowa's school funding formula, District funding is highly dependant upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- The special education deficit increased by \$1,058,658 in 2004-05. Staffing guidelines have been revised in order to reduce costs, however, further or increased deficits will negatively impact the overall fund balance.
- Funding for 21st Century After School Programs ended in May of 2005. The district is now offering after school programming to fill the void for students and is funded by tuition, scholarships and district funding. The district will need to monitor costs associated with this program and continue to look for outside sources to supplement district funding.
- The Board approved a revision in the graduation requirements board policy increasing the number of units needed for graduation, included changes in basic requirements and additional requirements for graduation. Staffing will need to be monitored to ensure appropriate adjustments are made and accounted for.
- The City of Davenport has implemented a storm water utility fee. The impact on the general fund budget could be in the range of \$75,000 - \$125,000. The district is working with the City of Davenport to include an educational component in our curriculum that could result in a 35-50% credit.
- The Federal government has mandated that each school district in the nation adopt a school wellness policy. Over the past year, representatives from each of the school districts in Scott County have met to research policy requirements, explore policies from other states, and develop a uniform school wellness policy for Scott County. There could be a financial impact as guidelines are established for the appropriateness of items to be sold to students as part of the a la carte menu and also for items that students typically sell during fund raising activities.
- There is a bill in the Iowa Senate that would incrementally increase the employee's share of the Iowa Public Employees Retirement System (IPERS) contributions until employers and employees are paying an equal amount. The bill also increases the retirement age for new members and changes the retirement formula from a "high three" average salary to a "high five" for new members. Any increase in the employers' share of IPERS could negatively impact the budget.

- The District is without a permanent superintendent at the beginning of the 2005-06 school year. An interim superintendent has been hired until a permanent superintendent can be found. Leadership of the District is key to the financial health and direction of the District. The transition period will be key to providing stability.

Contacting the District's Financial Management

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

Basic Financial Statements

DAVENPORT
COMMUNITY
SCHOOLS



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

	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 37,554,620	\$ 779,450	\$ 38,334,070
Receivables:			
Property taxes	53,938,543	-	53,938,543
Other	417,644	14,546	432,190
Due from other governmental units	6,229,330	95,760	6,325,090
Internal balances	355,696	(355,696)	-
Inventories	183,951	158,509	342,460
Prepaid expenses	683,924	-	683,924
Total current assets	<u>99,363,708</u>	<u>692,569</u>	<u>100,056,277</u>
NONCURRENT ASSETS			
Capital assets, not being depreciated	14,324,134	-	14,324,134
Capital assets, being depreciated	139,323,847	1,795,503	141,119,350
Less: Accumulated depreciation	<u>(46,163,326)</u>	<u>(1,038,507)</u>	<u>(47,201,833)</u>
Total noncurrent assets	<u>107,484,655</u>	<u>756,996</u>	<u>108,241,651</u>
 Total assets	 <u>206,848,363</u>	 <u>1,449,565</u>	 <u>208,297,928</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	3,734,412	115,604	3,850,016
Accrued payroll and payroll taxes	17,244,694	50,485	17,295,179
Health claims and administrative costs payable	2,354,342	-	2,354,342
Compensated absences	443,961	490	444,451
Construction contracts payable	1,211,234	-	1,211,234
Unearned revenue	53,534,168	-	53,534,168
Accrued interest	759,580	-	759,580
Early retirement obligations	1,046,792	-	1,046,792
Bond obligations	5,835,000	-	5,835,000
Total current liabilities	<u>86,164,183</u>	<u>166,579</u>	<u>86,330,762</u>
NONCURRENT LIABILITIES			
Early retirement obligations	2,203,608	-	2,203,608
Bond obligations	26,080,000	-	26,080,000
Total noncurrent liabilities	<u>28,283,608</u>	<u>-</u>	<u>28,283,608</u>
 Total liabilities	 <u>114,447,791</u>	 <u>166,579</u>	 <u>114,614,370</u>
NET ASSETS			
Invested in capital assets, net of related debt	75,569,655	756,996	76,326,651
Restricted for:			
Debt service	11,857,158	-	11,857,158
Other activities	4,882,650	-	4,882,650
Unrestricted	91,109	525,990	617,099
 Total net assets	 <u>\$ 92,400,572</u>	 <u>\$ 1,282,986</u>	 <u>\$ 93,683,558</u>

See notes to the basic financial statements.

DAVENPORT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES			
Instruction	\$ 103,464,881	\$ 3,109,533	\$ 16,199,692
Student support services	3,528,044	-	443,308
Instructional staff support services	3,071,271	-	658,015
General administration	2,490,873	-	-
Building administration	8,380,875	-	-
Business administration	2,886,051	-	-
Plant operation and maintenance	10,912,469	-	-
Student transportation	2,931,059	-	354
Area Education Agency	4,899,580	-	4,899,580
Other expenditures	93,996	-	3,500
Interest on long-term debt	1,520,560	-	-
Total governmental activities	<u>144,179,659</u>	<u>3,109,533</u>	<u>22,204,449</u>
BUSINESS-TYPE ACTIVITIES			
Food services	6,734,989	2,478,444	4,144,881
Day care	310,842	295,403	13,304
Total business-type activities	<u>7,045,831</u>	<u>2,773,847</u>	<u>4,158,185</u>
Total school district	<u>\$ 151,225,490</u>	<u>\$ 5,883,380</u>	<u>\$ 26,362,634</u>

GENERAL REVENUES

Property taxes, levied for general purposes
Local option sales tax
Unrestricted state aid and grants
Interest and investment earnings
Miscellaneous
Total general revenues

CHANGE IN NET ASSETS

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

NET ASSETS, END OF THE YEAR

See notes to the basic financial statements.

Net (Expenses) Revenue and Changes in Net Assets			
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 506,426	\$ (83,649,230)	\$ -	\$ (83,649,230)
-	(3,084,736)	-	(3,084,736)
-	(2,413,256)	-	(2,413,256)
-	(2,490,873)	-	(2,490,873)
-	(8,380,875)	-	(8,380,875)
-	(2,886,051)	-	(2,886,051)
-	(10,912,469)	-	(10,912,469)
-	(2,930,705)	-	(2,930,705)
-	-	-	-
-	(90,496)	-	(90,496)
-	(1,520,560)	-	(1,520,560)
<u>506,426</u>	<u>(118,359,251)</u>	<u>-</u>	<u>(118,359,251)</u>
-	-	(111,664)	(111,664)
-	-	(2,135)	(2,135)
-	-	(113,799)	(113,799)
<u>\$ 506,426</u>	<u>(118,359,251)</u>	<u>(113,799)</u>	<u>(118,473,050)</u>
	53,095,883	-	53,095,883
	13,647,672	-	13,647,672
	62,293,142	-	62,293,142
	360,682	6,840	367,522
	1,233,770	-	1,233,770
	<u>130,631,149</u>	<u>6,840</u>	<u>130,637,989</u>
	12,271,898	(106,959)	12,164,939
	<u>80,128,674</u>	<u>1,389,945</u>	<u>81,518,619</u>
	<u>\$ 92,400,572</u>	<u>\$ 1,282,986</u>	<u>\$ 93,683,558</u>

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

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 18,635,545	\$ 9,224,847	\$ 6,359,910	\$ 34,220,302
Receivables:				
Property taxes	46,701,674	-	7,236,869	53,938,543
Other	210,314	96,648	4,721	311,683
Due from other governmental units	3,617,593	2,501,545	110,192	6,229,330
Due from other funds	550,116	-	-	550,116
Inventories	183,951	-	-	183,951
Prepaid expenses	683,924	-	-	683,924
	<u>70,583,117</u>	<u>11,823,040</u>	<u>13,711,692</u>	<u>96,117,849</u>
Total assets	<u>\$ 70,583,117</u>	<u>\$ 11,823,040</u>	<u>\$ 13,711,692</u>	<u>\$ 96,117,849</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,852,030	\$ -	\$ 882,382	\$ 3,734,412
Accrued payroll and payroll taxes	17,243,779	-	915	17,244,694
Due to other funds	-	3,120	191,300	194,420
Construction contracts payable	-	1,211,234	-	1,211,234
Deferred revenue	48,250,931	39,917	7,281,867	55,572,715
	<u>68,346,740</u>	<u>1,254,271</u>	<u>8,356,464</u>	<u>77,957,475</u>
Total liabilities	<u>68,346,740</u>	<u>1,254,271</u>	<u>8,356,464</u>	<u>77,957,475</u>
FUND BALANCES				
Reserved for:				
Inventories	183,951	-	-	183,951
Prepaid expenses	683,924	-	-	683,924
Debt service	-	11,384,580	472,578	11,857,158
Phase III, SIT & TAG	573,582	-	-	573,582
Student activities	-	-	804,410	804,410
Encumbrances	-	2,678,363	-	2,678,363
Unreserved, undesignated, reported in				
General fund	794,920	-	-	794,920
Special revenue funds	-	-	4,078,240	4,078,240
Capital projects fund	-	(3,494,174)	-	(3,494,174)
	<u>2,236,377</u>	<u>10,568,769</u>	<u>5,355,228</u>	<u>18,160,374</u>
Total fund balances	<u>2,236,377</u>	<u>10,568,769</u>	<u>5,355,228</u>	<u>18,160,374</u>
	<u>\$ 70,583,117</u>	<u>\$ 11,823,040</u>	<u>\$ 13,711,692</u>	<u>\$ 96,117,849</u>
Total liabilities and fund balances	<u>\$ 70,583,117</u>	<u>\$ 11,823,040</u>	<u>\$ 13,711,692</u>	<u>\$ 96,117,849</u>

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

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

Total fund balance – governmental funds	\$ 18,160,374
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 153,647,981
Accumulated depreciation is	<u>(46,163,326)</u>
	107,484,655
Property taxes and other receivables not collected within 60 days of year-end are not available soon enough to pay for the current period’s expenditures and, therefore, are deferred in the funds.	2,038,547
An internal service fund is used by the District’s management to charge the costs of the self-insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	1,085,937
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Bonds payable	(31,915,000)
Accrued interest on the bonds	(759,580)
Compensated absences (vacations)	(443,961)
Early retirement obligations	<u>(3,250,400)</u>
	<u>(36,368,941)</u>
Total net assets – governmental activities	<u>\$ 92,400,572</u>

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

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 45,464,797	\$ -	\$ 7,721,506	\$ 53,186,303
Local option sales tax, pledged as security for revenue bonds	-	13,647,672	-	13,647,672
Intergovernmental	82,290,472	359,253	5,613	82,655,338
Charges for services	3,373,607	-	-	3,373,607
Interest	218,554	92,896	49,232	360,682
Contributions and donations	32,565	-	-	32,565
Other	1,167,064	-	1,570,726	2,737,790
Total revenues	<u>132,547,059</u>	<u>14,099,821</u>	<u>9,347,077</u>	<u>155,993,957</u>
EXPENDITURES				
Current:				
Instruction	97,279,690	-	2,207,721	99,487,411
Student support services	3,481,372	-	46,672	3,528,044
Instructional staff support services	3,028,905	-	18,242	3,047,147
General administration	986,378	-	1,490,641	2,477,019
Building administration	8,344,740	-	31,324	8,376,064
Business administration	2,884,968	-	-	2,884,968
Plant operation and maintenance	7,912,038	-	2,612,702	10,524,740
Student transportation	2,923,775	-	-	2,923,775
Other support services	93,996	-	-	93,996
Area Education Agency	4,899,580	-	-	4,899,580
Capital outlay	-	11,920,258	1,764,703	13,684,961
Debt service:				
Principal	-	-	5,590,000	5,590,000
Interest	-	-	1,646,240	1,646,240
Total expenditures	<u>131,835,442</u>	<u>11,920,258</u>	<u>15,408,245</u>	<u>159,163,945</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>711,617</u>	<u>2,179,563</u>	<u>(6,061,168)</u>	<u>(3,169,988)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	7,504	-	7,234,840	7,242,344
Transfers out	-	(7,234,840)	(7,504)	(7,242,344)
Total other financing sources (uses)	<u>7,504</u>	<u>(7,234,840)</u>	<u>7,227,336</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	719,121	(5,055,277)	1,166,168	(3,169,988)
FUND BALANCES, BEGINNING, AS RESTATED	<u>1,517,256</u>	<u>15,624,046</u>	<u>4,189,060</u>	<u>21,330,362</u>
FUND BALANCES, ENDING	<u>\$ 2,236,377</u>	<u>\$ 10,568,769</u>	<u>\$ 5,355,228</u>	<u>\$ 18,160,374</u>

See notes to the basic financial statements.

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

Total net change in fund balances – governmental funds \$ (3,169,988)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlay exceeds depreciation in the period.

Depreciation expense	\$ (3,748,870)	
Total capital outlay expenditures	13,684,961	
Less capital outlay expenditures (not capitalized)	(632,903)	
Capital expenditures included in other functions	<u>288,389</u>	9,591,577

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

458,641

In the statement of activities, certain operating expenses – compensated absences (vacation) and special termination benefits (early retirement) – are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid \$854,615 were less than the amounts earned \$885,457 by \$30,842. Vacation used \$417,402 was less than the amounts earned \$443,961 by \$26,559.

(57,401)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. The bond repayments were \$5,590,000.

5,590,000

(continued)

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

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The accrued interest payable decreased by \$125,680.	\$ 125,680
An internal service fund is used by the District's management to charge the costs of the self-insurance program to the individual funds. The net expense of the internal service fund is reported with governmental activities.	<u>(266,611)</u>
Change in net assets of governmental activities	<u>\$ 12,271,898</u>

DAVENPORT
COMMUNITY
SCHOOLS



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

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	School Nutrition Fund	Nonmajor - Day Care Fund	Total	
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 761,279	\$ 18,171	\$ 779,450	\$ 3,334,318
Other receivables	639	13,907	14,546	105,961
Due from other governmental units	95,367	393	95,760	-
Inventories	158,509	-	158,509	-
Total current assets	1,015,794	32,471	1,048,265	3,440,279
NONCURRENT ASSETS				
Capital assets (net of accumulated depreciation)	753,996	3,000	756,996	-
Total assets	1,769,790	35,471	1,805,261	3,440,279
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	112,342	3,262	115,604	2,354,342
Accrued payroll and payroll taxes	37,620	12,865	50,485	-
Compensated absences	490	-	490	-
Due to other funds	343,877	11,819	355,696	-
Total liabilities	494,329	27,946	522,275	2,354,342
NET ASSETS				
Invested in capital assets	753,996	3,000	756,996	-
Unrestricted	521,465	4,525	525,990	1,085,937
Total net assets	\$ 1,275,461	\$ 7,525	\$ 1,282,986	\$ 1,085,937

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

	Business-type Activities			Governmental Activities Internal Service Fund
	Enterprise Funds			
	School Nutrition Fund	Nonmajor - Day Care Fund	Total	
OPERATING REVENUES				
Charges for services	\$ 2,478,444	\$ 295,403	\$ 2,773,847	\$ 16,576,283
OPERATING EXPENSES				
Salaries and benefits	3,006,809	273,403	3,280,212	-
Facility rent	-	22,200	22,200	-
Purchased services	185,084	648	185,732	-
Supplies	3,004,874	13,554	3,018,428	-
Other operating costs	404,793	613	405,406	-
Depreciation	133,429	424	133,853	-
Health care	-	-	-	16,842,894
Total operating expenses	6,734,989	310,842	7,045,831	16,842,894
OPERATING LOSS	(4,256,545)	(15,439)	(4,271,984)	(266,611)
NONOPERATING REVENUES				
Interest income	6,695	145	6,840	-
Intergovernmental	4,144,881	7,329	4,152,210	-
Other nonoperating revenue	-	5,975	5,975	-
Total nonoperating revenues	4,151,576	13,449	4,165,025	-
CHANGE IN NET ASSETS	(104,969)	(1,990)	(106,959)	(266,611)
TOTAL NET ASSETS, BEGINNING, AS RESTATED	1,380,430	9,515	1,389,945	1,352,548
TOTAL NET ASSETS, ENDING	\$ 1,275,461	\$ 7,525	\$ 1,282,986	\$ 1,085,937

DAVENPORT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities			Governmental Activities Internal Service Fund
	Enterprise Funds			
	School Nutrition Fund	Nonmajor - Day Care Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from user charges	\$ 2,478,444	\$ 292,536	\$ 2,770,980	\$ -
Cash received from assessments made to other funds	-	-	-	16,576,283
Cash payments to employees for services	(2,996,097)	(270,692)	(3,266,789)	-
Cash payments for insurance claims	-	-	-	(16,567,452)
Cash payments to suppliers for goods and services	(3,126,489)	(37,034)	(3,163,523)	-
Cash received from affiliate	-	26,746	26,746	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(3,644,142)</u>	<u>11,556</u>	<u>(3,632,586)</u>	<u>8,831</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Repayment of interfund balances	(1,574)	(1,701)	(3,275)	-
Grants received	3,733,592	7,617	3,741,209	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>3,732,018</u>	<u>5,916</u>	<u>3,737,934</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(87,344)	-	(87,344)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	6,063	130	6,193	-
NET INCREASE IN CASH AND INVESTMENTS	6,595	17,602	24,197	8,831
CASH AND INVESTMENTS, BEGINNING	<u>754,684</u>	<u>569</u>	<u>755,253</u>	<u>3,325,487</u>
CASH AND INVESTMENTS, ENDING	<u>\$ 761,279</u>	<u>\$ 18,171</u>	<u>\$ 779,450</u>	<u>\$ 3,334,318</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating loss	\$ (4,256,545)	\$ (15,439)	\$ (4,271,984)	\$ (266,611)
Adjustments to reconcile operating loss to net cash provided by operating activities				
Depreciation	133,429	424	133,853	-
Cash receipts from affiliate	-	26,746	26,746	-
Commodities used	380,483	-	380,483	-
Changes in assets and liabilities:				
Receivables	-	(2,867)	(2,867)	(105,961)
Inventories	5,662	-	5,662	-
Accrued liabilities	92,829	2,692	95,521	381,403
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (3,644,142)</u>	<u>\$ 11,556</u>	<u>\$ (3,632,586)</u>	<u>\$ 8,831</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES
During the year the District received \$380,483 of food commodities from the US Department of Agriculture.

DAVENPORT COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2005

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 95,328
Due from other governments	<u>290</u>
 Total assets	 <u>\$ 95,618</u>
LIABILITIES	
Accounts payable	\$ 7,590
Due to activity groups	<u>88,028</u>
 Total liabilities	 <u>\$ 95,618</u>

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The District is composed of three high schools, six intermediate schools, nineteen elementary schools, and various off-campus alternative education programs. Student enrollment (pre-school through high school) for the 2004-2005 school year was approximately 16,400 regular and special education students. The District employs approximately 2,350 individuals.

Reporting Entity

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

Measurement Focus and Basis of Accounting

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

The District has the following fund types:

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

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

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

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

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

The District reports the following major governmental funds:

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

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

Additionally, the District reports the following governmental fund types:

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

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

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

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

The District reports the following major proprietary fund:

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

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

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

Financial Statement Presentation

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

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

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

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

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

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

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

Pass-Through Revenues

GASB No. 24 establishes standards of accounting and financial reporting for pass-through grants, food stamps and on-behalf payments for fringe benefits and salaries. GASB No. 24 requires that all cash pass-through grants received by a governmental entity be recognized as revenue and expenditures or expenses in a governmental, proprietary or trust fund. The District recorded the \$4,899,580 pass-through grant from the Area Education Agency in 2004-2005 as revenue and a related expenditure in the Governmental Activities and General Fund.

Cash and Investments

The cash balances of District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

Property Taxes Receivable

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

Property taxes receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Intergovernmental Receivables and Revenues

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

Inventories

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

Prepaid Expenses

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

Capital Assets

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

Interest incurred during construction is not capitalized.

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

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

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

All land is capitalized and is not depreciated. All other assets capitalized by the District must have a useful life of two years or more and have a cost that exceeds the following minimum thresholds:

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

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

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

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

Salaries and Benefits Payable

Payroll and related expenditures for teachers, principals, and administrators with annual contracts corresponding to the current school year, which are payable in July, August, and September, 2005, have been accrued as liabilities as of June 30, 2005.

Health Claims and Administrative Costs Payable

Health care costs for claims with dates of service incurred prior to year-end which were paid subsequent to year-end have been estimated and accrued as liabilities as of June 30, 2005.

Compensated Absences

Non-instructional District employees accumulate vacation hours for subsequent use or for payment upon termination. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005, and includes certain salary related payments. The compensated absences liability is reported as a liability in the government-wide statements. In governmental funds, however, these accrued benefits are considered long-term liabilities similar to that of long-term debt and are not reported as a fund liability.

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Deferred Revenue

Although certain revenues are measurable in the Governmental Fund statements, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds and the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year-end.

Fund Equity

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

Restricted Net Assets

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

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the instruction, non-instructional programs, and other expenditures functional areas exceeded the amounts budgeted.

NOTE 2 – CASH AND INVESTMENTS

The District's deposits in banks 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.

As of June 30, 2005, the book balance of the District's cash deposits plus petty cash totaled \$37,369,982 and the bank balances totaled \$39,778,812.

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

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) diversified portfolio totaling \$660,330. The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The value of the investment is not the same as the value of the pool shares. ISJIT is registered with and regulated by the Securities and Exchange Commission.

At June 30, 2005, the District had in investments in commercial paper totaling \$399,086, all of which matures in July 2005.

Interest Rate Risk. The District's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within fifteen months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the District. The District did not hold any instruments with a maturity greater than 397 days during the year.

Credit Risk. The District's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. At June 30, 2005, the District's investments in commercial paper were rated A1 by Standard & Poor's and P-1 by Moody's Investors Service. The investments in the ISJIT were rated Aaa by Moody's Investors Service.

Concentration of Credit Risk. The District's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's deposits are 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.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District had no custodial risk with regards to investments, since all investments were held by the District or its agent in the District's name.

The following is a reconciliation of cash and investments as shown on the financial statements:

Cash deposits and petty cash	\$ 37,369,982
ISJIT investments	660,330
Commerical paper	<u>399,086</u>
	<u>\$ 38,429,398</u>
Governmental funds	\$ 34,220,302
Internal service fund	<u>3,334,318</u>
Total governmental activities	37,554,620
Business activities/enterprise funds	779,450
Agency fund	<u>95,328</u>
	<u>\$ 38,429,398</u>

(continued on next page)

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 3 – CAPITAL ASSETS

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

	Balance July 1 2004	Increases	Decreases	Balance June 30 2005
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 3,820,258	\$ -	\$ -	\$ 3,820,258
Construction in progress	<u>5,099,661</u>	<u>9,600,228</u>	<u>(4,196,013)</u>	<u>10,503,876</u>
Total capital assets, not being depreciated	<u>8,919,919</u>	<u>9,600,228</u>	<u>(4,196,013)</u>	<u>14,324,134</u>
Capital assets, being depreciated				
Land improvements	9,562,608	253,638	-	9,816,246
Buildings	92,824,447	-	(68,895)	92,755,552
Building improvements	23,472,433	7,418,287	-	30,890,720
Furniture and equipment	<u>5,702,606</u>	<u>333,202</u>	<u>(174,479)</u>	<u>5,861,329</u>
Total capital assets being depreciated	<u>131,562,094</u>	<u>8,005,127</u>	<u>(243,374)</u>	<u>139,323,847</u>
Less accumulated depreciation for				
Land improvements	6,685,595	453,564	-	7,139,159
Buildings	29,022,462	1,704,103	-	30,726,565
Building improvements	2,129,517	1,304,906	-	3,434,423
Furniture and equipment	<u>4,751,361</u>	<u>286,297</u>	<u>(174,479)</u>	<u>4,863,179</u>
Total accumulated depreciation	<u>42,588,935</u>	<u>3,748,870</u>	<u>(174,479)</u>	<u>46,163,326</u>
Total capital assets being depreciated, net	<u>88,973,159</u>	<u>4,256,257</u>	<u>(68,895)</u>	<u>93,160,521</u>
Governmental activities capital assets, net	<u>\$ 97,893,078</u>	<u>\$ 13,856,485</u>	<u>\$ (4,264,908)</u>	<u>\$107,484,655</u>
Business-type activities				
Capital assets, being depreciated equipment	<u>\$ 1,708,158</u>	<u>\$ 87,345</u>	<u>\$ -</u>	<u>\$ 1,795,503</u>
Less accumulated depreciation for equipment	<u>904,654</u>	<u>133,853</u>	<u>-</u>	<u>1,038,507</u>
Business-type activities capital assets, net	<u>\$ 803,504</u>	<u>\$ (46,508)</u>	<u>\$ -</u>	<u>\$ 756,996</u>

(continued on next page)

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

Governmental activities	
Instruction	\$ 3,665,506
Instructional staff support services	24,124
General administration	13,854
Building administration	4,811
Plant operation and maintenance	32,215
Student transportation	7,278
Central support services	<u>1,082</u>
	<u>\$ 3,748,870</u>
Business-type activities	
Food services	\$ 133,429
Day care	<u>424</u>
	<u>\$ 133,853</u>

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2005, consisted of the following:

Due to _____	Due from _____				Total
	Capital Projects	Nonmajor Govern- mental Funds	School Nutrition	Day Care	
General Fund	<u>\$ 3,120</u>	<u>\$ 191,300</u>	<u>\$ 343,877</u>	<u>\$ 11,819</u>	<u>\$ 550,116</u>

\$314,256 of the balance due to the General Fund from the School Nutrition Fund represents the reimbursement due for the indirect costs incurred in school nutrition operations paid by the General Fund.

The balance of \$186,930 due to the General Fund from the Physical Plant and Equipment Fund, a nonmajor governmental fund, represents reimbursement due for equipment expenditures made in the General Fund.

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

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Interfund transfers for the year ended June 30, 2005, consisted of the following:

<u>Transfer in</u>	<u>Transfer out</u>		
	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 7,504	\$ 7,504
Nonmajor governmental funds	<u>7,234,840</u>	<u>-</u>	<u>7,234,840</u>
Total	<u>\$ 7,234,840</u>	<u>\$ 7,504</u>	<u>\$ 7,242,344</u>

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

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

NOTE 5 – LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

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

	<u>Governmental Activities</u>				<u>Business Type Activities</u>
	<u>Local Option Sales Tax Bonds</u>	<u>Early Retirement Obligations</u>	<u>Compen- sated Absences</u>	<u>Total</u>	<u>Compen- sated Absences</u>
Balance, beginning of year, as restated	\$ 37,505,000	\$ 3,219,558	\$ 417,402	\$ 41,141,960	\$ 2,628
Additions	-	885,457	443,961	1,329,418	490
Reductions	<u>(5,590,000)</u>	<u>(854,615)</u>	<u>(417,402)</u>	<u>(6,862,017)</u>	<u>(2,628)</u>
Balance, end of year	<u>\$ 31,915,000</u>	<u>\$ 3,250,400</u>	<u>\$ 443,961</u>	<u>\$ 35,609,361</u>	<u>\$ 490</u>
Due within one year	<u>\$ 5,835,000</u>	<u>\$ 1,046,792</u>	<u>\$ 443,961</u>	<u>\$ 7,325,753</u>	<u>\$ 490</u>

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

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Local Option Sales Tax Bonds

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

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Balance</u>	<u>Balance June 30, 2005</u>
Sales and service tax revenue bonds, Series 1999	4.9% - 4.95%	7/1/09	\$ 8,400,000	\$ 4,685,000
Sales and service tax revenue bonds, Series 2000	5.25% - 5.3%	7/1/09	9,500,000	5,915,000
Sales and service tax revenue bonds, Series 2001	5.0%	7/1/09	15,000,000	10,095,000
Sales and service tax revenue bonds, Series 2002	3.5% - 4.6%	7/1/09	15,000,000	<u>11,220,000</u>
				<u>\$ 31,915,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 5,835,000	\$ 1,385,316	\$ 7,220,316
2007	6,095,000	1,110,850	7,205,850
2008	6,370,000	818,137	7,188,137
2009	6,655,000	503,881	7,158,881
2010	<u>6,960,000</u>	<u>170,858</u>	<u>7,130,858</u>
	<u>\$ 31,915,000</u>	<u>\$ 3,989,042</u>	<u>\$ 35,904,042</u>

Early Retirement Obligations

The District's early retirement program is periodically offered to certain classifications of employees who are at least age 55. The employee must be eligible to receive Iowa Public Employees Retirement System (IPERS) benefits and must have been employed by the District for a set number of years. Benefits are paid into a special pay deferral plan. Early retirement benefits paid during the year ended June 30, 2005, totaled \$854,615.

Legal Debt Margin

As of June 30, 2005, the outstanding general obligation debt of the District did not exceed the statutory debt limit.

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 6 – PENSION AND RETIREMENT BENEFITS

IPERS

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003, were \$4,765,922, \$4,632,225, and \$4,581,128, respectively, equal to the required contributions for each year.

403(b) Plan

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

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

The District's contribution for the year ended June 30, 2005, was \$666,358.

Health Benefits

The District allows retired employees to participate in the District's health plan until they qualify for Medicare, with the employee paying the full premium.

NOTE 7 – RISK MANAGEMENT

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

The District has established an administrative service insurance plan for its employees' accident, medical and dental insurance coverage. The plan is primarily funded through employer contributions. Self-insurance is in effect up to an individual stop loss amount of \$175,000 and an annual aggregate stop loss for the excess of 125% of estimated claims or approximately \$16,100,000 for 2005.

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

The District's estimated liability for health claims and related administrative costs incurred prior to year-end but not paid is accrued. The estimated liability is based on a combination of known claims filed after year end and an estimate of incurred but not reported claims based on prior years' payment history. The estimated liability does not include any allocated or unallocated claims adjustment expense. Changes in the accrual balance for the years ended June 30, 2005 and 2004, are as follows:

	<u>2005</u>	<u>2004</u>
Health claims payable balance, beginning of year	\$ 1,972,939	\$ 1,850,432
Incurred claims (including IBNR)	16,209,546	12,616,571
Claim payments	<u>(15,828,143)</u>	<u>(12,494,064)</u>
Health claims payable balance, end of year	<u>\$ 2,354,342</u>	<u>\$ 1,972,939</u>

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

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The District has entered into various construction and repair contracts for projects throughout the District. At June 30, 2005, the portion of these contracts which has not been paid or accrued as a liability totals \$3,583,402.

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

NOTE 9 – AGREEMENT WITH GENESIS MEDICAL CENTER

The District's Day Care Fund received \$102,480 from Genesis Medical Center (Genesis) in a prior year to provide assistance for the relocation of the Day Care Center. The District is to pay to Genesis a portion of the annual net revenues of the Center until \$102,480 has been reached. As of June 30, 2005, \$47,194 of net revenues has been paid or accrued as a payable to Genesis, leaving a \$55,286 balance of future net revenues due to Genesis.

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 10 – OPERATING LEASES

The District leases building and equipment under noncancelable operating leases. Total expenses for the year ended June 30, 2005, for such leases were \$1,060,475, which includes cash paid and the change in the prepaid rent balance. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	
2006	\$ 904,714
2007	914,124
2008	486,842
2009	<u>486,842</u>
	<u>\$ 2,792,522</u>

NOTE 11 – RESTATEMENT OF BEGINNING BALANCES

The restatement of the General Fund Balance and Governmental Activities was due to prepaid rent inadvertently excluded from assets in prior year. The restatement of the School Nutrition Fund, Business-type Activities and Governmental Activities Balance was due to early retirement benefits inadvertently recorded in the Food Nutrition Fund and Business-type Activities, instead of the Governmental Activities.

	<u>General Fund</u>	<u>School Nutrition Fund</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Fund balance/net assets June 30, 2004, as previously reported	\$ 717,256	\$ 1,368,382	\$ 79,340,722	\$ 1,377,897
Effect of prepaid rent adjustment	800,000	-	800,000	-
Effect of early retirement adjustment	<u>-</u>	<u>12,048</u>	<u>(12,048)</u>	<u>12,048</u>
Fund balance/net assets June 30, 2004, as restated	<u>\$ 1,517,256</u>	<u>\$ 1,380,430</u>	<u>\$ 80,128,674</u>	<u>\$ 1,389,945</u>

NOTE 12 – NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

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

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

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

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

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

Statement No. 46, *Net Assets Restricted by Enabling Legislation* issued December 2004, will be effective for the District for the fiscal year ending June 30, 2006. This statement clarifies the definition of a legally enforceable enabling legislation restriction. It also specifies the accounting and financial reporting requirements for the restrictions and for any changes in them.

Statement No. 47, *Accounting for Termination Benefits* issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement 45. For all other termination benefits, this Statement is effective for the fiscal year ending June 30, 2006.

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

DAVENPORT
COMMUNITY
SCHOOLS



***Required
Supplementary
Information***

DAVENPORT COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS AND
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Governmental Funds Actual	Enterprise Funds Actual	Total Actual
REVENUES			
Property taxes	\$ 53,186,303	\$ -	\$ 53,186,303
Local option sales tax	13,647,672	-	13,647,672
Intergovernmental	82,655,338	4,152,210	86,807,548
Charges for services	3,373,607	2,773,847	6,147,454
Interest	360,682	6,840	367,522
Other	2,770,355	5,975	2,776,330
Total revenues	<u>155,993,957</u>	<u>6,938,872</u>	<u>162,932,829</u>
EXPENDITURES			
Current:			
Instruction	99,487,411	-	99,487,411
Support services	31,243,051	-	31,243,051
Non-instructional programs	-	7,045,831	7,045,831
Other expenditures	28,433,483	-	28,433,483
Total expenditures	<u>159,163,945</u>	<u>7,045,831</u>	<u>166,209,776</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,169,988)	(106,959)	(3,276,947)
OTHER FINANCING SOURCES, NET	-	-	-
NET CHANGE IN FUND BALANCES	(3,169,988)	(106,959)	(3,276,947)
BALANCES, BEGINNING, AS RESTATED	<u>21,330,362</u>	<u>1,389,945</u>	<u>22,720,307</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ 18,160,374</u>	<u>\$ 1,282,986</u>	<u>\$ 19,443,360</u>

Budgeted Amounts		Variance with Final Budget- Positive (Negative)
Original	Final	
\$ 53,615,589	\$ 53,643,774	\$ (457,471)
13,506,397	13,506,397	141,275
83,719,739	85,783,784	1,023,764
6,065,598	5,525,214	622,240
434,024	323,864	43,658
<u>2,025,649</u>	<u>2,732,136</u>	<u>44,194</u>
<u>159,366,996</u>	<u>161,515,169</u>	<u>1,417,660</u>
94,387,016	97,846,764	(1,640,647)
32,633,142	34,028,351	2,785,300
6,820,808	6,820,808	(225,023)
<u>23,612,191</u>	<u>27,860,003</u>	<u>(573,480)</u>
<u>157,453,157</u>	<u>166,555,926</u>	<u>346,150</u>
1,913,839	(5,040,757)	1,763,810
<u>7,354,160</u>	<u>-</u>	<u>-</u>
9,267,999	(5,040,757)	1,763,810
<u>22,720,307</u>	<u>22,720,307</u>	<u>-</u>
<u>\$ 31,988,306</u>	<u>\$ 17,679,550</u>	<u>\$ 1,763,810</u>

DAVENPORT
COMMUNITY
SCHOOLS



DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
JUNE 30, 2005

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except internal service and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America. Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs, and other expenditures. Although the budget document presents functional area expenditures by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District was in compliance with such formula for fiscal 2005.

During the year ended June 30, 2005, disbursements in the instruction, non-instructional programs and other expenditures functions exceeded the amounts budgeted.

The District follows these procedures in establishing budgetary data:

1. The Administration submits to the Board of Education a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted and the proposed budget is available for inspection to obtain taxpayer comments. The proposed budget is readily available at least 30 days prior to final action by the Board.
3. Prior to April 15, the budget is legally adopted through passage of a resolution which is filed with the County Auditor to obtain tax revenues.
4. The Board of Education may amend the budget after it is approved using the same procedures required to approve the original budget. The budget was amended April 11, 2005, to increase the authorization of expenditures by \$9,102,769.
5. All annual appropriations lapse at fiscal year end.
6. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

DAVENPORT
COMMUNITY
SCHOOLS



*Supplementary
Information*

DAVENPORT
COMMUNITY
SCHOOLS



NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Management	Student Activity	Physical Plant and Equipment		
ASSETS					
Cash and investments	\$ 1,535,427	\$ 845,831	\$ 3,506,519	\$ 472,133	\$ 6,359,910
Receivables:					
Property taxes	3,037,584	-	4,199,285	-	7,236,869
Other	-	779	3,497	445	4,721
Due from other governmental units	-	1,389	108,803	-	110,192
Total assets	\$ 4,573,011	\$ 847,999	\$ 7,818,104	\$ 472,578	\$ 13,711,692
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 8,090	\$ 38,304	\$ 835,988	\$ -	\$ 882,382
Accrued payroll and payroll taxes	-	915	-	-	915
Due to other funds	-	4,370	186,930	-	191,300
Deferred revenue	2,990,932	-	4,290,935	-	7,281,867
Total liabilities	2,999,022	43,589	5,313,853	-	8,356,464
FUND BALANCES					
Reserved for:					
Debt service	-	-	-	472,578	472,578
Student activities	-	804,410	-	-	804,410
Unreserved, undesignated	1,573,989	-	2,504,251	-	4,078,240
Total fund balances	1,573,989	804,410	2,504,251	472,578	5,355,228
Total liabilities and fund balances	\$ 4,573,011	\$ 847,999	\$ 7,818,104	\$ 472,578	\$ 13,711,692

DAVENPORT COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue				Total
	Management	Student Activity	Physical Plant and Equipment	Debt Service	Nonmajor Governmental Funds
REVENUES					
Property taxes	\$ 3,597,612	\$ -	\$ 4,123,894	\$ -	\$ 7,721,506
Intergovernmental	2,643	-	2,970	-	5,613
Interest	5,161	8,563	31,689	3,819	49,232
Other	-	1,440,192	130,534	-	1,570,726
Total revenues	<u>3,605,416</u>	<u>1,448,755</u>	<u>4,289,087</u>	<u>3,819</u>	<u>9,347,077</u>
EXPENDITURES					
Current:					
Instruction	866,390	1,341,331	-	-	2,207,721
Student support services	46,672	-	-	-	46,672
Instructional staff support services	18,242	-	-	-	18,242
General administration	1,490,641	-	-	-	1,490,641
Building administration	31,324	-	-	-	31,324
Plant operation and maintenance	-	-	2,612,702	-	2,612,702
Capital outlay	-	-	1,764,703	-	1,764,703
Debt service:					
Principal	-	-	-	5,590,000	5,590,000
Interest	-	-	-	1,646,240	1,646,240
Total expenditures	<u>2,453,269</u>	<u>1,341,331</u>	<u>4,377,405</u>	<u>7,236,240</u>	<u>15,408,245</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	<u>1,152,147</u>	<u>107,424</u>	<u>(88,318)</u>	<u>(7,232,421)</u>	<u>(6,061,168)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	7,234,840	7,234,840
Transfers out	-	(7,504)	-	-	(7,504)
Total other financing sources (uses)	<u>-</u>	<u>(7,504)</u>	<u>-</u>	<u>7,234,840</u>	<u>7,227,336</u>
NET CHANGE IN FUND BALANCES					
	1,152,147	99,920	(88,318)	2,419	1,166,168
FUND BALANCES, BEGINNING	<u>421,842</u>	<u>704,490</u>	<u>2,592,569</u>	<u>470,159</u>	<u>4,189,060</u>
FUND BALANCES, ENDING	<u>\$ 1,573,989</u>	<u>\$ 804,410</u>	<u>\$ 2,504,251</u>	<u>\$ 472,578</u>	<u>\$ 5,355,228</u>

**DAVENPORT COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF CHANGES IN BALANCES
STUDENT ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	Balance June 30 2004	Revenues	Expenditures	Transfers	Balance June 30 2005
District-wide Athletics	\$ 782	\$ 6,324	\$ 6,324	\$ -	\$ 782
Central High School Athletics	30,135	71,106	57,391	-	43,850
North High School Athletics	17,282	61,388	46,994	-	31,676
West High School Athletics	34,653	69,187	65,027	-	38,813
Central High School	138,428	233,374	230,396	-	141,406
Central Band Uniforms	4,699	17,250	-	-	21,949
North High School	(22,821)	211,137	210,687	-	(22,371)
West High School	184,765	329,267	315,817	-	198,215
Kimberly Center	(1)	2,250	2,218	-	31
Smart Intermediate School	34,391	47,470	41,412	-	40,449
Sudlow Intermediate School	62,723	112,673	96,042	-	79,354
Walcott Elementary and Intermediate School	34,665	94,180	77,045	-	51,800
Willams Intermediate School	17,098	62,244	55,596	-	23,746
Williams IDOT Grant	138	-	-	-	138
Wood Intermediate School	26,744	47,243	44,278	-	29,709
Young Intermediate School	13,759	13,033	10,867	-	15,925
Adams Elementary	8,260	4,358	6,167	-	6,451
Blue Grass Elementary	5,538	1,233	3,198	-	3,573
Buchanan Elementary	16,807	14,520	17,027	-	14,300
Buffalo Elementary	14,620	906	1,264	-	14,262
Eisenhower Elementary	5,152	5,590	3,978	-	6,764
Fillmore Elementary	2,853	1,368	3,221	-	1,000
Garfield Elementary	1,851	1,425	2,099	-	1,177
Harrison Elementary	2,513	2,691	2,897	-	2,307
Hayes Elementary	6,735	8,591	10,023	-	5,303
Jackson Elementary	204	50	116	-	138
Jefferson Elementary	54	-	-	-	54
Lincoln Elementary	5,090	1,664	1,505	-	5,249
Madison Elementary	18,250	4,479	6,434	-	16,295
McKinley Elementary	9,586	8,974	9,285	-	9,275
Monroe Elementary	5,900	3,960	5,507	-	4,353
Truman Elementary	1,969	445	1,875	-	539
Washington Elementary	10,052	1,233	5,977	-	5,308
Wilson Elementary	4,112	579	664	-	4,027
Unallocated interest income	7,504	8,563	-	(7,504)	8,563
Total Special Revenue Student Activity Fund	\$ 704,490	\$ 1,448,755	\$ 1,341,331	\$ (7,504)	\$ 804,410

AGENCY FUND

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

DAVENPORT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and investments	\$ 87,737	\$ 171,668	\$ 164,077	\$ 95,328
Due from other governments	<u>-</u>	<u>290</u>	<u>-</u>	<u>290</u>
Total assets	<u>\$ 87,737</u>	<u>\$ 171,958</u>	<u>\$ 164,077</u>	<u>\$ 95,618</u>
LIABILITIES				
Accounts payable	\$ 1,485	\$ 7,590	\$ 1,485	\$ 7,590
Due to activity groups	<u>86,252</u>	<u>152,625</u>	<u>150,849</u>	<u>88,028</u>
Total liabilities	<u>\$ 87,737</u>	<u>\$ 160,215</u>	<u>\$ 152,334</u>	<u>\$ 95,618</u>

DAVENPORT COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF CHANGES IN AMOUNTS DUE TO ACTIVITY GROUPS
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Balance June 30 2004	Additions	Deletions	Balance June 30 2005
Administration Pop Account	\$ 5,500	\$ 2,718	\$ 2,368	\$ 5,850
CVW Staff Account	-	341	144	197
Central Staff Pop Account	12,074	54,455	54,099	12,430
Buchanan Pop Account	2,570	2,355	2,311	2,614
Fillmore Pop Account	1,537	1,535	1,939	1,133
Garfield Pop Account	-	846	350	496
Harrison Pop Account	4,893	10,199	13,430	1,662
Hoover Pop Account	30	-	-	30
Lincoln Pop Account	4,755	870	728	4,897
Madison Teacher's Pop Account	2,440	3,563	1,941	4,062
Monroe Pop Account	1,291	8,340	5,410	4,221
North Pop Account	6,020	9,531	12,848	2,703
Smart Pop Account	5,430	7,373	5,664	7,139
Truman Pop Account	1,550	474	1,628	396
Young Staff Pop Account	683	869	1,440	112
Washington Pop Account	2,538	1,700	1,743	2,495
West Pop Account	18,505	40,628	33,091	26,042
Williams Sunshine Pop Account	145	-	145	-
Wilson Pop Account	9,516	5,068	8,166	6,418
Wood Pop Account	3,157	1,760	2,387	2,530
Youth Fest	3,618	-	1,017	2,601
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 86,252	\$ 152,625	\$ 150,849	\$ 88,028

DAVENPORT
COMMUNITY
SCHOOLS



Statistical Section



DAVENPORT COMMUNITY SCHOOL DISTRICT

Government-wide Expenses by Function

Last Four Fiscal Years

Fiscal Year	Instruction	Support Services	Staff Support Services	General Administration	Building Administration	Business Administration	Plant Operation and Maintenance
2005	\$103,464,881	\$ 3,528,044	\$ 3,071,271	\$ 2,490,873	\$ 8,380,875	\$ 2,886,051	\$ 10,912,469
2004	96,345,329	3,626,534	2,940,963	2,535,403	8,125,994	1,060,832	10,316,051
2003	93,629,997	2,909,873	3,085,657	2,884,288	8,561,479	902,771	10,428,662
2002	90,265,176	2,946,202	4,135,267	2,430,463	8,496,206	962,615	11,642,431

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

Student Transportation	Central Support Services	Community Services	Area Education Agency	Other Expenditures	Interest on Long Term Debt	Food Services	Day Care	TOTAL
\$ 2,931,059	\$ -	\$ -	\$ 4,899,580	\$ 93,996	\$ 1,520,560	\$ 6,734,989	\$ 310,842	\$ 151,225,490
3,754,103	1,736,469	42,652	4,911,280	108,209	1,771,719	6,329,378	353,194	143,958,110
3,568,003	1,798,342	80,752	5,180,587	-	1,973,294	5,967,580	360,225	141,331,510
3,394,219	1,534,609	81,511	5,188,282	-	1,661,272	5,761,785	332,755	138,832,793

DAVENPORT COMMUNITY SCHOOL DISTRICT

Government-wide Revenue

Last Four Fiscal Years

Fiscal Year	Program Revenues		
	Charges for Services	Operating Grants & Contributions	Capital Grants and Contributions
2005	\$ 5,883,380	\$ 26,362,634	\$ 506,426
2004	6,588,031	24,209,574	310,070
2003	5,383,610	23,050,832	377,356
2002	5,184,656	23,530,849	-

General Revenues

Property Taxes	Other Taxes	Unrestricted State Aid & Grants	Interest & Investment Earnings	Miscellaneous	TOTAL
\$ 53,095,883	\$ 13,647,672	\$ 62,293,142	\$ 367,522	\$ 1,233,770	\$ 163,390,429
51,609,343	13,512,282	60,904,421	259,450	769,794	158,162,965
49,562,253	13,303,691	59,924,250	492,511	2,336,690	154,431,193
44,127,732	13,727,303	58,305,016	837,881	2,515,449	148,228,886

DAVENPORT COMMUNITY SCHOOL DISTRICT

General Fund Revenues by Source

Last Ten Fiscal Years

	2005	2004	2003	2002
Property tax	\$ 45,354,264	\$ 44,261,436	\$ 43,937,036	\$ 38,616,770
Mobile home taxes	110,533	98,311	100,773	97,541
Tuition	2,038,419	1,032,262	1,272,734	303,234
Transportation	31,471	57,505	55,978	21,730
Interest on investments	218,554	100,304	129,219	163,807
Bookstore supplies	195,215	266,211	262,734	220,696
Rentals	206,987	231,305	203,989	237,520
Contributions	32,565	-	-	-
Textbooks	444,370	296,353	291,281	225,348
Services provided others	662,085	557,418	553,967	496,709
Refund of prior years exp.	-	12,243	976	1,731
Other local revenue	962,124	731,532	891,649	876,311
TOTAL LOCAL REVENUE	\$ 50,256,587	\$ 47,644,880	\$ 47,700,336	\$ 42,241,463
State foundation aid	\$ 61,518,979	\$ 60,039,244	\$ 59,924,250	\$ 58,305,016
Instructional support	701,003	805,450	844,894	924,716
Shelter/Juv home	17,333	59,727	38,936	100,907
Phase I, II, III	1,414,149	1,426,580	1,781,565	2,252,864
AEA Flowthrough	4,899,580	4,911,280	5,180,587	5,188,282
Transportation aid nonpublic	191,885	234,295	293,612	314,712
Textbook aid nonpublic	29,071	27,993	30,923	39,000
State grants	627,106	631,988	667,047	692,418
Other state revenue	2,796,548	2,618,765	2,455,579	2,807,180
TOTAL STATE REVENUE	\$ 72,195,654	\$ 70,755,322	\$ 71,217,393	\$ 70,625,095
Other Unrestricted Direct Federal	\$ 1,885,260	\$ 1,662,704	\$ 1,781,028	\$ 1,224,318
Title VI	-	-	124,851	131,124
Other Unrestricted Federal Revenue	181,928	143,287	73,757	-
Other Restricted Direct Federal	91,073	37,389	32,698	-
Title I	4,439,763	3,822,583	3,265,564	2,998,583
Carl Perkins	317,583	336,673	338,762	356,918
EESA II	-	13,420	35,523	107,400
McKinney Homeless	-	-	37,002	20,000
Drug Free Schools	60,357	100,596	127,891	204,053
Other Restricted Indirect Federal	3,118,854	3,371,834	1,980,467	1,927,999
TOTAL FEDERAL REVENUE	\$ 10,094,818	\$ 9,488,486	\$ 7,797,543	\$ 6,970,395
Other sources	\$ 7,504	\$ 18,971	\$ 21,843	\$ 45,317
TOTAL OTHER SOURCES	\$ 7,504	\$ 18,971	\$ 21,843	\$ 45,317
TOTAL REVENUES	\$ 132,554,563	\$ 127,907,659	\$ 126,737,115	\$ 119,882,270

Percentage Increase (Decrease) 3.63% 0.92% 5.72% 0.42%

Includes only General Fund Revenues and Other Financing Sources

Source: District Financial Records

2001	2000	1999	1998	1997	1996
\$ 38,540,937	\$ 34,609,948	\$ 35,633,694	\$ 32,975,690	\$ 31,445,251	\$ 33,371,190
96,639	90,902	101,503	107,429	97,039	105,950
1,211,748	1,474,373	1,310,323	1,410,791	1,210,516	1,138,690
19,721	24,922	27,717	57,897	50,964	49,270
425,953	279,730	529,502	606,464	420,585	1,064,432
222,783	231,847	233,200	235,982	243,229	104,769
218,384	37,873	202,390	198,974	162,446	256,352
1,200	202,708	50	641	20,922	99,235
215,202	-	233,264	240,723	247,072	297,269
575,810	217,774	580,117	475,256	549,140	465,766
690	611,953	831	-	-	-
603,988	1,282,103	782,480	828,650	343,626	368,551
<u>\$ 42,133,055</u>	<u>\$ 39,064,133</u>	<u>\$ 39,635,071</u>	<u>\$ 37,138,497</u>	<u>\$ 34,790,790</u>	<u>\$ 37,321,474</u>
\$ 60,332,936	\$ 57,233,130	\$ 54,801,338	\$ 52,712,063	\$ 50,237,834	\$ 46,414,878
1,024,277	963,458	937,262	1,006,812	1,065,397	950,014
33,091	73,410	21,610	26,605	7,469	101,597
2,276,161	2,251,786	2,276,501	2,307,170	2,312,657	2,351,647
5,373,552	5,138,469	5,051,240	4,831,115	4,627,957	4,480,339
307,923	363,896	389,792	329,861	355,021	317,894
41,440	45,745	44,842	48,866	43,534	29,117
674,159	621,988	764,731	1,259,080	1,124,827	1,132,474
2,129,693	1,639,563	1,075,365	1,157,052	1,127,217	92,969
<u>\$ 72,193,232</u>	<u>\$ 68,331,445</u>	<u>\$ 65,362,681</u>	<u>\$ 63,678,624</u>	<u>\$ 60,901,913</u>	<u>\$ 55,870,929</u>
\$ 288,981	\$ 192,565	\$ -	\$ -	\$ -	\$ -
218,277	134,173	37,917	168,913	65,951	145,612
-	27,996	-	-	-	-
-	-	-	-	-	-
3,259,846	3,885,596	2,745,307	2,548,602	2,341,471	1,900,394
366,418	246,328	278,652	321,372	324,669	315,800
72,127	195,395	91,452	85,776	44,718	70,763
2,998	20,000	20,000	19	39,883	19,101
85,603	85,719	145,803	257,521	152,306	170,350
1,678,276	674,099	321,806	103,285	1,631	19,151
<u>\$ 5,972,526</u>	<u>\$ 5,461,871</u>	<u>\$ 3,640,937</u>	<u>\$ 3,485,488</u>	<u>\$ 2,970,629</u>	<u>\$ 2,641,171</u>
<u>\$ 91,736</u>	<u>\$ 2,997</u>	<u>\$ 1,630</u>	<u>\$ 938,128</u>	<u>\$ 15,201</u>	<u>\$ 25,386</u>
<u>\$ 91,736</u>	<u>\$ 2,997</u>	<u>\$ 1,630</u>	<u>\$ 938,128</u>	<u>\$ 15,201</u>	<u>\$ 25,386</u>
<u>\$ 120,390,549</u>	<u>\$ 112,860,446</u>	<u>\$ 108,640,319</u>	<u>\$ 105,240,737</u>	<u>\$ 98,678,533</u>	<u>\$ 95,858,960</u>
6.67%	3.88%	3.23%	6.65%	2.94%	-0.67%

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

	2005	2004	2003	2002
Regular Instruction	\$ 58,253,435	\$ 57,572,305	\$ 58,249,100	\$ 58,640,683
Special Ed Instruction	-	-	-	-
Other Special Instruction	22,252,283	29,536,847	27,778,509	23,973,721
Vocational Instruction	2,988,719	2,796,810	719,584	751,336
Cocurricular Instruction	1,626,202	1,616,430	1,606,989	1,633,821
Nonpublic Instruction	75,505	112,419	140,163	231,230
Adult/Continuing Ed	190,065	189,950	199,487	209,413
Attendance & Social Work	-	-	10,839	14,262
Guidance Services	2,318,339	2,391,859	1,693,963	1,848,085
Health Services	1,163,033	1,188,003	902,525	839,089
Other student services	-	-	241,869	244,766
Improvement of Instruction	1,161,338	1,113,197	1,163,763	1,782,511
Educational Media	1,867,567	1,795,209	1,887,637	2,342,877
Other Instr Staff Support Svcs.	-	-	-	-
Board of Education	241,033	229,966	293,937	425,925
Executive Administration	745,345	784,284	1,062,391	973,666
School Administration	8,344,740	8,089,746	8,435,626	8,388,355
Business Administration/Interest	2,884,968	1,060,832	989,488	960,963
Operation and Maintenance	7,912,038	7,720,037	7,874,979	7,644,444
Student Transportation	2,923,775	3,746,825	3,560,724	3,386,941
Central Support	-	1,735,386	1,818,619	1,470,924
Other Support Svcs	93,996	106,316	80,751	63,685
Other Instruction	11,893,481	-	-	-
Food Service	-	1,893	-	-
Community Service & Ed Op	-	42,652	80,751	81,511
AEA Flowthrough	4,899,580	4,911,280	5,180,587	5,188,282
TOTAL EXPENDITURES	\$ 131,835,442	\$ 126,742,246	\$ 123,891,530	\$ 121,096,490
Percentage Increase	4.02%	2.30%	2.31%	0.74%

Includes only General Fund Expenditures

Source: District Financial Records

	2001	2000	1999	1998	1997	1996
\$	56,542,395	\$ 54,775,582	\$ 51,197,575	\$ 49,285,972	\$ 46,487,408	\$ 45,911,332
	-	-	-	-	-	11,397,562
	22,779,961	21,743,422	20,227,032	20,061,439	17,627,753	5,003,302
	808,297	587,282	463,255	474,489	422,798	523,683
	1,639,668	1,536,639	1,678,525	1,521,972	1,461,993	1,494,277
	271,489	-	50,344	-	57,623	41,873
	207,608	196,433	215,904	163,605	156,024	161,917
	9,435	10,672	7,902	59,481	56,188	67,497
	2,006,751	2,043,570	1,831,844	1,859,615	1,800,052	1,955,629
	835,966	836,571	780,957	765,890	803,980	786,337
	190,887	154,813	150,175	139,434	122,547	165,945
	1,765,447	1,116,531	1,776,677	2,054,784	1,742,440	670,782
	3,667,696	2,795,165	3,202,876	2,829,518	2,377,789	2,192,244
	-	1,468,337	-	-	-	-
	329,909	643,897	1,119,670	270,207	654,469	467,939
	879,743	8,221,255	756,434	1,158,636	472,223	459,167
	8,632,068	914,766	7,549,307	7,923,083	7,386,449	7,149,337
	924,441	-	819,077	33,179	895,925	908,498
	8,497,750	7,559,751	8,611,050	8,532,845	8,360,033	8,384,413
	3,381,568	3,280,788	3,152,188	2,567,865	2,621,682	2,554,217
	1,343,438	1,247,712	924,746	990,517	834,949	518,355
	-	101,885	95,170	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	117,427	145,153	104,378	80,152	67,924	106,465
	<u>5,373,552</u>	<u>5,138,469</u>	<u>5,061,649</u>	<u>4,860,539</u>	<u>4,655,125</u>	<u>4,480,339</u>
\$	<u>120,205,496</u>	<u>\$ 114,518,693</u>	<u>\$ 109,776,735</u>	<u>\$ 105,633,222</u>	<u>\$ 99,065,374</u>	<u>\$ 95,401,110</u>
	4.97%	4.32%	3.92%	6.63%	3.84%	6.80%

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

Collection Fiscal Year Ending	Levy Fiscal Year Ending	Total Tax Levy	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2004-05	2003	\$53,989,612	\$53,271,950	98.67%	\$173,385	0.32%
2003-04	2002	\$48,626,737	\$48,578,772	99.90%	\$47,965	0.10%
2002-03	2001	\$47,174,096	\$47,096,785	99.84%	\$77,311	0.16%
2001-02	2000	\$44,081,430	\$43,809,809	99.38%	\$271,621	0.62%
2000-01	1999	\$40,915,128	\$40,869,765	99.89%	\$45,363	0.11%
1999-00	1998	\$39,529,157	\$39,463,615	99.83%	\$65,541	0.17%
1998-99	1997	\$39,723,166	\$39,680,004	99.89%	\$43,234	0.11%
1997-98	1996	\$36,399,499	\$36,389,460	99.97%	\$10,040	0.03%
1996-97	1995	\$35,344,717	\$35,299,048	99.87%	\$43,548	0.12%
1995-96	1994	\$37,148,284	\$37,086,315	99.83%	\$61,969	0.17%

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

DAVENPORT
COMMUNITY
SCHOOLS



DAVENPORT COMMUNITY SCHOOL DISTRICT

Assessed and Estimated Actual Value of Property

Last Ten Fiscal Years

Levy Year	Collection Year	Real Property		Personal Property	
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2003	2004-05	\$3,120,307,787	\$4,056,400,123	\$37,456,073	\$37,456,073
2002	2003-04	\$2,992,254,894	\$3,978,054,705	\$35,784,917	\$35,784,917
2001	2002-03	\$2,929,902,406	\$3,782,343,963	\$36,370,965	\$36,370,965
2000	2001-02	\$2,587,066,279	\$3,673,937,065	\$33,117,781	\$33,117,781
1999	2000-01	\$2,484,714,587	\$3,608,185,091	\$55,903,012	\$55,903,012
1998	1999-00	\$2,336,180,564	\$3,310,341,641	\$82,413,989	\$82,413,989
1997	1998-99	\$2,254,811,822	\$3,268,481,908	\$89,725,966	\$89,725,966
1996	1997-98	\$2,093,936,278	\$2,912,505,421	\$91,205,416	\$91,205,416
1995	1996-97	\$2,023,880,533	\$2,834,318,359	\$89,575,637	\$89,575,637
1994	1995-96	\$1,951,500,048	\$2,518,373,058	\$82,787,797	\$82,787,797

Source: Scott County Auditor's Office

Utilities		Total		Total
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value to Total Estimated Actual Value
\$238,503,228	\$238,503,228	\$3,396,267,088	\$4,332,359,424	78.39301%
\$226,853,877	\$226,853,877	\$3,254,893,688	\$4,240,693,499	76.75381%
\$217,000,491	\$217,274,495	\$3,183,273,862	\$4,035,989,423	78.87221%
\$212,034,311	\$212,034,311	\$2,832,218,371	\$3,919,089,157	72.26726%
\$214,191,684	\$214,191,684	\$2,754,809,283	\$3,878,279,787	71.03173%
\$221,302,221	\$221,302,221	\$2,639,896,774	\$3,614,057,851	73.04523%
\$240,828,666	\$240,872,996	\$2,585,366,454	\$3,599,080,870	71.83408%
\$194,825,504	\$194,825,504	\$2,379,967,198	\$3,198,536,341	74.40801%
\$205,553,174	\$205,894,773	\$2,319,009,344	\$3,129,788,769	74.09476%
\$222,046,149	\$229,968,154	\$2,256,333,994	\$2,831,129,009	79.69732%

DAVENPORT COMMUNITY SCHOOL DISTRICT

Property Tax Rates Per \$1,000 Assessed Valuation

All Overlapping Governments

Last Ten Fiscal Years

City	Levy Year	Collection Year	State	Area IX Community College	Ag Extension - BANGS	Assessor
Davenport	2003	2004-05	\$0.00500	0.59216	0.06439	0.27648
	2002	2003-04	0.00500	0.61738	0.06221	0.31521
	2001	2002-03	0.00500	0.62633	0.06248	0.37656
	2000	2001-02	0.00500	0.60382	0.06790	0.33488
	1999	2000-01	0.00500	0.60302	0.06700	0.31303
	1998	1999-00	0.00500	0.54709	0.06732	0.29311
	1997	1998-99	0.00500	0.57182	0.03868	0.29389
	1996	1997-98	0.00500	0.58671	0.04077	0.34669
	1995	1996-97	0.00500	0.51543	0.41444	0.34674
	1994	1995-96	0.00500	0.51856	0.04246	0.28729
Blue Grass	2003	2004-05	\$0.00500	0.59216	0.06439	0.27124
	2002	2003-04	0.00500	0.61738	0.06221	0.33119
	2001	2002-03	0.00500	0.62633	0.06248	0.33124
	2000	2001-02	0.00500	0.60382	0.06790	0.33488
	1999	2000-01	0.00500	0.60302	0.06700	0.31303
	1998	1999-00	0.00500	0.54709	0.06732	0.29311
	1997	1998-99	0.00500	0.57182	0.03868	0.29389
	1996	1997-98	0.00500	0.58671	0.04077	0.34669
	1995	1996-97	0.00500	0.51543	0.41444	0.34674
	1994	1995-96	0.00500	0.51856	0.04246	0.28729
Walcott	2003	2004-05	\$0.00500	0.59216	0.06439	0.27124
	2002	2003-04	0.00500	0.61738	0.06221	0.33119
	2001	2002-03	0.00500	0.62633	0.06248	0.33124
	2000	2001-02	0.00500	0.60382	0.06790	0.33488
	1999	2000-01	0.00500	0.60302	0.06700	0.31303
	1998	1999-00	0.00500	0.54709	0.06732	0.29311
	1997	1998-99	0.00500	0.57182	0.03868	0.29389
	1996	1997-98	0.00500	0.58671	0.04077	0.34669
	1995	1996-97	0.00500	0.51543	0.41444	0.34674
	1994	1995-96	0.00500	0.51856	0.04246	0.28729
Buffalo	2003	2004-05	\$0.00500	0.59216	0.06439	0.27124
	2002	2003-04	0.00500	0.61738	0.06221	0.33119
	2001	2002-03	0.00500	0.62633	0.06248	0.33124
	2000	2001-02	0.00500	0.60382	0.06790	0.33488
	1999	2000-01	0.00500	0.60302	0.06700	0.31303
	1998	1999-00	0.00500	0.54709	0.06732	0.29311
	1997	1998-99	0.00500	0.57182	0.03868	0.29389
	1996	1997-98	0.00500	0.58671	0.04077	0.34669
	1995	1996-97	0.00500	0.51543	0.41444	0.34674
	1994	1995-96	0.00500	0.51856	0.04246	0.28729

Source: Scott County Auditor's Office

<u>Scott County</u>	<u>Davenport Community School District</u>	<u>City</u>	<u>Total</u>	<u>Ratio of Davenport Community School District to Total</u>
4.75497	17.09591	15.24000	38.02891	44.96%
4.80887	17.07873	14.96445	37.85185	45.12%
4.48067	16.96204	14.63000	37.14308	45.67%
4.17307	15.46758	14.00000	34.65225	44.64%
4.16147	15.50967	14.60301	35.26220	43.98%
4.06203	14.92898	13.95123	33.85476	44.10%
3.91472	15.26607	13.96012	34.05030	44.83%
4.19239	15.19448	13.96012	34.32616	44.27%
4.32681	15.33816	13.96012	34.90670	43.94%
4.42243	16.65193	13.95250	35.88017	46.41%
4.75497	17.09591	11.51524	34.29891	49.84%
4.80887	17.07873	12.48463	35.38801	48.26%
4.48067	16.96204	12.43356	34.90132	48.60%
4.17307	15.46758	11.56925	32.22150	48.00%
4.16147	15.50967	11.14846	31.80765	48.76%
4.06203	14.92898	10.38054	30.28407	49.30%
3.91472	15.26607	10.57459	30.66477	49.78%
4.19239	15.19448	11.60248	31.96852	47.53%
4.32681	15.33816	11.62014	32.56672	47.10%
4.42243	16.65193	13.55156	35.47923	46.93%
4.75497	17.09591	9.75001	32.53368	52.55%
4.80887	17.07873	9.50000	32.40338	52.71%
4.48067	16.96204	9.50001	31.96777	53.06%
4.17307	15.46758	10.00001	30.65226	50.46%
4.16147	15.50967	10.50225	31.16144	49.77%
4.06203	14.92898	10.09000	29.99353	49.77%
3.91472	15.26607	8.14002	28.23020	54.08%
4.19239	15.19448	6.70018	27.06622	56.14%
4.32681	15.33816	6.50002	27.44660	55.88%
4.42243	16.65193	6.15001	28.07768	59.31%
4.75497	17.09591	8.09999	30.88366	55.36%
4.80887	17.07873	7.65547	30.55885	55.89%
4.48067	16.96204	7.00203	29.46979	57.56%
4.17307	15.46758	6.99999	27.65224	55.94%
4.16147	15.50967	7.00003	27.65922	56.07%
4.06203	14.92898	6.65000	26.55353	56.22%
3.91472	15.26607	6.65000	26.74018	57.09%
4.19239	15.19448	6.65000	27.01604	56.24%
4.32681	15.33816	6.64999	27.59657	55.58%
4.42243	16.65193	6.65001	28.57768	58.27%

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

<u>Fiscal Year of Collection</u>	<u>Population</u>	<u>Net Assessed Value</u>	<u>General Bonded Debt</u>	<u>Ratio of General Bonded Debt to Net Assessed Value</u>	<u>General Bonded Debt Per Capita</u>
2004-05	118,561	\$3,232,147,108	\$0	0.00%	\$0
2003-04	118,561	\$2,992,254,894	\$0	0.00%	\$0
2002-03	118,561	\$2,929,902,406	\$0	0.00%	\$0
2001-02	118,561	\$2,832,218,371	\$0	0.00%	\$0
2000-01	118,561	\$2,754,809,283	\$0	0.00%	\$0
1999-00	118,561	\$2,639,896,774	\$0	0.00%	\$0
1998-99	118,561	\$2,585,366,454	\$0	0.00%	\$0
1997-98	118,561	\$2,379,967,198	\$0	0.00%	\$0
1996-97	118,561	\$2,319,009,344	\$0	0.00%	\$0
1995-96	118,561	\$2,256,333,994	\$0	0.00%	\$0

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

DAVENPORT COMMUNITY SCHOOL DISTRICT

Computation of Legal Debt Margin

June 30, 2005

As of June 30, 2005 the District did not exceed its legal debt margin,
Computed as follows:

Total Assessed Value	<u>\$ 3,232,147,108</u>
Debt limit 5% of total assessed value	\$161,607,355
Amount of debt applicable to debt limit, total general obligation bonded debt	\$0
Excess of debt limit over bonded debt outstanding, legal debt margin	<u>\$ 161,607,355</u>

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

DAVENPORT COMMUNITY SCHOOL DISTRICT

Computation of Direct and Overlapping Debt

June 30, 2005

<u>Name of Governmental Unit</u>	<u>Total Gross Debt Outstanding</u>	<u>Percentage Applicable to Davenport Community School district</u>	<u>Davenport Community School District Share of the Debt</u>
Scott County	\$ 11,135,000	56.71%	\$6,314,659
Eastern Iowa Community College	\$ 40,980,000	32.18%	\$13,187,364
City of Blue Grass	\$ 206,000	100.00%	\$206,000
City of Buffalo	\$ 460,000	100.00%	\$460,000
City of Davenport	\$ 118,765,000	93.23%	\$110,724,610
City of Walcott	\$ 265,000	94.89%	\$251,459
Total direct and overlapping debt:	\$171,811,000	76.33%	\$131,144,092

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

DAVENPORT COMMUNITY SCHOOL DISTRICT

Demographic and Miscellaneous Statistics

The ABCs about Davenport Community Schools.

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

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

Budget – \$190,658,268 in 2004-05

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

Computers – Average of 1 computer to each 3.5 students

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

- Groceries – 92.2
- Housing – 91.2
- Utilities – 101.2
- Transportation – 93.4
- Health Care – 98.1
- Misc. Goods – 97.5

Climate in the area is as follows –

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

Curriculum Basics –

- *Elementary* (Kindergarten through Fifth Grade)
- Fine arts, health and safety, language arts, mathematics, physical education, reading, science, and social studies
- *Intermediate* (Sixth through Eight Grade)

DAVENPORT COMMUNITY SCHOOL DISTRICT

Demographic and Miscellaneous Statistics

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

Curriculum Highlights –

Elementary (K-Grade 5)

- Preschool opportunities
- Concept Based Brain Compatible (CBBC)/"[Brain Friendly](#)" Classrooms
- [Skills for Life](#) initiative
- Emphasis on reading proficiency in primary grades
- Balanced Literacy approach
- Special, visiting artists programs
- Vocal music performance opportunities
- Instrumental music program beginning in 4th grade
- Departmental instruction in 4th and 5th grade in art, mathematics, music, physical education, science, and social studies
- Special education programming
- Talented and gifted programming
- State-of-the-art library media centers – the first library media centers in elementary schools in Iowa and west of the Mississippi River

Intermediate (Grades 6-8)

- Individual school-based middle school programming
- Writing across the curriculum
- Multiple-year sequence in French and Spanish
- School-to-Work programming
- Individual student lessons in instrumental music
- Special education programming
- Talented and gifted programming
- State-of-the-art library media centers

DAVENPORT COMMUNITY SCHOOL DISTRICT

Demographic and Miscellaneous Statistics

High Schools (Grades 9 – 12)

- Options within required course areas
- Foreign language offerings in French, Spanish, German, and some Latin & Greek
- School-to-Work programming
- Advanced placement programs
- College credit classes for those eligible
- Diverse performing and creative arts opportunities
- Special education programming
- Talented and gifted programming
- Reserve Officer Training Corps. (ROTC) at two high schools
- State-of-the-art library media centers

Employee Top Awards –

- Iowa Sports Medicine Specialist of the Year for 2004
- Iowa Educator of the Year
- Southeast Iowa Intermediate and Middle School Activities Director of the Year

Facilities –

- Preschool Center – 2
- Elementary (some with preschool, all with kindergarten through fifth grade) – 19
- Intermediate (sixth through eighth grade) – 6
- Senior High (ninth through 12th grade) – 3
- Alternative Education (elementary through high school) – 1
- Athletic Stadium – 1
- Operations Center – 1
- Administration Services Center – 1

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

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

Free and Reduced Students –

- 42% Free
- 8% Reduced

Guidelines for Elementary Class Sizes –

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

Professional Employees' Credentials –

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

DAVENPORT COMMUNITY SCHOOL DISTRICT

Demographic and Miscellaneous Statistics

Program & School Top Awards –

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

Student Top Awards (Just A Few!) –

- Top Ratings in Instrumental & Vocal Music
- SECME National Mousetrap Car Competitors
- INVENT IOWA Competitors
- Know Your Constitution winners
- AP Scholar of Distinction
- Semifinalist in National Merit Scholarship

Student Diversity –

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

Student Enrollment – 16,446 (2004-2005 Official Enrollment Count Day)

Student/Teacher Ratio –

- Elementary – 13:1
- Intermediate – 13:1
- High School – 15:1

Teacher Data –

	Beginning Salary	Maximum Salary	# of Teachers	Average Salary
Bachelors	\$25,640	\$41,024	347	\$31,794
Bachelors + 15 hrs.	\$26,922	\$42,306	296	\$38,210
Masters	\$29,486	\$51,280	282	\$44,943
Masters + 15 hrs.	\$30,768	\$52,562	112	\$49,237
Masters + 30 hrs.	\$32,050	\$53,844	232	\$52,068
Specialists Degree	\$33,332	\$55,126	17	\$52,749

Average Teachers Salary: \$42,035

DAVENPORT COMMUNITY SCHOOL DISTRICT

Demographic and Miscellaneous Statistics

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

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

Twenty-five Great Things About Our Schools

"Enhance each student's abilities . . ."

1. Extensive academic programs with many choices for individual students
2. Among area's smallest class sizes: average of 21.1 students in elementaries
3. Preschool programs and all-day kindergarten
4. [Skills for Life](#), a district wide character education initiative
5. Unique 1-on-1 instrumental instruction starting in elementary
6. World languages in 1- to 6-year sequences
7. Advanced placement courses and college credit courses in high school
8. Comprehensive athletic and other extracurricular programs

"Provide a quality education . . ."

9. Trend-setting academic programs, based on research and developed by staff with district students in mind
10. Iowa FINE Award-winning schools and programs
11. Nationally-recognized focus on the importance of reading for overall student success
12. Student learning goals set for each grade and course
13. Student ACT (American College Testing) average scores above national norms
14. State of-the-art media centers with new technology
15. Study tables for student athletes
16. Career planning in high school
17. Community Education Program for all ages

"Enriched by our diverse community . . ."

18. Expanded learning opportunities through many community partnerships
19. Active parents, supporting academic activities through playground projects
20. Area's first Partners in Education Program for schools, businesses, and organizations
21. Innovative Great Minds Program, sponsored by Davenport Schools Foundation and community
22. Recent school building modernization, supported by local taxpayers
23. Highly recognized art and music programs and student publications, reflective of a strong community heritage
24. Nurturing classroom and school environments, featuring many "[brain-friendly](#)" characteristics in which student learning thrives
25. Appreciation for the value that student and staff ethnic diversity brings to a well-rounded learning experience

DAVENPORT COMMUNITY SCHOOL DISTRICT

Demographic and Miscellaneous Statistics

Unique Curriculum Offerings-

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

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

Levy Year	Property Values	Expenditures for Construction	Bank Deposits
2004	\$4,587,101,571	\$161,125,437	\$2,279,923,000
2003	\$4,115,023,988	\$191,007,483	\$2,218,614,000
2002	\$3,978,054,705	\$164,263,405	\$2,254,000,000
2001	\$3,782,343,963	\$150,339,859	\$1,817,993,000
2000	\$3,673,937,065	\$147,896,774	\$1,615,840,000
1999	\$3,608,185,091	\$126,481,188	\$1,519,353,000
1998	\$3,310,341,641	\$118,167,957	\$1,498,613,000
1997	\$3,268,481,908	\$129,153,048	\$1,473,960,000
1996	\$2,912,505,421	\$102,612,157	\$1,517,426,000
1995	\$2,834,318,359	\$112,235,633	\$1,444,846,000

Source: Property Values - Scott County Auditor's Office

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

Source: Bank Deposits - FDIC

DAVENPORT COMMUNITY SCHOOL DISTRICT

Principal Taxpayers

June 30, 2005

<u>Taxpayers</u>	<u>2004 Total Taxable Value</u>	<u>Percentage to 2004 Total Taxable Value*</u>
SDG Macerich Properties	71,516,500	2.41%
Quanex Corporation	20,862,200	0.70%
THR Davenport North Development	18,924,007	0.64%
Bradley Operating LLP	14,724,800	0.50%
Genesis Medical Center	13,418,862	0.45%
Oscar Meyer Foods	12,543,615	0.42%
Davenport Center LTD Partnership	12,000,000	0.40%
Kimberly Club Apts.	11,996,500	0.40%
Winding Hills Apartments	11,507,790	0.39%
Atrium Finance III LP	10,981,000	0.37%
Genventures Inc.	10,770,700	0.36%
WalMart Real Estate Business	10,719,300	0.36%
Indian Ridge Apartments Cooper	10,560,700	0.36%
Dayton Hudson Corp	9,351,300	0.32%
Lee Enterprises Inc.	9,086,100	0.31%
	<u>TOTAL:</u>	
	<u>248,963,374</u>	<u>8.40%</u>

* 2004 Total Taxable Value =
(2004 Valuation for taxes payable 2005-06)

\$2,964,729,396

Source: Scott County Auditor's Office

DAVENPORT
COMMUNITY
SCHOOLS



DAVENPORT COMMUNITY SCHOOL DISTRICT

Staffing Levels

Last Ten Fiscal Years

<i>Personnel</i>	<i>05-FTE</i>	<i>04-FTE</i>	<i>03-FTE</i>	<i>02-FTE</i>	<i>01-FTE</i>
District Secretary/Treasurer	1	1	1	1	1
Superintendent	1	1	1	1	1
Asst. Superintendents	2	1	1	1	2
Principals	27.31	28	28	31	32
Asst. Principals	16	15.5	16	14	16
All other Administrators	13.69	15	14	15	11
Teachers	895.6	869.5	850.24	934.5	980.3
Teachers - Special Programs	285.3	257.1	240.02	241.5	283.5
Counselors	37.6	37.6	25	27.6	31
Library Specialist	-	25.3	26	25	30.5
Other Ed. Professional	7	-	-	-	-
Nurses	22.5	22	20.24	16.8	20.9
Bus Mgr/Accountant	2	2	2	3	3
Other Professional	-	7.3	8	5	4
Teacher Aides	393.75	376.4	370.43	405.5	404.4
Other Technical	14	12	11	11	13
Office/Clerical	110.69	112.2	112.39	103	120.2
Crafts/Trades	29	29	29	30	39
Operative	-	-	-	-	-
Service Workers	280.87	281.8	275.65	132	158.8
TOTAL FTE	2139.31	2093.7	2030.97	1997.9	2151.6

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

<i>00-FTE</i>	<i>99-FTE</i>	<i>98-FTE</i>	<i>97-FTE</i>	<i>96-FTE</i>
1.1	1	1	2	1
1	1	1	1	1
2	3	3	3	2
31	31	29	31	32
16	15	13	13	13
11	24.9	34	28	27
957.6	937.3	937	936	939
309.3	318	331.5	323	281
32	33	36	42	32
30.5	30.5	30	30.5	29.5
-	-	-	-	-
19.6	18.9	17.9	17.5	19
3	1	1	1	1
4	-	1	1	1
335.1	336.8	372.3	335.6	350.5
13	21	19.7	-	-
117.3	123.7	126.4	124	118
44	34	45	43	48
-	1.4	89	88.8	68
241.3	243	281	267	255
2168.8	2174.5	2368.8	2287.4	2218

DAVENPORT COMMUNITY SCHOOL DISTRICT

Major Employers in the Quad City Area

June 30, 2005

<u>Name</u>	<u>Product/Service</u>	<u>Number of Employees</u>
John Deere and Company	Farm and Yard Implement	6739
Rock Island Arsenal	Government Weapons	6400
Genesis Health System	Health Care System	5000
Trinity Medical Center	Health Care System	2807
Davenport Community Schools	Education	2482
ALCOA	Aluminum Manufacturer	2350
Hy Vee Stores	Supermarket	1748
U.S. Postal Service	Postal	1600
Kraft Foods/Oscar Mayer Division	Meat packaging	1500
Moline Schools	Education	1062
Mid American Energy	Utility/energy delivery	992
Rock Island Schools	Education	960
APAC Teleservices	Marketing	950
John Deere Davenport Works	Industrial Equipment	942
Isle of Capri Casino and Hotel	Gambling	900

Source: Scott County Iowa - web site

DAVENPORT COMMUNITY SCHOOL DISTRICT

Operating Cost Per Pupil

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Costs</u>	<u>Average Daily Attendance</u>	<u>Operating Cost Per Pupil</u>
2004-05	\$131,835,442	14,583	\$9,040
2003-04	\$126,742,246	14,622	\$8,668
2002-03	\$123,891,530	14,754	\$8,397
2001-02	\$121,096,490	14,051	\$8,618
2000-01	\$120,205,496	14,261	\$8,429
1999-00	\$114,518,693	16,013	\$7,152
1998-99	\$109,776,735	15,784	\$6,955
1997-98	\$105,633,222	16,191	\$6,524
1996-97	\$99,065,374	16,064	\$6,167
1995-96	\$95,401,110	15,964	\$5,976

Includes all General Fund expenditures

Source: District Financial Records

DAVENPORT COMMUNITY SCHOOL DISTRICT

Enrollment by Grade

Last Ten Fiscal Years

Fall School Entry Year	K	1	2	3	4	5	6	7	8	9
1995-96	1388	1371	1263	1332	1393	1279	1354	1287	1329	1440
1996-97	1407	1366	1374	1235	1329	1393	1250	1333	1275	1460
1997-98	1391	1380	1345	1333	1214	1310	1341	1277	1311	1364
1998-99	1350	1378	1351	1306	1321	1231	1263	1332	1256	1466
1999-00	1256	1360	1352	1357	1290	1339	1183	1277	1360	1428
2000-01	1177	1205	1332	1292	1314	1269	1305	1209	1230	1419
2001-02	1194	1185	1204	1294	1261	1288	1246	1302	1182	1353
2002-03	1190	1155	1153	1163	1249	1268	1251	1206	1270	1265
2003-04	1226	1157	1157	1100	1165	1244	1227	1257	1193	1352
2004-05	1277	1224	1191	1145	1098	1175	1244	1247	1272	1338

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

			Sub- Total Grades Kdg-5	Sub- Total Grades 6th-8th	Sub- Total Grades 9th-12th	Sub- Total Pre- School	Sub- Total Other	GRAND TOTAL
10	11	12						
1438	1331	1129	8026	3970	5338	161	40	17,535
1447	1332	1130	8104	3858	5369	192	17	17,540
1482	1323	1164	7973	3929	5333	195	31	17,461
1362	1317	1146	7937	3851	5291	194	15	17,288
1418	1154	1143	7954	3820	5143	212	237	17,366
1265	1200	991	7589	3744	4875	183	440	16,831
1302	1117	1053	7426	3730	4825	206	435	16,622
1251	1173	1070	7178	3727	4759	311	442	16,417
1228	1163	1105	7049	3677	4848	346	457	16,377
1450	1231	1143	7110	3763	5162	355	56	16,446

DAVENPORT COMMUNITY SCHOOL DISTRICT

General Analysis of Facilities, Classrooms, and Staffing

June 30, 2005

Name of School	Date Constructed	Dates of Additions	Grades Served with Special Education
Elementary Schools:			
Adams	1950	1957, 1968, 2001	K-5
Blue Grass	1957	1963, 1978	K-5
Buchanan	1971	2001	K-5
Buffalo	2002		K-5
Eisenhower	1969	1995, 2001	K-5
Fillmore	1955	1957, 1960, 1983, 2001, 2003	K-5
Garfield	1923	1939, 1951, 1994, 2000	K-5
Harrison	1953	1956, 1960, 1968, 1983, 2004	K-5
Hayes	1923	1938, 1951, 2000, 2001	K-5
Jackson	1973	1974, 2001	K-5
Jefferson/Edison	1939	1994, 2004	K-5
Lincoln	1939	1952, 1961	K-5
Madison	1939	1952, 1953, 2004	K-5
McKinley	1939	1952, 1960, 2005	K-5
Monroe	1938	1955, 2004	K-5
Truman	1977		K-5
Walcott	1956	1958, 1961, 1970, 2001	K-5
Washington	1939	1952, 1994, 2001	K-5
Wilson	1955	1958, 1962, 1967, 1969, 2001	K-5
Intermediate Schools:			
Smart	1917	1923, 1957, 1963, 2001	6-8
Suldow	1917	1923, 1957, 1963, 2001	6-8
Walcott	1956	1958, 1961, 1970, 2001	6-8
Williams	1954	1983, 2001	6-8
Wood	1984	2001	6-8
Young	1917	1923, 1957, 1963, 2005	6-8
High Schools:			
Central	1904	1929, 1984, 2000	10-12
North	1972	1984, 1997, 2001	10-12
West	1965	1974, 2001	10-12
Alternative Schools:			
KCAE	1961		K-12
Early Learning Center:			
Hoover	1956	1975, 2003	PreK
Childrens Village West	2004		PreK

Other facilities non-student occupancy:

Administrative Service Center
 Brady Street Stadium
 Operations Center

<u>Building and Certified Enrollment September, 2004</u>	<u>Teachers Actively Employed</u>
--	---

567	40
326	25
334	31
305	22
462	36
401	34
476	32
517	36
321	28
370	29
415	30
240	25
304	30
354	30
459	40
389	32
198	15
270	24
503	41

625	53
706	56
417	34
799	58
812	60
382	37

1560	111
1107	84
2138	160

431	48
-----	----

94	13
164	21

DAVENPORT
COMMUNITY
SCHOOLS



Compliance Section



DAVENPORT
COMMUNITY
SCHOOLS



**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
Davenport Community School District
Davenport, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Davenport Community School District (the "District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 13, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance 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 II of the accompanying Schedule of Findings and Questioned Costs.

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

We noted certain matters that we reported to management of the District in a separate letter dated October 13, 2005.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the Davenport Community School District and other parties to whom Davenport Community School District may report, 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 the Davenport Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
October 13, 2005

**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
Davenport Community School District
Davenport, Iowa

Compliance

We have audited the compliance of the Davenport Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the management of the Davenport Community School District. Our responsibility is to express an opinion on the Davenport Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Davenport Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Davenport Community School District's compliance with those requirements.

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

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
October 13, 2005

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

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
Department of Education:			
Twenty-First Century Community Learning Centers	84.287	S287B010260	\$ 463,360
Twenty-First Century Community Learning Centers	84.287	S287A010946	<u>830,984</u>
Total Direct			<u>1,294,344</u>
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
Food Distribution	10.550		<u>380,483</u>
School Breakfast Program	10.553		656,029
National School Lunch Program	10.555		40,158
National School Lunch Program	10.555		2,737,081
Summer Food Service Program for Children	10.559		<u>88,864</u>
			<u>3,522,132</u>
Child and Adult Care Food Program	10.558		<u>37,437</u>
Team Nutrition Grants	10.574		<u>787</u>
Department of Justice:			
City of Davenport, Iowa:			
Local Law Enforcement Block Grants Program	16.592		<u>9,008</u>
Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010		108,228
Title I Grants to Local Educational Agencies	84.010		804,484
Title I Grants to Local Educational Agencies	84.010		267,602
Title I Grants to Local Educational Agencies	84.010		<u>3,769,415</u>
			<u>4,949,729</u>
Special Education – Grants to States	84.027		<u>970,634</u>
Vocational Education – Basic Grants to States	84.048		<u>318,344</u>
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126		51,551
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126		<u>11,467</u>
			<u>63,018</u>
			(continued)

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

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect: (continued)			
Department of Education: (continued)			
Iowa Department of Education: (continued)			
Safe and Drug-Free Schools and Communities – National Programs	84.184		<u>\$ 35,480</u>
Safe and Drug-Free Schools and Communities – State Grants	84.186		<u>116,125</u>
Fund for the Improvement of Education	84.215		21,614
Fund for the Improvement of Education	84.215		107,256
Fund for the Improvement of Education	84.215		399,170
Fund for the Improvement of Education	84.215		<u>113,483</u>
			<u>641,523</u>
Charter Schools	84.282		<u>20,627</u>
State Grants for Innovative Programs	84.298		109,066
State Grants for Innovative Programs	84.298		<u>72,862</u>
			<u>181,928</u>
Education Technology State Grants	84.318		<u>113,198</u>
Advanced Placement Program	84.330		<u>104</u>
Comprehensive School Reform Demonstration	84.332		<u>157,196</u>
Reading First State Grants	84.357		<u>586,904</u>
Early Reading First	84.359		<u>47,873</u>
Improving Teacher Quality State Grants	84.367		<u>1,187,892</u>
Grants for State Assessments and Related Activities	84.369		<u>81,698</u>
Enhanced Assessment Grant Pilot Test	84.368		<u>1,000</u>
Area Education Agency, Davenport, Iowa: Title I Accountability Grants	84.348		<u>896</u>
English Language Acquisition Grants	84.365		<u>34,909</u>
			(continued)

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

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect: (continued)			
Department of Health and Human Services:			
Iowa Department of Education:			
Medical Assistance Program	93.778		\$ <u>408,140</u>
Corporation for National and Community Service:			
Iowa Department of Education:			
Learn and Serve America – School and Community Based Programs	94.004		2,414
Learn and Serve America – School and Community Based Programs	94.004		<u>30</u>
			<u>2,444</u>
Total Indirect			<u>13,869,509</u>
Total			<u>\$15,163,853</u>

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

NOTE 1. BASIS OF PRESENTATION

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

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

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA 84.010 – Title I Grants to Local Education Agencies
 - CFDA 84.215 – Fund for the Improvement of Education
 - CFDA 84.287 – Twenty-First Century Community Learning Centers
 - CFDA 93.778 – Medical Assistance Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$454,916.
- (i) The Davenport Community School District qualified as a low-risk auditee.

Part II: Other Findings Related to Statutory Reporting:

II-A-05 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget – Expenditures for the year ended June 30, 2005, exceeded the amounts budgeted in the instruction, non-instructional programs and other expenditures functional areas.

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

Response – The District will make every attempt to amend the budget in accordance with Chapter 24.9 of the Code of Iowa before expenditures are allowed to exceed the budget.

Conclusion – Response accepted.

II-C-05 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

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

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

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

II-E-05 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-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 the coverage is adequate for current operations.

II-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-H-05 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2004 was overstated. The District's certified enrollment count included 1.1 dual enrolled students (resident home schooled students enrolled in an activity program) that were also included in the full-time K-12 category. The District's certified enrollment count also included 20 tuitioned out resident public students to a community college that were also included in the full-time K-12 category. This resulted in overstating the total actual enrollment at line 7 by 21.1 students.

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

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

Conclusion – Response accepted.

II-I-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-05 Certified Annual Report – The Certified Annual Report (CAR) was filed with the Iowa Department of Education timely. As part of our audit, we recorded audit adjustments which changed amounts reported on the CAR which was submitted. These changes will be reflected in the fiscal year 2006 beginning equity balances.