

DAVENPORT
COMMUNITY
SCHOOLS

Comprehensive Annual Financial Report

For the year ended June 30, 2006

Davenport Community Schools
1606 Brady Street
Davenport, Iowa 52803

In the counties of
Scott and Muscatine,
State of Iowa



DAVENPORT COMMUNITY SCHOOL DISTRICT

In the counties of Scott & Muscatine,
State of Iowa

Comprehensive Annual Financial Report

Fiscal Year ended June 30, 2006

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

Davenport Community Schools



DAVENPORT COMMUNITY SCHOOL DISTRICT

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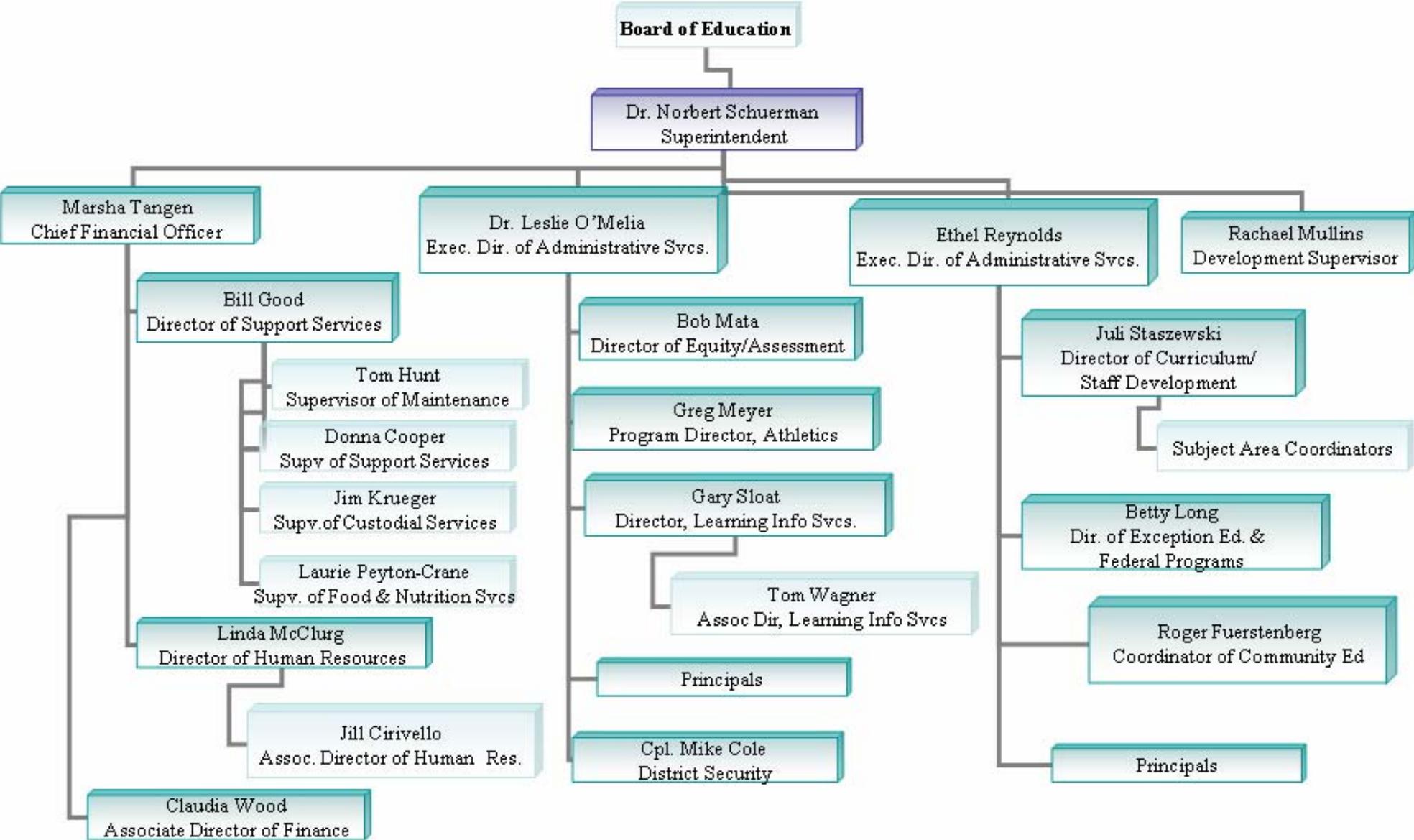
Introductory Section



Davenport Community Schools



Davenport Community Schools 2005-06 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, 2006**

Board of Education

Patt Zamora	President	Expires 2006
Larry Roberson	Vice President	Expires 2006
Richard Clewell	Director	Expires 2007
Nikki DeFauw	Director	Expires 2007
Katie Hanson	Director	Expires 2006
Ralph Johanson	Director	Expires 2007
Tim Tupper	Director	Expires 2008

District Officials

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

January 22, 2007

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, 2006. 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 State, Local Governments, and Non-Profit Organizations. This section contains all necessary schedules and auditor's reports required for the District to comply with these regulations.

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, 2006. 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 16,300 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 serves three-year terms and is 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 2005-06 school year was approximately 16,300 regular and special education students. The District employs approximately 2,350 persons of whom approximately 1,300 are professional staff and 1,000 are support staff.

The average age of our elementary buildings is 54. 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 66 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 is 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 Fund, 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 organization, job training programs, the Bi-State Regional Commission, utility companies, Quad City Area Labor management Council and community planning departments.

Economic Opportunities

- ✓ Financial institutions have substantial funds available to invest in area projects.
- ✓ Local organizations have economic development data and resources for job training and retraining to assist in business start-ups and expansions.
- ✓ The area has a highly productive, well-trained labor force with a strong work ethic; a cooperative attitude exists between labor and management organizations
- ✓ Excellent educational institutions, recreational facilities and cultural activities offer a satisfying quality of life for area residents.
- ✓ Manufacturing technology partnerships are available to assist existing small and medium-sized manufacturers to implement plant automation and management techniques to improve their competitiveness and provide access to sophisticated manufacturing equipment
- ✓ 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.
- ✓ Services for international trade, such as a Port of Entry, a Foreign Trade Zone and the quad Cities Container Freight Terminal allow companies engaged in international business to save time and costs
- ✓ 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.
- ✓ The potential market of more than 37 million people within a three hundred mile radius the largest between Los Angeles and Chicago

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.
- ✓ Periodic, repetitive river flooding affects structures built before floodplain ordinances were in effect.
- ✓ Dealing with brown fields and with wetland mitigation requirements complicates development within the areas of the Region

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
- ✓ Diversify the regional economy
- ✓ Provide infrastructure including state-of-the-art technology, to support business growth and expansion
- ✓ Promote quality of life opportunities
- ✓ Promote regional planning and development of strategic plans that emphasize cooperation over competition and promote regionalism
- ✓ 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
- ✓ Encourage greater understanding of the relationship between human capital job attraction

Long term financial planning

Unreserved, undesignated fund balance in the general fund is up from 2004-05. The District's solvency ratio for 2005-06 is 2.19%, up from .7% in 2004-05. 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.

Steps are already being taken to address the District's 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 while still provided the necessary services. Continued monitoring of the costs associated with special education will also be a priority.

Relevant financial policies

Since the funding formula is pupil driven, an increase in total spending authority occurs by increasing the number of pupils or by increasing the cost per pupil. The cost per pupil can be increased by the legislature in setting the amount of allowable growth each year. Under the law, the legislature has 30 days after receiving the governor's budget recommendation to set the state percent of growth for the year following the budget year. To illustrate, the 2006 legislature will set the FY08 state percent of growth. The allowable growth becomes increasingly important because as a District we are faced with declining enrollment and the amount of allowable growth often will dictate budget reductions that will take place.

Major initiatives

The [Comprehensive School Improvement Plan](#) or CSIP is a detailed plan of actions for accomplishing the 2004-2009 goals in student achievement in the areas of reading, mathematics, and science; making sure that all students feel safe at and connected to school, and that all students have access to experiences in creative arts, technology, physical education and health education. In addition to the district-wide CSIP, each individual school develops its own Improvement Plan for supporting the CSIP goals.

Creating and sustaining a high performance education environment takes both dedication and thoughtful planning. The CSIP is a planning document, featuring both broad-based perspectives on the priorities of public education in our community and specific learning goals for students. These goals provide an important measure of accountability.

The 2004-2009 CSIP was developed with the direct and considerable input of teachers, students, parents, our Board members, interested community members and district leadership – with much of the input coming through the formal [Local School Improvement Advisory Committee](#) (LSIAC) process. This 70+ member group represents a wide variety of individuals interested in public education who meet on a regular basis to review district data and discuss expectations for learning.

Davenport Schools Five Year CSIP Goals are:

1. All K-12 students will reach high levels of literacy achievement
2. All K-12 students will achieve at high levels in mathematics
3. All K-12 students will achieve at high levels in science
4. All students will feel safe and connected to school
5. All students will have access to experiences in creative arts, technology, physical education and health

There are measurable and objective indicators of progress for each of these goals which will be reported annually to the community.

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
- ❖ Reading First
- ❖ Reading Recovery
- ❖ Stepping Stones – after school programming
- ❖ Early Childhood Learning
- ❖ 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 regular program funding 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 2006-07 include:

- ❖ Auxiliary gymnasium and interior renovation at Central High School
- ❖ Renovation of science classrooms at West High School
- ❖ Renovation at Lincoln Academy of Integrated Arts

Several other minor projects will also take place during 2006-07 with the above mentioned funding in place.

The State of Iowa mandated a change in the accounting code structure beginning with the 2005-06 school year. The change included additional components to the account code structure and reclassification of commonly defined areas. This coding structure required the District to reclassify over 17,000 accounts numbers. While the transition was completed within the structure the state provided and passed state screening and filters, there is still room for district level interpretation and modifications can be expected as more definition is provided by the state.

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, the Iowa Schools Joint Investment Trust and IPAS education program. Interest revenue in the general fund for 2005-06 was \$769,660; more than three and one half times that of fiscal year 2004-05. An overall increase in interest rates along with competitive bidding of investments contributed to the increase in earnings.

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, 2005. Each Certificate is a prestigious national award, recognizing conformance with the highest standards for preparation of government financial reports.

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

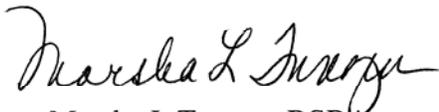
These Certificates are valid for a period of one year only. The Davenport Community School District received these awards for fiscal year 2005 Comprehensive Annual Financial Report. We believe that our current CAFR conforms to the requirements for both awards and therefore, we are submitting it to the 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



Mr. Julio Almanza
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, 2005

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.



Carla E. Perry

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, 2005

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

Melody J. Jorgensen

President

John D. Mueser

Executive Director

Financial Section



Davenport Community Schools





CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
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, 2006, 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 officials. 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 Davenport Community School District as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows 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 18, 2006, 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 18 through 31 and 59 and 60 are not required parts 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 required parts 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 Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
October 18, 2006

Davenport Community School District

Management Discussion and Analysis

For the Year Ended June 30, 2006

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, 2006. 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, 2006 fund balance improved to \$4,202,647 from the June 30, 2005 fund balance of \$2,236,377.
- The District's tax levy rate remained constant and did not increase for the 2005-06 school year.
- The District continues to be successful in receiving local, state and federal grants. In 2006 the District received almost \$13 million, or 9.21% of all general fund revenues.
- A turnaround in interest rates and competitive bidding resulted in interest earnings in the General Fund to more than three and one half times from \$218,554 in fiscal year 2005 to \$769,660 in fiscal year 2006.
- The District's direct impact from the increased cost of fuel was relatively low due to contract language with First Student that includes a dollar for dollar reimbursement of all fuel purchased by First Student.
- The District hit the \$1,000,000 mark in energy savings since beginning the "Energy Efficient School" campaign in 2003
- Special education posted a deficit for 2005-06 of (\$1,640,908). This is the fourth year in a row that special education has ended the year in a deficit. The 2004-05 deficit was (\$2,329,554).
- The certified enrollment for 2005-06 was down 131 students resulting in the District only receiving 3.03% in new funding compared to the state allowable growth amount of 4% for 2005-06.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements (government-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 view of the District:

- The *statement of net assets* and *statement of activities* provide information on a government-wide basis. The statements present an aggregate view of the District's finances. Government-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 government-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 the 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

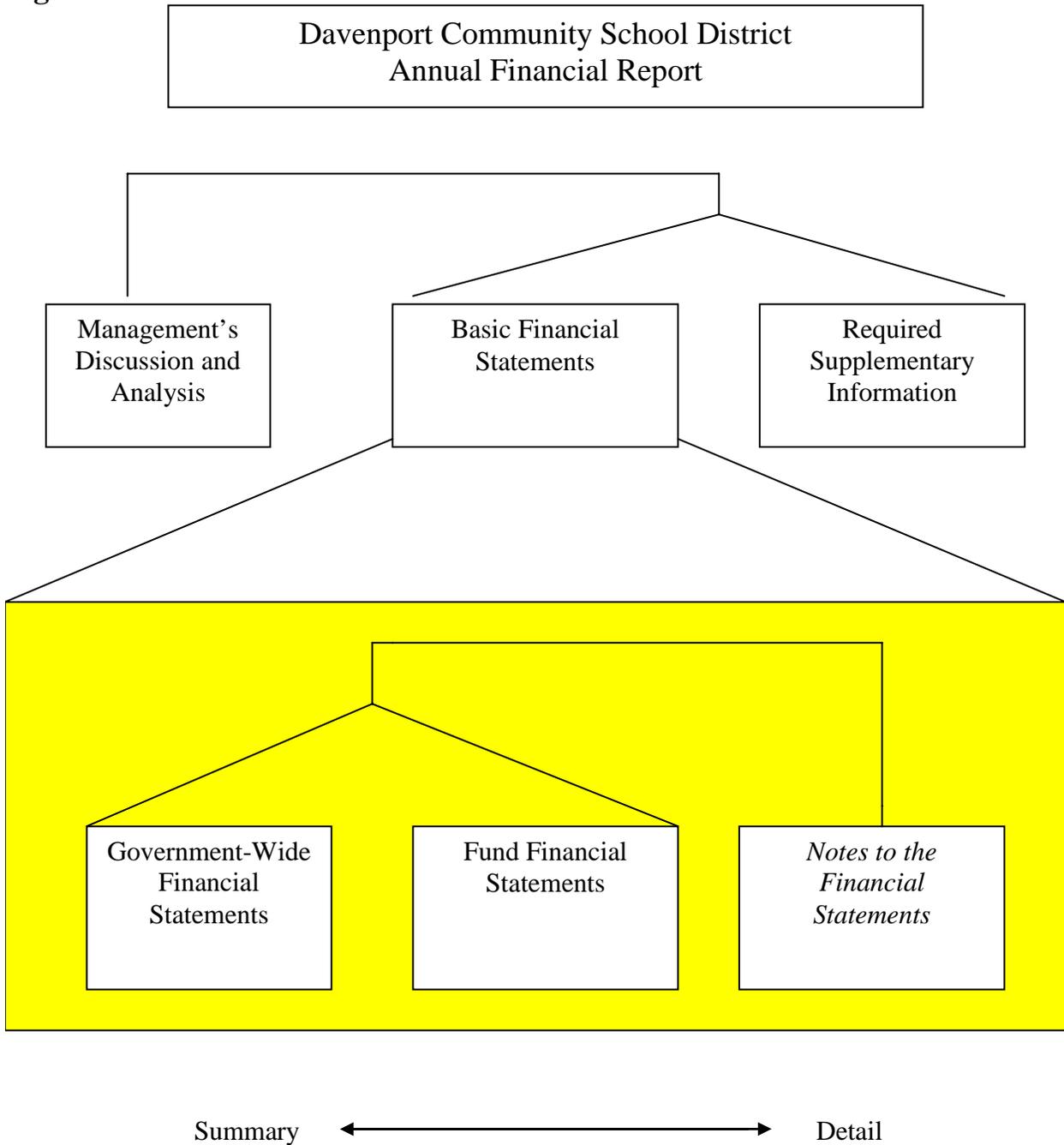


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

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

	Government-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 • Statement of cash flows • Statements of revenues, expenditures and changes in fund balance 	<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

Government-wide Financial Statements

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

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

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

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

- *Governmental activities:* Most of the District’s basic services are included here, such as regular and special education, transportation and administration. Property 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 government-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 government-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 government-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, 2006 compared to 2005.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2005	2006	2005	2006	2005	2006	2005-06
Current and other assets	\$99,363,708	\$103,700,019	\$692,569	\$268,352	\$100,056,277	\$103,968,371	3.9%
Capital assets	\$107,484,655	\$111,335,475	\$756,996	\$995,006	\$108,241,651	\$112,330,481	3.8%
Total Assets	\$206,848,363	\$215,035,494	\$1,449,565	\$1,263,358	\$208,297,928	\$216,298,852	3.8%
Long-term debt outstanding	\$28,283,608	\$22,104,249	\$0	\$0	\$28,283,608	\$22,104,249	-21.8%
Other liabilities	\$86,164,183	\$87,017,710	\$166,579	\$476,660	\$86,330,762	\$87,494,370	1.3%
Total liabilities	\$114,447,791	\$109,121,959	\$166,579	\$476,660	\$114,614,370	\$109,598,619	-4.4%
Net Assets							
Invested in capital assets, net of related debt	\$75,569,655	\$85,255,475	\$756,996	\$995,006	\$76,326,651	\$86,250,481	13.0%
Restricted	\$16,739,808	\$17,795,508	\$0	\$0	\$16,739,808	\$17,795,508	6.3%
Unrestricted	\$91,109	\$2,862,552	\$525,990	(\$208,308)	\$617,099	\$2,654,244	330.1%
TOTAL NET ASSETS	\$92,400,572	\$105,913,535	\$1,282,986	\$786,698	\$93,683,558	\$106,700,233	13.9%

The District’s combined total net assets increased by 13.9% to \$106,700,233. The majority of this improvement in the financial position came from governmental activities, the net assets of which grew \$13,512,963. Unrestricted net assets improved to \$2,862,552 up from the 2005 amount of \$91,109. The long term debt outstanding declined by \$6,179,359 as long term debt is paid off. Investments in capital assets (net of related debt) increased by \$9,685,820 as the District continues with an aggressive construction schedule remodeling and renovating school buildings with money from the Local Option Sales Tax Levy.

The total net assets of the District’s business-type activities decreased by \$496,288. This is reflective of an increase in other liabilities of \$310,081 due to an increase in accounts payable and a decrease in unrestricted net assets to (\$208,308) from \$525,990 in 2005.

Changes in net assets. Figure A-4 shows the changes in net assets for the fiscal year 2006.

Figure A-4

Changes in Net Assets from Operating Results

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2005-06
	2005	2006	2005	2006	2005	2006	
Revenues							
Program Revenues							
Charges for services	\$ 3,109,533	\$ 3,718,848	\$ 2,773,847	\$ 2,727,852	\$ 5,883,380	\$ 6,446,700	9.57%
Operating Grants & Contributions	\$ 22,204,449	\$ 22,019,691	\$ 4,158,185	\$ 3,816,447	\$ 26,362,634	\$ 25,836,138	-2.00%
Capital Grants & Contributions	\$ 506,426	\$ 232,035		\$ -	\$ 506,426	\$ 232,035	-54.18%
General Revenues							
Property taxes & other taxes	\$ 66,743,555	\$ 68,765,559		\$ -	\$ 66,743,555	\$ 68,765,559	3.03%
State formula aid	\$ 62,293,142	\$ 63,441,500		\$ -	\$ 62,293,142	\$ 63,441,500	1.84%
Other	\$ 1,594,452	\$ 2,954,781	\$ 6,840	\$ 10,175	\$ 1,601,292	\$ 2,964,956	85.16%
Total Revenues	\$ 156,451,557	\$ 161,132,414	\$ 6,938,872	\$ 6,554,474	\$ 163,390,429	\$ 167,686,888	2.63%
Expenses							
Instruction	\$ 103,464,881	\$ 103,265,247			\$ 103,464,881	\$ 103,265,247	-0.19%
Pupil & Instructional Svcs	\$ 6,599,315	\$ 10,784,681			\$ 6,599,315	\$ 10,784,681	63.42%
Administrative & Business	\$ 13,757,799	\$ 11,949,692			\$ 13,757,799	\$ 11,949,692	-13.14%
Maintenance & Operations	\$ 10,912,469	\$ 11,931,445			\$ 10,912,469	\$ 11,931,445	9.34%
Transportation	\$ 2,931,059	\$ 3,256,495			\$ 2,931,059	\$ 3,256,495	11.10%
Other	\$ 6,514,136	\$ 6,431,891	\$ 7,045,831	\$ 7,050,762	\$ 13,559,967	\$ 13,482,653	-0.57%
Total Expenses	\$ 144,179,659	\$ 147,619,451	\$ 7,045,831	\$ 7,050,762	\$ 151,225,490	\$ 154,670,213	2.28%
Change in net assets	\$ 12,271,898	\$ 13,512,963	\$ (106,959)	\$ (496,288)	\$ 12,164,939	\$ 13,016,675	7.00%
Increase (decrease) in net assets	\$ 12,271,898	\$ 13,512,963	\$ (106,959)	\$ (496,288)	\$ 12,164,939	\$ 13,016,675	7.00%

Overall, total net assets increased by 7.0% over 2004-05. As shown in Figure A-4, property tax and state aid provide 82.05% of the funding required for governmental programs while charges for services and operating grants make up almost 100% of the funding for business-type activities. Figure A-5 shows the majority of funding, and almost half of revenues are received from property tax and state aid for governmental activities.

Revenues for governmental activities increased by almost 3.0%. State aid was up only 1.84% despite allowable growth being set at 4% for 2005-06. This is a direct result of declining enrollment in the district. The “other” category is up by 85.32%. 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 77.26% of the District’s expenditures. Administrative and Business expenditures show a decrease of 13.14% from 2004-05. This again can be attributable to the reclassification of expenditures. Pupil and Instructional services show an increase of 63.42%. Due the change in the accounting code

structure for 2005-06 mandated by the State of Iowa, several areas that were previously coded to Instructional and/or Administrative and Business were reclassified as a Pupil and Instructional expenditure beginning with 2005-06, thereby requiring additional explanation as to the fluctuation in these three line items. Combined, these three functional areas show an overall increase of 1.76%.

Business-type activities experienced a \$389,329 decrease in net assets for 2005-06. Total revenues decreased \$384,398 or 5.54% while expenses increased by \$4,931 or .07%. Both the Food & Nutrition Fund and Day Care Fund are experiencing expenses greater than the revenue being generated. Food and Nutrition revenues decreased in 2005-06 due to a decline in revenues received from Operating Grants and Contributions. The District was recipient of a Fruit and Veggie pilot program that was discontinued for the 2005-06 school year. The Day Care Fund is experiencing lower revenues as employee costs continues to rise and charges for services rates have not changed during the past year.

Figure A-5

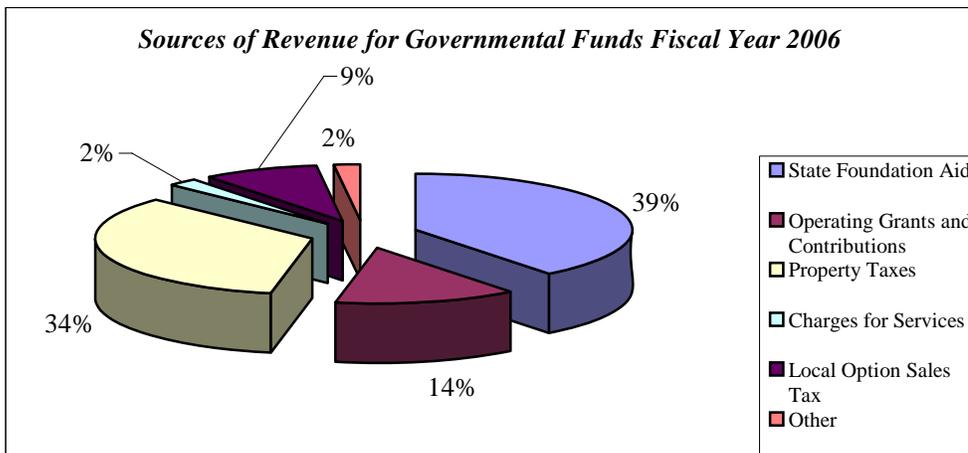
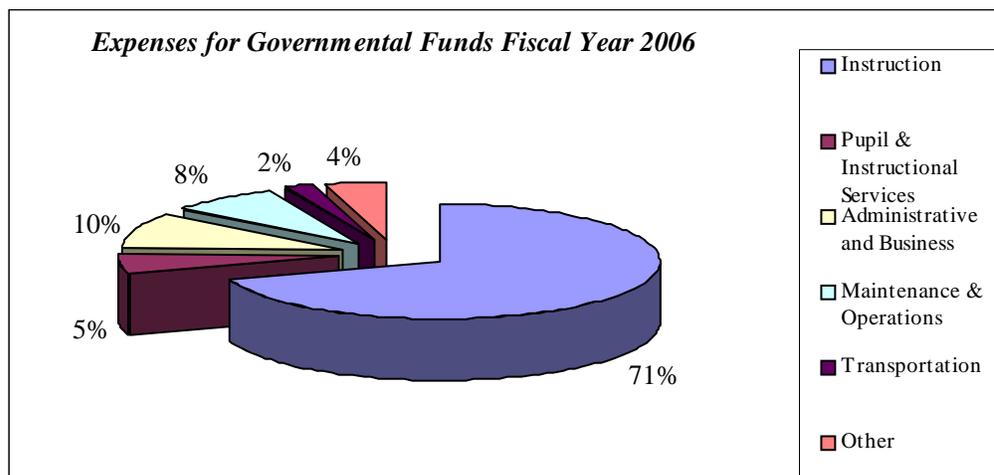


Figure A-6



Governmental Activities

Revenues for governmental activities were \$161,132,414 while total expenses amounted to \$147,619,451 (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 \$68,765,559 in property taxes and \$63,441,500 of unrestricted state aid based on the statewide finance formula.
- Charges for services account for only 2.3% of all governmental activities 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.

Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2005	2006	2005-06	2005	2006	2005-06%
Instruction	\$ 103,464,881	\$ 103,265,247	-0.19%	\$ 83,649,230	\$ 83,862,526	0.25%
Pupil & Instructional Svcs	\$ 6,599,315	\$ 8,088,508	22.57%	\$ 5,497,992	\$ 6,845,797	24.51%
Administrative & Business	\$ 13,757,799	\$ 14,645,865	6.46%	\$ 13,757,799	\$ 14,636,863	6.39%
Maintenance & Operations	\$ 10,912,469	\$ 11,931,445	9.34%	\$ 10,912,469	\$ 11,724,718	7.44%
Transportation	\$ 2,931,059	\$ 3,256,495	11.10%	\$ 2,930,705	\$ 3,256,495	11.12%
Other	\$ 6,514,136	\$ 6,431,891	-1.26%	\$ 1,611,056	\$ 1,322,478	-17.91%
TOTAL	\$ 144,179,659	\$ 147,619,451	2.39%	\$ 118,359,251	\$ 121,648,877	2.78%

Figure A-7

- The cost of all governmental activities this year was \$147,619,451, up 2.39% from 2004-05.
- Most of the District's costs of \$121,648,877 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 \$496,288 for 2005-06. In 2004-05 revenues exceeded expenses by \$106,959.
- Charges for services in the Food & Nutrition Fund represent 39.77% of total revenue. This compares to 37.38% for 2004-05. This represents the amount paid by students/staff for daily food service. In the Day Care Fund, charges for services are 85.55% of total revenue. During 2004-05 this percentage was 95.65%.
- Federal and state reimbursement for meals, including payments for free and reduced lunches, was \$3,740,694. 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 \$21,998,155, an increase of \$3,837,781 in comparison with the prior year. The biggest difference is in the General fund which experienced an increase in revenues of \$6,567,709 from last year.

Over 22% of the governmental fund balance 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 to pay for 1) Inventories \$213,223, 2) Prepaid expenses \$480,590, 3) Debt Service \$11,991,094, 4) Talented and Gifted \$464,513, 5) Student Activities \$809,087 and 6) Encumbrances \$3,168,263.

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 \$3,044,321 while total fund balance increased to \$4,202,647.

The fund balance of the Davenport Schools general fund improved by \$1,966,270, or almost 88% during the current fiscal year. Key factors in this improvement are as follows:

- A reduction in the Special Education deficit. Contributing to the improvement was the reduction of 4 FTE in teaching staff and implementation of a new process for allocating para educator hours. Also contributing to the bottom line was an expanded list of sites for which the District filed for Medicaid reimbursement
- Budget reductions were put into place which included reducing teaching staff of 3.5 FTE in the secondary schools and 4.0 FTE in the elementary schools
- An early retirement incentive was offered which resulted in over \$400,000 in savings
- Interest rates improved during the year from previous years' low rates and the District benefited from on-line bidding of investments

The capital projects fund has a total fund balance of \$11,799,483 compared to \$10,568,769 in 2004-05. The District previously sold revenue bonds, the proceeds of which made up the majority of the fund balance last year. Construction during 2005-06 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 \$1,056,096 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 2005-06 to reflect:

- \$2,514,884 in additional capital projects
- \$3,510,905 in general fund revenues
 - increases for interest earnings, tuition to early childhood programs and \$3.2 million in state and federal grants
- \$2,634,637 in general fund expenditures
 - increases associated with additional grant funding received

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, 2006 amounts to \$112,330,481 (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 3.78%.

Figure A-8

<i>Capital Assets (net of depreciation)</i>								
	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2005-06	
	2005	2006	2005	2006	2005	2006		
Land and improvements	\$ 6,497,344	\$ 6,472,208			\$ 6,497,344	\$ 6,472,208	-0.4%	
Construction in progress	\$ 10,503,876	\$ 2,528,997			\$ 10,503,876	\$ 2,528,997	-75.9%	
Buildings and improvements	\$ 89,485,284	\$ 100,452,370			\$ 89,485,284	\$ 100,452,370	12.3%	
Furniture & Equipment	\$ 998,150	\$ 1,881,900	\$ 756,997	\$ 995,006	\$ 1,755,147	\$ 2,876,906	63.9%	
TOTAL	\$ 107,484,655	\$ 111,335,475	\$ 756,997	\$ 995,006	\$ 108,241,652	\$ 112,330,481	3.8%	

The difference between 2004-05 and 2005-06 is the completion of several construction projects. The amount of Construction in Progress decreased by \$7,974,879 and Buildings and Improvements increased by \$10,967,086. The number of projects under construction during the summer months has decreased over last year.

Construction in progress activities during 2004-05 included:

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

This compares to projects in progress during 2005-06 of:

- Installation of geothermal and climate control at Buchanan
- Cafeteria renovation at West High
- Masonry renovation at Sudlow Intermediate

Long-Term Debt

At year-end, the District had \$0 in general obligation bonds. The District has not had general obligation bonded debt since 1990-91. The District did sell \$47.9 million in sales tax revenue bonds over a period of three years to help finance facilities construction and improvements throughout the District.

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

Factors Bearing on the District's Future

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

- All bargaining unit contracts with one exception are one year contracts, and open for renegotiation for next year. Salary and benefits represent 79.85% 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.
- 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 fund balance improved in 2005-06. Staffing guidelines have been revised in order to reduce costs, however, constant monitoring will be required in ensure the guidelines are followed
- 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 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.
- Effective July 1, 2007 an incremental increase the employee's share of the Iowa Public Employees Retirement System (IPERS) contributions will go into effect 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. The continuing increase in the employers' share of IPERS will negatively impact the budget.
- The District is preparing to present the Physical Plant and Equipment to the voters in the spring of 2007 for another 10 year renewal. This fund is vital to the maintenance of our school facilities. Without passage of this levy which generates over \$3 million a year, projects will either have to be funded through the general operating fund or neglected.
- The medical insurance contract renewal date has been changed to April 1st rather than the past renewal date of July 1st. This was done in an effort to have renewal rates prior to negotiations rather than having to estimate renewal rates and possibly being caught short, putting additional strain on the general operating fund.

- The District has a tax anticipatory warrant due in 2006-07. This is the first time in several years that we have had to borrow in order to meet cash flow needs during the summer months. In past years we have done inter-fund borrowing, from the Local Option Sales Tax Fund, to cover general operating fund anticipated shortages. As the Local Option Sales Tax Fund draws to a close, excess funds will no longer be available for inter-fund borrowing and may require another tax anticipatory warrant for the 2006-07 school year.
- The District is currently involved in a lawsuit challenging the legality of establishing a minimum age requirement for its early retirement incentive program. The outcome could determine if the District contributes to offer early retirement incentives or discontinues the program.

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 52804.

BASIC FINANCIAL STATEMENTS

Davenport Community Schools



DAVENPORT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 42,380,956	\$ 362,598	\$ 42,743,554
Receivables:			
Property taxes	55,819,560	-	55,819,560
Other	449,639	37,454	487,093
Due from other governmental units	4,008,468	114,340	4,122,808
Internal balances	347,583	(347,583)	-
Inventories	213,223	101,543	314,766
Prepaid expenses	480,590	-	480,590
Total current assets	<u>103,700,019</u>	<u>268,352</u>	<u>103,968,371</u>
NONCURRENT ASSETS			
Capital assets, not being depreciated	6,349,255	250,813	6,600,068
Capital assets, being depreciated	155,218,598	1,930,357	157,148,955
Less: Accumulated depreciation	<u>(50,232,378)</u>	<u>(1,186,164)</u>	<u>(51,418,542)</u>
Total noncurrent assets	<u>111,335,475</u>	<u>995,006</u>	<u>112,330,481</u>
 Total assets	 <u>215,035,494</u>	 <u>1,263,358</u>	 <u>216,298,852</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	3,427,023	411,525	3,838,548
Accrued payroll and payroll taxes	16,708,598	63,926	16,772,524
Health claims and administrative costs payable	2,506,598	-	2,506,598
Compensated absences	466,486	1,209	467,695
Construction contracts payable	1,056,095	-	1,056,095
Unearned revenue	55,214,764	-	55,214,764
Accrued interest	625,736	-	625,736
Early retirement obligations	917,410	-	917,410
Bond obligations	6,095,000	-	6,095,000
Total current liabilities	<u>87,017,710</u>	<u>476,660</u>	<u>87,494,370</u>
NONCURRENT LIABILITIES			
Early retirement obligations	2,119,249	-	2,119,249
Bond obligations	19,985,000	-	19,985,000
Total noncurrent liabilities	<u>22,104,249</u>	<u>-</u>	<u>22,104,249</u>
 Total liabilities	 <u>109,121,959</u>	 <u>476,660</u>	 <u>109,598,619</u>
NET ASSETS			
Invested in capital assets, net of related debt	85,255,475	995,006	86,250,481
Restricted for:			
Debt service	11,991,094	-	11,991,094
Capital projects	3,004,920	-	3,004,920
Employee benefits	1,990,407	-	1,990,407
Student activities	809,087	-	809,087
Unrestricted	2,862,552	(208,308)	2,654,244
 Total net assets	 <u>\$ 105,913,535</u>	 <u>\$ 786,698</u>	 <u>\$ 106,700,233</u>

See notes to financial statements.

DAVENPORT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities			
Instruction	\$ 103,265,247	\$ 3,718,848	\$ 15,451,838
Student support services	4,332,402	-	1,009,283
Instructional staff support services	3,756,106	-	233,428
General administration	2,696,173	-	7,439
Building administration	8,874,500	-	1,063
Business and central administration	3,075,192	-	500
Plant operation and maintenance	11,931,445	-	206,727
Student transportation	3,256,495	-	-
Community services	15,131	-	-
Area Education Agency	5,069,948	-	5,069,948
Other expenses	93,740	-	39,465
Interest on long-term debt	1,253,072	-	-
Total governmental activities	<u>147,619,451</u>	<u>3,718,848</u>	<u>22,019,691</u>
Business-type activities			
Food services	6,774,334	2,501,019	3,778,105
Day care	276,428	226,833	38,342
Total business-type activities	<u>7,050,762</u>	<u>2,727,852</u>	<u>3,816,447</u>
Total school district	<u>\$ 154,670,213</u>	<u>\$ 6,446,700</u>	<u>\$ 25,836,138</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

NET ASSETS, END OF THE YEAR

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 232,035	\$ (83,862,526)	\$ -	\$ (83,862,526)
-	(3,323,119)	-	(3,323,119)
-	(3,522,678)	-	(3,522,678)
-	(2,688,734)	-	(2,688,734)
-	(8,873,437)	-	(8,873,437)
-	(3,074,692)	-	(3,074,692)
-	(11,724,718)	-	(11,724,718)
-	(3,256,495)	-	(3,256,495)
-	(15,131)	-	(15,131)
-	-	-	-
-	(54,275)	-	(54,275)
-	(1,253,072)	-	(1,253,072)
<u>232,035</u>	<u>(121,648,877)</u>	<u>-</u>	<u>(121,648,877)</u>
-	-	(495,210)	(495,210)
-	-	(11,253)	(11,253)
-	-	(506,463)	(506,463)
<u>\$ 232,035</u>	<u>(121,648,877)</u>	<u>(506,463)</u>	<u>(122,155,340)</u>
	54,862,698	-	54,862,698
	13,902,861	-	13,902,861
	63,441,500	-	63,441,500
	1,109,542	10,175	1,119,717
	1,845,239	-	1,845,239
	<u>135,161,840</u>	<u>10,175</u>	<u>135,172,015</u>
	13,512,963	(496,288)	13,016,675
	<u>92,400,572</u>	<u>1,282,986</u>	<u>93,683,558</u>
	<u>\$ 105,913,535</u>	<u>\$ 786,698</u>	<u>\$ 106,700,233</u>

DAVENPORT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 20,558,993	\$ 10,620,387	\$ 6,638,262	\$ 37,817,642
Receivables:				
Property taxes	48,953,181	-	6,866,379	55,819,560
Other	343,415	40,414	64,704	448,533
Due from other governmental units	1,812,210	2,196,258	-	4,008,468
Due from other funds	349,429	-	-	349,429
Inventories	213,223	-	-	213,223
Prepaid expenses	480,590	-	-	480,590
	<u>72,711,041</u>	<u>12,857,059</u>	<u>13,569,345</u>	<u>99,137,445</u>
Total assets	<u>\$ 72,711,041</u>	<u>\$ 12,857,059</u>	<u>\$ 13,569,345</u>	<u>\$ 99,137,445</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,691,409	\$ -	\$ 735,615	\$ 3,427,024
Accrued payroll and payroll taxes	16,704,034	1,480	3,084	16,708,598
Due to other funds	-	-	1,846	1,846
Construction contracts payable	-	1,056,096	-	1,056,096
Deferred revenue	49,112,951	-	6,832,775	55,945,726
	<u>68,508,394</u>	<u>1,057,576</u>	<u>7,573,320</u>	<u>77,139,290</u>
Total liabilities	<u>68,508,394</u>	<u>1,057,576</u>	<u>7,573,320</u>	<u>77,139,290</u>
FUND BALANCES				
Reserved for:				
Inventories	213,223	-	-	213,223
Prepaid expenses	480,590	-	-	480,590
Debt service	-	11,510,736	480,358	11,991,094
Phase III, SIT & TAG	464,513	-	-	464,513
Student activities	-	-	809,087	809,087
Encumbrances	-	3,168,263	-	3,168,263
Unreserved, undesignated, reported in				
General fund	3,044,321	-	-	3,044,321
Special revenue funds	-	-	4,706,580	4,706,580
Capital projects fund	-	(2,879,516)	-	(2,879,516)
	<u>4,202,647</u>	<u>11,799,483</u>	<u>5,996,025</u>	<u>21,998,155</u>
Total fund balances	<u>4,202,647</u>	<u>11,799,483</u>	<u>5,996,025</u>	<u>21,998,155</u>
	<u>\$ 72,711,041</u>	<u>\$ 12,857,059</u>	<u>\$ 13,569,345</u>	<u>\$ 99,137,445</u>
Total liabilities and fund balances	<u>\$ 72,711,041</u>	<u>\$ 12,857,059</u>	<u>\$ 13,569,345</u>	<u>\$ 99,137,445</u>

DAVENPORT COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2006

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

Total fund balance – governmental funds	\$ 21,998,155
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
The cost of capital assets is	\$ 161,567,853
Accumulated depreciation is	<u>(50,232,378)</u>
	111,335,475
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.	730,962
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.	2,057,824
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	(26,080,000)
Accrued interest on the bonds	(625,736)
Compensated absences (vacations)	(466,486)
Early retirement obligations	<u>(3,036,659)</u>
	<u>(30,208,881)</u>
Total net assets – governmental activities	<u>\$ 105,913,535</u>

DAVENPORT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 47,878,288	\$ -	\$ 7,388,118	\$ 55,266,406
Local option sales tax, pledged as security for revenue bonds	-	13,902,861	-	13,902,861
Intergovernmental	84,935,628	39,917	236,907	85,212,452
Charges for services	3,593,277	-	-	3,593,277
Interest	769,660	214,932	124,950	1,109,542
Contributions and donations	181,865	250	-	182,115
Other	1,756,050	-	1,417,293	3,173,343
Total revenues	<u>139,114,768</u>	<u>14,157,960</u>	<u>9,167,268</u>	<u>162,439,996</u>
EXPENDITURES				
Current:				
Instruction	98,863,894	-	1,533,035	100,396,929
Student support services	3,360,491	-	971,911	4,332,402
Instructional staff support services	3,465,180	132,166	147,308	3,744,654
General administration	1,164,931	-	1,516,551	2,681,482
Building administration	8,817,650	50,720	-	8,868,370
Business and central administration	3,073,582	-	-	3,073,582
Plant operation and maintenance	10,040,711	-	82,408	10,123,119
Student transportation	3,191,803	-	57,414	3,249,217
Community services	15,131	-	-	15,131
Other support services	93,740	-	-	93,740
Area Education Agency	5,069,948	-	-	5,069,948
Capital outlay	-	5,524,044	4,207,681	9,731,725
Debt service:				
Principal	-	-	5,835,000	5,835,000
Interest	-	-	1,386,916	1,386,916
Total expenditures	<u>137,157,061</u>	<u>5,706,930</u>	<u>15,738,224</u>	<u>158,602,215</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,957,707</u>	<u>8,451,030</u>	<u>(6,570,956)</u>	<u>3,837,781</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	8,563	-	7,220,316	7,228,879
Transfers out	-	(7,220,316)	(8,563)	(7,228,879)
Total other financing sources (uses)	<u>8,563</u>	<u>(7,220,316)</u>	<u>7,211,753</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,966,270	1,230,714	640,797	3,837,781
FUND BALANCES, BEGINNING	<u>2,236,377</u>	<u>10,568,769</u>	<u>5,355,228</u>	<u>18,160,374</u>
FUND BALANCES, ENDING	<u>\$ 4,202,647</u>	<u>\$ 11,799,483</u>	<u>\$ 5,996,025</u>	<u>\$ 21,998,155</u>

See notes to financial statements.

**DAVENPORT COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Total net change in fund balances – governmental funds \$ 3,837,781

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	\$ (4,151,572)	
Total capital outlay expenditures	9,731,724	
Less capital outlay expenditures (not capitalized)	(1,827,619)	
Capital expenditures included in other functions	<u>98,287</u>	3,850,820

Because some property taxes and other receivables will not be collected for several months after the District’s fiscal year ends, they are not considered as “available” revenues in the governmental funds, and they are instead counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities. (1,307,584)

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, \$1,098,368, were more than the amounts earned, \$884,627, by \$213,741. Vacation used, \$443,961, was less than the amounts earned, \$466,486, by \$22,525. 191,216

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 \$5,835,000. 5,835,000

(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, 2006**

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 \$133,844.	\$ 133,844
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>971,886</u>
Change in net assets of governmental activities	<u>\$ 13,512,963</u>

DAVENPORT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	School Nutrition Fund	Nonmajor - Day Care Fund	Total	
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 362,598	\$ -	\$ 362,598	\$ 4,563,314
Other receivables	1,160	36,294	37,454	1,107
Due from other governmental units	114,340	-	114,340	-
Inventories	101,543	-	101,543	-
Total current assets	579,641	36,294	615,935	4,564,421
NONCURRENT ASSETS				
Capital assets (net of accumulated depreciation)	992,430	2,576	995,006	-
Total assets	1,572,071	38,870	1,610,941	4,564,421
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	410,795	730	411,525	2,506,598
Accrued payroll and payroll taxes	44,844	19,082	63,926	-
Compensated absences	1,209	-	1,209	-
Due to other funds	324,832	22,751	347,583	-
Total liabilities	781,680	42,563	824,243	2,506,598
NET ASSETS				
Invested in capital assets	992,430	2,576	995,006	-
Unrestricted	(202,039)	(6,269)	(208,308)	2,057,823
Total net assets	\$ 790,391	\$ (3,693)	\$ 786,698	\$ 2,057,823

DAVENPORT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities			Governmental Activities Internal Service Fund
	Enterprise Funds			
	School Nutrition Fund	Nonmajor - Day Care Fund	Total	
OPERATING REVENUES				
Charges for services	\$ 2,501,019	\$ 226,833	\$ 2,727,852	\$ 18,505,962
OPERATING EXPENSES				
Salaries and benefits	3,160,137	248,166	3,408,303	-
Facility rent	-	18,500	18,500	-
Purchased services	144,943	484	145,427	-
Supplies	3,003,110	8,264	3,011,374	-
Other operating costs	318,911	590	319,501	-
Depreciation	147,233	424	147,657	-
Health care	-	-	-	17,534,076
Total operating expenses	6,774,334	276,428	7,050,762	17,534,076
OPERATING INCOME (LOSS)	(4,273,315)	(49,595)	(4,322,910)	971,886
NONOPERATING REVENUES				
Interest income	10,140	35	10,175	-
Intergovernmental	3,740,694	4,680	3,745,374	-
Other nonoperating revenue	37,411	33,662	71,073	-
Total nonoperating revenues	3,788,245	38,377	3,826,622	-
CHANGE IN NET ASSETS	(485,070)	(11,218)	(496,288)	971,886
TOTAL NET ASSETS, BEGINNING	1,275,461	7,525	1,282,986	1,085,937
TOTAL NET ASSETS (DEFICIT), ENDING	\$ 790,391	\$ (3,693)	\$ 786,698	\$ 2,057,823

DAVENPORT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	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	\$ 2,502,296	\$ 232,144	\$ 2,734,440	\$ -
Cash received from assessments made to other funds	-	-	-	18,505,962
Cash payments to employees for services	(3,152,194)	(241,949)	(3,394,143)	-
Cash payments for insurance claims	-	-	-	(17,276,966)
Cash payments to suppliers for goods and services	(2,779,953)	(30,370)	(2,810,323)	-
Cash received from affiliate	-	5,978	5,978	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(3,429,851)</u>	<u>(34,197)</u>	<u>(3,464,048)</u>	<u>1,228,996</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds (repayment) of interfund balances	(19,045)	10,932	(8,113)	-
Grants received	3,427,540	5,073	3,432,613	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>3,408,495</u>	<u>16,005</u>	<u>3,424,500</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(385,667)	-	(385,667)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	8,342	21	8,363	-
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(398,681)	(18,171)	(416,852)	1,228,996
CASH AND INVESTMENTS, BEGINNING	<u>761,279</u>	<u>18,171</u>	<u>779,450</u>	<u>3,334,318</u>
CASH AND INVESTMENTS, ENDING	<u>\$ 362,598</u>	<u>\$ -</u>	<u>\$ 362,598</u>	<u>\$ 4,563,314</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (4,273,315)	\$ (49,595)	\$ (4,322,910)	\$ 971,886
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	147,233	424	147,657	-
Cash receipts from affiliate	-	5,978	5,978	-
Commodities used	331,592	-	331,592	-
Changes in assets and liabilities:				
Receivables	1,277	5,311	6,588	104,854
Inventories	56,966	-	56,966	-
Accrued liabilities	306,396	3,685	310,081	152,256
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (3,429,851)</u>	<u>\$ (34,197)</u>	<u>\$ (3,464,048)</u>	<u>\$ 1,228,996</u>
NONCASH NONCAPITAL FINANCING ACTIVITIES				
During the year the District received \$331,592 of food commodities from the US Department of Agriculture.				

See notes to financial statements.

DAVENPORT COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2006

	<u>Agency Fund</u>
ASSETS	
Cash and investments	<u>\$ 98,970</u>
LIABILITIES	
Accounts payable	\$ 4,606
Due to activity groups	<u> 94,364</u>
 Total liabilities	 <u>\$ 98,970</u>

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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 2005-2006 school year was approximately 16,300 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, 2006

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, 2006

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, 2006

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. However, interfund services provided and used are not eliminated. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 government-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 \$5,069,948 pass-through grant from the Area Education Agency in 2005-2006 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, 2006

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, 2006

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, 2006, have been accrued as liabilities as of June 30, 2006.

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, 2006.

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, 2006, 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, 2006

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, 2006, expenditures in the support services functional area exceeded the amount budgeted.

NOTE 2 – CASH AND INVESTMENTS

The District's deposits in banks at June 30, 2006, 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, 2006, the book balance of the District's cash deposits plus petty cash totaled \$41,662,265 and the bank balances totaled \$44,431,239.

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, 2006

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) diversified portfolio totaling \$686,148. 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, 2006, the District had investments in commercial paper totaling \$494,111, all of which mature in August 2006.

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, 2006, 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 District'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 District 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	\$ 41,662,265
ISJIT investments	686,148
Commercial paper	494,111
	<u>\$ 42,842,524</u>
Governmental funds	\$ 37,817,642
Internal service fund	4,563,314
Total governmental activities	42,380,956
Business-type activities/enterprise funds	362,598
Agency fund	98,970
	<u>\$ 42,842,524</u>

(continued on next page)

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006, was as follows:

	Balance July 1 2005	Increases	Decreases	Balance June 30 2006
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 3,820,258	\$ -	\$ -	\$ 3,820,258
Construction in progress	10,503,876	6,840,767	14,815,646	2,528,997
Total capital assets, not being depreciated	<u>14,324,134</u>	<u>6,840,767</u>	<u>14,815,646</u>	<u>6,349,255</u>
Capital assets, being depreciated				
Land improvements	9,816,246	284,788	-	10,101,034
Buildings	92,755,552	2,517,629	-	95,273,181
Building improvements	30,890,720	12,013,229	-	42,903,949
Furniture and equipment	<u>5,861,329</u>	<u>1,161,625</u>	<u>82,520</u>	<u>6,940,434</u>
Total capital assets, being depreciated	<u>139,323,847</u>	<u>15,977,271</u>	<u>82,520</u>	<u>155,218,598</u>
Less accumulated depreciation for				
Land improvements	7,139,159	309,925	-	7,449,084
Buildings	30,726,565	1,718,903	-	32,445,468
Building improvements	3,434,423	1,844,869	-	5,279,292
Furniture and equipment	<u>4,863,179</u>	<u>277,875</u>	<u>82,520</u>	<u>5,058,534</u>
Total accumulated depreciation	<u>46,163,326</u>	<u>4,151,572</u>	<u>82,520</u>	<u>50,232,378</u>
Total capital assets, being depreciated, net	<u>93,160,521</u>	<u>11,825,699</u>	<u>-</u>	<u>104,986,220</u>
Governmental activities capital assets, net	<u>\$107,484,655</u>	<u>\$ 18,666,466</u>	<u>\$ 14,815,646</u>	<u>\$111,335,475</u>
Business-type activities				
Capital assets, not being depreciated				
Construction in progress	\$ -	\$ 250,813	\$ -	\$ 250,813
Capital assets, being depreciated				
Equipment	1,795,503	134,854	-	1,930,357
Less accumulated depreciation for equipment	<u>1,038,507</u>	<u>147,657</u>	<u>-</u>	<u>1,186,164</u>
Total capital assets, being depreciated, net	<u>756,996</u>	<u>(12,803)</u>	<u>-</u>	<u>744,193</u>
Business-type activities capital assets, net	<u>\$ 756,996</u>	<u>\$ 238,010</u>	<u>\$ -</u>	<u>\$ 995,006</u>

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DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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

Governmental activities	
Instruction	\$ 4,031,420
Instructional staff support services	11,452
General administration	14,689
Building administration	6,129
Business and central administration	1,610
Plant operation and maintenance	78,994
Student transportation	<u>7,278</u>
	<u>\$ 4,151,572</u>
Business-type activities	
Food services	\$ 147,233
Day care	<u>424</u>
	<u>\$ 147,657</u>

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2006, consisted of the following:

Due to _____	Due from			Total
	Nonmajor Govern- mental Funds	School Nutrition	Nonmajor Enterprise Fund - Day Care	
General Fund	\$ 1,846	\$ 324,832	\$ 22,751	\$ 349,429

The balance of \$22,751 due to the General Fund from the Day Care Fund, a nonmajor enterprise fund, represents deficit pooled cash investments.

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, 2006

Interfund transfers for the year ended June 30, 2006, 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	\$ -	\$ 8,563	\$ 8,563
Nonmajor governmental funds	<u>7,220,316</u>	<u>-</u>	<u>7,220,316</u>
Total	<u>\$ 7,220,316</u>	<u>\$ 8,563</u>	<u>\$ 7,228,879</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, 2006, 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	\$ 31,915,000	\$ 3,250,400	\$ 443,961	\$ 35,609,361	\$ 490
Additions	-	884,627	466,486	1,351,113	1,209
Reductions	<u>(5,835,000)</u>	<u>(1,098,368)</u>	<u>(443,961)</u>	<u>(7,377,329)</u>	<u>(490)</u>
Balance, end of year	<u>\$ 26,080,000</u>	<u>\$ 3,036,659</u>	<u>\$ 466,486</u>	<u>\$ 29,583,145</u>	<u>\$ 1,209</u>
Due within one year	<u>\$ 6,095,000</u>	<u>\$ 917,410</u>	<u>\$ 466,486</u>	<u>\$ 7,478,896</u>	<u>\$ 1,209</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, 2006

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, 2006</u>
Sales and service tax revenue bonds, Series 1999	4.95%	7/1/09	\$ 8,400,000	\$ 3,835,000
Sales and service tax revenue bonds, Series 2000	5.25% - 5.3%	7/1/09	9,500,000	4,850,000
Sales and service tax revenue bonds, Series 2001	5.0%	7/1/09	15,000,000	8,245,000
Sales and service tax revenue bonds, Series 2002	3.8% - 4.6%	7/1/09	15,000,000	<u>9,150,000</u>
				<u>\$ 26,080,000</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>
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>\$ 26,080,000</u>	<u>\$ 2,603,726</u>	<u>\$ 28,683,726</u>

Early Retirement Obligations

The District's early retirement program is periodically offered to certain classifications of employees. The employee 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, 2006, totaled \$1,098,368.

Legal Debt Margin

As of June 30, 2006, 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, 2006

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 for the years ended June 30, 2006, 2005, and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004, were \$4,907,801, \$4,765,922, and \$4,632,225, 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, 2006, was \$727,765.

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 \$17,770,000 for 2006.

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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, 2006 and 2005, are as follows:

	<u>2006</u>	<u>2005</u>
Health claims and administrative costs payable balance, beginning of year	\$ 2,354,342	\$ 1,972,939
Incurred claims (including IBNR)	16,766,887	16,209,546
Claim payments	<u>(16,614,631)</u>	<u>(15,828,143)</u>
Health claims and administrative costs payable balance, end of year	<u>\$ 2,506,598</u>	<u>\$ 2,354,342</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, 2006, the portion of these contracts which has not been paid or accrued as a liability totals \$4,278,955.

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, 2006, \$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, 2006

NOTE 10 – OPERATING LEASES

The District leases building and equipment under noncancelable operating leases. Total expenses for the year ended June 30, 2006, for such leases were \$1,064,714, 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>	
2007	\$ 914,124
2008	486,842
2009	<u>486,842</u>
	<u>\$ 1,887,808</u>

NOTE 11 – SUBSEQUENT EVENT

On July 6, 2006, the District issued \$5,000,000 in tax anticipatory warrants to meet cash flow needs. The interest rate on the warrants is 4.5 percent and the maturity date is June 29, 2007.

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

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

Statement No. 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. 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. 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 No. 45. For all other termination benefits, this statement is effective for the fiscal year ended June 30, 2006.

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, will be effective for the fiscal year ending June 30, 2008. This statement establishes standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also establishes standards that apply to all intra-entity transfers of assets and future revenues.

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

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
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006

	Governmental Funds Actual	Enterprise Funds Actual	Total Actual
REVENUES			
Property taxes	\$ 55,266,406	\$ -	\$ 55,266,406
Local option sales tax	13,902,861	-	13,902,861
Intergovernmental	85,212,452	3,745,374	88,957,826
Charges for services	3,593,277	2,727,852	6,321,129
Interest	1,109,542	10,175	1,119,717
Other	3,355,458	71,073	3,426,531
Total revenues	<u>162,439,996</u>	<u>6,554,474</u>	<u>168,994,470</u>
EXPENDITURES			
Current:			
Instruction	100,396,929	-	100,396,929
Support services	36,181,697	-	36,181,697
Non-instructional programs	-	7,050,762	7,050,762
Other expenditures	22,023,589	-	22,023,589
Total expenditures	<u>158,602,215</u>	<u>7,050,762</u>	<u>165,652,977</u>
NET CHANGE IN FUND BALANCES	3,837,781	(496,288)	3,341,493
BALANCES, BEGINNING	<u>18,160,374</u>	<u>1,282,986</u>	<u>19,443,360</u>
BALANCES, ENDING	<u>\$ 21,998,155</u>	<u>\$ 786,698</u>	<u>\$ 22,784,853</u>

Budgeted Amounts		Variance with Final Budget- Positive (Negative)
Original	Final	
\$ 55,339,049	\$ 55,361,877	\$ (95,471)
13,819,064	13,758,458	144,403
86,220,502	88,427,964	529,862
5,725,517	6,445,243	(124,114)
325,100	398,600	721,117
<u>2,079,208</u>	<u>2,997,297</u>	<u>429,234</u>
<u>163,508,440</u>	<u>167,389,439</u>	<u>1,605,031</u>
99,850,550	102,811,459	2,414,530
34,882,299	34,637,809	(1,543,888)
6,996,546	7,437,156	386,394
<u>20,665,410</u>	<u>31,188,991</u>	<u>9,165,402</u>
<u>162,394,805</u>	<u>176,075,415</u>	<u>10,422,438</u>
1,113,635	(8,685,976)	12,027,469
<u>16,867,502</u>	<u>16,867,502</u>	<u>(2,575,858)</u>
<u>\$ 17,981,137</u>	<u>\$ 8,181,526</u>	<u>\$ 14,603,327</u>

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2006

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except 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 or expenses 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 2006.

During the year ended June 30, 2006, expenditures in the support services function exceeded the amount 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 10, 2006, to increase the authorization of expenditures by \$13,680,610.
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.

Other 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, 2006**

	Special Revenue				Total Nonmajor Governmental Funds
	Management	Student Activity	Physical Plant and Equipment	Debt Service	
ASSETS					
Cash and investments	\$ 1,940,025	\$ 848,558	\$ 3,371,260	\$ 478,419	\$ 6,638,262
Receivables:					
Property taxes	2,523,385	-	4,342,994	-	6,866,379
Other	-	4,161	58,604	1,939	64,704
	<u>-</u>	<u>4,161</u>	<u>58,604</u>	<u>1,939</u>	<u>64,704</u>
 Total assets	<u>\$ 4,463,410</u>	<u>\$ 852,719</u>	<u>\$ 7,772,858</u>	<u>\$ 480,358</u>	<u>\$ 13,569,345</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 5,413	\$ 39,020	\$ 691,182	\$ -	\$ 735,615
Accrued payroll and payroll taxes	-	3,084	-	-	3,084
Due to other funds	-	1,528	318	-	1,846
Deferred revenue	2,467,590	-	4,365,185	-	6,832,775
	<u>2,467,590</u>	<u>-</u>	<u>4,365,185</u>	<u>-</u>	<u>6,832,775</u>
 Total liabilities	<u>2,473,003</u>	<u>43,632</u>	<u>5,056,685</u>	<u>-</u>	<u>7,573,320</u>
FUND BALANCES					
Reserved for:					
Debt service	-	-	-	480,358	480,358
Student activities	-	809,087	-	-	809,087
Unreserved, undesignated, reported in special revenue funds	1,990,407	-	2,716,173	-	4,706,580
	<u>1,990,407</u>	<u>-</u>	<u>2,716,173</u>	<u>-</u>	<u>4,706,580</u>
 Total fund balances	<u>1,990,407</u>	<u>809,087</u>	<u>2,716,173</u>	<u>480,358</u>	<u>5,996,025</u>
 Total liabilities and fund balances	<u>\$ 4,463,410</u>	<u>\$ 852,719</u>	<u>\$ 7,772,858</u>	<u>\$ 480,358</u>	<u>\$ 13,569,345</u>

DAVENPORT COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue				Total
	Management	Student Activity	Physical Plant and Equipment	Debt Service	Nonmajor Governmental Funds
REVENUES					
Property taxes	\$ 3,093,987	\$ -	\$ 4,294,131	\$ -	\$ 7,388,118
Intergovernmental	2,066	-	234,841	-	236,907
Interest	30,359	22,587	62,624	9,380	124,950
Other	<u>5,362</u>	<u>1,363,418</u>	<u>48,513</u>	<u>-</u>	<u>1,417,293</u>
Total revenues	<u>3,131,774</u>	<u>1,386,005</u>	<u>4,640,109</u>	<u>9,380</u>	<u>9,167,268</u>
EXPENDITURES					
Current:					
Instruction	1,179,220	353,815	-	-	1,533,035
Student support services	22,000	949,911	-	-	971,911
Instructional staff support services	-	8,812	138,496	-	147,308
General administration	1,514,136	2,415	-	-	1,516,551
Plant operation and maintenance	-	398	82,010	-	82,408
Student transportation	-	57,414	-	-	57,414
Capital outlay	-	-	4,207,681	-	4,207,681
Debt service:					
Principal	-	-	-	5,835,000	5,835,000
Interest	-	-	-	1,386,916	1,386,916
Total expenditures	<u>2,715,356</u>	<u>1,372,765</u>	<u>4,428,187</u>	<u>7,221,916</u>	<u>15,738,224</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	<u>416,418</u>	<u>13,240</u>	<u>211,922</u>	<u>(7,212,536)</u>	<u>(6,570,956)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	7,220,316	7,220,316
Transfers out	-	(8,563)	-	-	(8,563)
Total other financing sources (uses)	<u>-</u>	<u>(8,563)</u>	<u>-</u>	<u>7,220,316</u>	<u>7,211,753</u>
NET CHANGE IN FUND BALANCES					
	416,418	4,677	211,922	7,780	640,797
FUND BALANCES, BEGINNING	<u>1,573,989</u>	<u>804,410</u>	<u>2,504,251</u>	<u>472,578</u>	<u>5,355,228</u>
FUND BALANCES, ENDING	<u>\$ 1,990,407</u>	<u>\$ 809,087</u>	<u>\$ 2,716,173</u>	<u>\$ 480,358</u>	<u>\$ 5,996,025</u>

DAVENPORT COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF CHANGES IN BALANCES
STUDENT ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Balance June 30 2005	Revenues	Expenditures	Transfers	Balance June 30 2006
District-wide Athletics	\$ 782	\$ 5,540	\$ 5,540	\$ -	\$ 782
Central High School Athletics	43,850	62,497	68,340	-	38,007
North High School Athletics	31,676	53,197	55,733	-	29,140
West High School Athletics	38,813	67,568	68,364	-	38,017
Central High School	141,406	262,559	234,714	-	169,251
Central Band Uniforms	21,949	-	-	-	21,949
North High School	(22,371)	219,463	186,473	-	10,619
West High School	198,215	353,288	363,981	-	187,522
Kimberly Center	31	971	960	-	42
Smart Intermediate School	40,449	40,452	49,360	-	31,541
Sudlow Intermediate School	79,354	78,218	97,819	-	59,753
Walcott Elementary and Intermediate School	51,800	58,430	69,290	-	40,940
Williams Intermediate School	23,746	55,475	51,554	-	27,667
Williams IDOT Grant	138	-	-	-	138
Wood Intermediate School	29,709	29,460	33,910	-	25,259
Young Intermediate School	15,925	8,866	13,985	-	10,806
Adams Elementary	6,451	1,341	1,335	-	6,457
Blue Grass Elementary	3,573	115	1,953	-	1,735
Buchanan Elementary	14,300	13,360	16,240	-	11,420
Buffalo Elementary	14,262	265	899	-	13,628
Eisenhower Elementary	6,764	7,457	6,262	-	7,959
Fillmore Elementary	1,000	145	-	-	1,145
Garfield Elementary	1,177	11,083	9,977	-	2,283
Harrison Elementary	2,307	2,741	2,653	-	2,395
Hayes Elementary	5,303	5,698	5,398	-	5,603
Jackson Elementary	138	30	-	-	168
Jefferson Elementary	54	-	-	-	54
Lincoln Elementary	5,249	3,364	2,836	-	5,777
Madison Elementary	16,295	4,981	4,312	-	16,964
McKinley Elementary	9,275	6,776	6,273	-	9,778
Monroe Elementary	4,353	6,997	7,452	-	3,898
Truman Elementary	539	456	800	-	195
Washington Elementary	5,308	2,143	5,136	-	2,315
Wilson Elementary	4,027	482	1,216	-	3,293
Unallocated interest income	8,563	22,587	-	(8,563)	22,587
Total Special Revenue Student Activity Fund	\$ 804,410	\$ 1,386,005	\$ 1,372,765	\$ (8,563)	\$ 809,087

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, 2006

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
ASSETS				
Cash and investments	\$ 95,328	\$ 138,748	\$ 135,106	\$ 98,970
Due from other governments	<u>290</u>	<u>-</u>	<u>290</u>	<u>-</u>
Total assets	<u>\$ 95,618</u>	<u>\$ 138,748</u>	<u>\$ 135,396</u>	<u>\$ 98,970</u>
LIABILITIES				
Accounts payable	\$ 7,590	\$ 4,606	\$ 7,590	\$ 4,606
Due to activity groups	<u>88,028</u>	<u>136,079</u>	<u>129,743</u>	<u>94,364</u>
Total liabilities	<u>\$ 95,618</u>	<u>\$ 140,685</u>	<u>\$ 137,333</u>	<u>\$ 98,970</u>

DAVENPORT COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF CHANGES IN AMOUNTS DUE TO ACTIVITY GROUPS
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Balance June 30 2005	Additions	Deletions	Balance June 30 2006
Administration Pop Account	\$ 5,850	\$ 2,924	\$ 2,465	\$ 6,309
Buchanan Pop Account	2,614	2,532	2,240	2,906
Central Staff Pop Account	12,430	27,672	37,624	2,478
CVW Staff Account	197	662	445	414
Fillmore Pop Account	1,133	673	584	1,222
Garfield Pop Account	496	1,457	1,701	252
Harrison Pop Account	1,662	2,096	1,521	2,237
Hoover Pop Account	30	-	-	30
KC Staff Account	-	662	600	62
Lincoln Pop Account	4,897	1,346	1,000	5,243
Madison Teacher's Pop Account	4,062	2,054	1,648	4,468
Monroe Pop Account	4,221	6,344	5,059	5,506
North Pop Account	2,703	3,025	5,073	655
Smart Pop Account	7,139	4,984	6,071	6,052
Sudlow Staff Account	-	14,236	6,246	7,990
Truman Pop Account	396	-	340	56
Young Staff Pop Account	112	1,743	1,697	158
Washington Pop Account	2,495	670	1,171	1,994
West Pop Account	26,042	34,403	30,078	30,367
Wilson Pop Account	6,418	23,280	19,155	10,543
Wood Pop Account	2,530	4,291	4,155	2,666
Youth Fest	2,601	1,025	870	2,756
	<u>2,601</u>	<u>1,025</u>	<u>870</u>	<u>2,756</u>
Total	<u>\$ 88,028</u>	<u>\$ 136,079</u>	<u>\$ 129,743</u>	<u>\$ 94,364</u>

Davenport Community Schools



STATISTICAL SECTION

Statistical Tables are used to provide detailed data on the physical, economic, social and political characteristics of a government. They are intended to provide financial report users with a broader and more complete understanding of the government and its financial affairs than possible from the basic financial statements. The information is provided in five categories.

- **Financial Trends Information** – intended to assist users in understanding and assessing how a the District’s financial position has changed over time.
- **Revenue Capacity Information** – intended to assist users in understanding and assessing the factors affecting the District’s ability to generate its own-source revenues.
- **Debt Capacity Information** – intended to assist users in understanding and assessing the District’s debt burden and its ability to issue additional debt.
- **Demographic and Economic Information** – intended to assist users in understanding the socioeconomic environment within which the District operates and to provide information that facilitates comparisons of financial statement information over time and among other school districts.
- **Operating Information** – intended to provide contextual information about the District’s operations and resources to assist readers in using financial statement information to understand and assess the District’s economic condition.

The District’s Statistical Tables usually cover ten fiscal years and often present data from outside the accounting records. The source of information is from District data found in this report, unless indicated otherwise. The tables are unaudited due to the nature of the information contained therein.

DAVENPORT COMMUNITY SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year		
	2006	2005	2004
Governmental activities			
Invested in capital assets, net of related debt	\$ 85,255,475	\$ 75,569,655	\$ 60,388,078
Restricted	17,795,508	16,739,808	19,813,106
Unrestricted	2,862,552	91,109	(860,462)
Total governmental activities net assets	<u>\$ 105,913,535</u>	<u>\$ 92,400,572</u>	<u>\$ 79,340,722</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 995,006	\$ 756,996	\$ 803,504
Restricted	-	-	-
Unrestricted	(208,308)	525,990	574,393
Total business-type activities net assets	<u>\$ 786,698</u>	<u>\$ 1,282,986</u>	<u>\$ 1,377,897</u>
Primary government			
Invested in capital assets, net of related debt	\$ 86,250,481	\$ 76,326,651	\$ 61,191,582
Restricted	17,795,508	16,739,808	19,813,106
Unrestricted	2,654,244	617,099	(286,069)
Total primary government net assets	<u>\$ 106,700,233</u>	<u>\$ 93,683,558</u>	<u>\$ 80,718,619</u>

Note: The district implemented GASB Statement 34 in 2002.

Source: District financial records

Fiscal Year	
2003	2002
\$ 47,119,649	\$ 42,896,101
20,172,162	33,002,217
<u>(2,288,644)</u>	<u>(24,007,751)</u>
<u>\$ 65,003,167</u>	<u>\$ 51,890,567</u>
\$ 901,725	\$ 759,255
15,733	-
<u>534,777</u>	<u>603,419</u>
<u>\$ 1,452,235</u>	<u>\$ 1,362,674</u>
\$ 48,021,374	\$ 43,655,356
20,187,895	33,002,217
<u>(1,753,867)</u>	<u>(23,404,332)</u>
<u>\$ 66,455,402</u>	<u>\$ 53,253,241</u>

DAVENPORT COMMUNITY SCHOOL DISTRICT
EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year		
	2006	2005	2004
Expenses			
Governmental activities:			
Instruction	\$ 103,265,247	\$ 103,464,881	\$ 96,345,329
Student support services	4,332,402	3,528,044	3,626,534
Instructional staff support services	3,756,106	3,071,271	2,940,963
General administration	2,696,173	2,490,873	2,535,403
Building administration	8,874,500	8,380,875	8,125,994
Business administration	3,075,192	2,886,051	1,060,832
Plant operation and maintenance	11,931,445	10,912,469	10,316,051
Student transportation	3,256,495	2,931,059	3,754,103
Area Education Agency	5,069,948	4,899,580	4,911,280
Other expenses	108,871	93,996	1,887,330
Interest on long term debt	1,253,072	1,520,560	1,771,719
Total governmental expenses	<u>147,619,451</u>	<u>144,179,659</u>	<u>137,275,538</u>
Business-type activities:			
Food service	6,774,334	6,734,989	6,329,378
Day care	276,428	310,842	353,194
Total business-type expenses	<u>7,050,762</u>	<u>7,045,831</u>	<u>6,682,572</u>
Total primary government expenses	<u>154,670,213</u>	<u>151,225,490</u>	<u>143,958,110</u>
Program Revenues			
Governmental activities:			
Charges for services	3,718,848	3,109,533	3,959,144
Operating grants and contributions	22,019,691	22,204,449	20,235,392
Capital grants and contributions	232,035	506,426	310,070
Total governmental revenues	<u>25,970,574</u>	<u>25,820,408</u>	<u>24,504,606</u>
Business-type activities:			
Charges for services	2,727,852	2,773,847	2,628,887
Operating grants and contributions	3,816,447	4,158,185	3,974,182
Total business-type revenues	<u>6,544,299</u>	<u>6,932,032</u>	<u>6,603,069</u>
Total primary government revenues	<u>32,514,873</u>	<u>32,752,440</u>	<u>31,107,675</u>
Net (Expense)/Revenue			
Governmental activities	(121,648,877)	(118,359,251)	(112,770,932)
Business-type activities	(506,463)	(113,799)	(79,503)
Total primary government net expense	<u>\$ (122,155,340)</u>	<u>\$ (118,473,050)</u>	<u>\$ (112,850,435)</u>

Note: The district implemented GASB Statement 34 in 2002.

Source: District financial records

Fiscal Year	
2003	2002
\$ 93,629,997	\$ 90,265,176
2,909,873	2,946,202
3,085,657	4,135,267
2,884,288	2,430,463
8,561,479	8,496,206
902,711	962,615
10,428,662	11,642,431
3,568,003	3,394,219
5,180,587	5,188,282
1,879,094	1,616,120
1,973,294	1,661,272
<u>135,003,645</u>	<u>132,738,253</u>
5,967,580	5,761,785
360,225	332,755
<u>6,327,805</u>	<u>6,094,540</u>
<u>141,331,450</u>	<u>138,832,793</u>
2,670,054	2,489,305
19,359,323	19,996,052
377,356	-
<u>22,406,733</u>	<u>22,485,357</u>
2,713,556	2,695,351
<u>3,691,509</u>	<u>3,534,797</u>
<u>6,405,065</u>	<u>6,230,148</u>
<u>28,811,798</u>	<u>28,715,505</u>
(112,596,912)	(110,252,896)
77,260	135,608
<u>\$ (112,519,652)</u>	<u>\$ (110,117,288)</u>

DAVENPORT COMMUNITY SCHOOL DISTRICT
GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS
LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year		
	2006	2005	2004
Net (Expense)/Revenue			
Governmental activities	\$ (121,648,877)	\$ (118,359,251)	\$ (112,770,932)
Business-type activities	(506,463)	(113,799)	(79,503)
Total primary government net expense	<u>(122,155,340)</u>	<u>(118,473,050)</u>	<u>(112,850,435)</u>
General Revenues			
Governmental activities:			
Property taxes	54,862,698	53,095,883	51,609,343
Local option sales tax	13,902,861	13,647,672	13,512,282
Unrestricted state aid and grants	63,441,500	62,293,142	60,904,421
Interest and investment earnings	1,109,542	360,682	254,285
Miscellaneous	1,845,239	1,233,770	917,683
Total governmental activities	135,161,840	130,631,149	127,198,014
Business-type activities			
Interest and investment earnings	10,175	6,840	5,165
Total primary government general revenues	<u>135,172,015</u>	<u>130,637,989</u>	<u>127,203,179</u>
Change in Net Assets			
Governmental activities	13,512,963	12,271,898	14,427,082
Business-type activities	(496,288)	(106,959)	(74,338)
Total primary government	<u>\$ 13,016,675</u>	<u>\$ 12,164,939</u>	<u>\$ 14,352,744</u>

Note: The district implemented GASB Statement 34 in 2002.

Source: District financial records

Fiscal Year	
2003	2002
\$ (112,596,912)	\$ (110,252,896)
<u>77,260</u>	<u>135,608</u>
<u>(112,519,652)</u>	<u>(110,117,288)</u>

49,562,253	44,127,732
13,303,691	13,727,303
59,924,250	58,305,016
480,210	821,399
<u>2,439,168</u>	<u>2,580,569</u>
125,709,572	119,562,019

<u>12,301</u>	<u>(5,352)</u>
<u>125,721,873</u>	<u>119,556,667</u>

13,112,660	9,309,123
<u>89,561</u>	<u>130,256</u>
<u>\$ 13,202,221</u>	<u>\$ 9,439,379</u>

DAVENPORT COMMUNITY SCHOOL DISTRICT
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year		
	2006	2005	2004
General Fund			
Reserved	\$ 1,158,326	\$ 1,441,457	\$ 516,982
Unreserved	<u>3,044,321</u>	<u>794,920</u>	<u>200,274</u>
Total general fund	<u>\$ 4,202,647</u>	<u>\$ 2,236,377</u>	<u>\$ 717,256</u>
All Other Governmental Funds			
Reserved	\$ 15,968,444	\$ 15,339,931	\$ 16,891,494
Unreserved, reported in:			
Capital project funds	(2,879,516)	(3,494,174)	(92,799)
Special revenue funds	<u>4,706,580</u>	<u>4,078,240</u>	<u>3,014,411</u>
Total all other governmental funds	<u>\$ 17,795,508</u>	<u>\$ 15,923,997</u>	<u>\$ 19,813,106</u>

Note: The district implemented GASB Statement 34 in 2002.

Source: District financial records

Fiscal Year	
<u>2003</u>	<u>2002</u>
\$ 500,863	\$ 339,424
<u>(865,120)</u>	<u>(3,549,266)</u>
<u>\$ (364,257)</u>	<u>\$ (3,209,842)</u>
\$ 16,319,745	\$ 21,362,061
687,251	8,203,633
<u>3,165,166</u>	<u>3,436,523</u>
<u>\$ 20,172,162</u>	<u>\$ 33,002,217</u>

DAVENPORT COMMUNITY SCHOOL DISTRICT
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year		
	2006	2005	2004
Revenues			
Property taxes	\$ 55,266,406	\$ 53,186,303	\$ 51,311,490
Local options sales tax, pledged as security for revenue bonds	13,902,861	13,647,672	13,512,282
Intergovernmental	85,212,452	82,655,338	80,354,110
Charges for services	3,593,277	3,373,607	2,455,095
Interest	1,109,542	360,682	254,285
Contributions and donations	182,115	32,565	186,426
Other	3,173,343	2,737,790	2,260,809
Total revenues	<u>162,439,996</u>	<u>155,993,957</u>	<u>150,334,497</u>
Expenditures			
Instruction	100,396,929	99,487,411	93,949,560
Student support services	4,332,402	3,528,044	3,626,534
Instructional staff support services	3,744,654	3,047,147	2,926,648
General administration	2,681,482	2,477,019	2,521,966
Building administration	8,868,370	8,376,064	8,121,070
Business administration	3,073,582	2,884,968	1,060,832
Plant operations and maintenance	10,123,119	10,524,740	9,393,391
Student transportation	3,249,217	2,923,775	3,746,825
Other support services	108,871	93,996	1,886,247
Area Education Agency	5,069,948	4,899,580	4,911,280
Capital outlay	9,731,725	13,684,961	10,425,907
Debt service:			
Principal	5,835,000	5,590,000	5,230,000
Interest	1,386,916	1,646,240	1,885,142
Total expenditures	<u>158,602,215</u>	<u>159,163,945</u>	<u>149,685,402</u>
Excess of revenues over (under) expenditures	<u>3,837,781</u>	<u>(3,169,988)</u>	<u>649,095</u>
Other Financing Sources (Uses)			
Proceeds from sale of bonds	-	-	-
Transfers in	7,228,879	7,242,344	898,226
Transfers out	(7,228,879)	(7,242,344)	(898,226)
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Special item			
Proceeds from sale of school property	-	-	162,889
Net change in fund balances	<u>\$ 3,837,781</u>	<u>\$ (3,169,988)</u>	<u>\$ 811,984</u>
Debt service as a percentage of noncapital expenditures	5.098%	5.234%	5.384%

Note: The district implemented GASB Statement 34 in 2002.

Source: District financial records

Fiscal Year	
2003	2002
\$ 49,624,114	\$ 43,773,947
13,303,691	13,727,303
79,283,573	78,301,068
2,670,054	2,489,305
480,210	821,399
377,356	-
2,336,690	2,515,449
<u>148,075,688</u>	<u>141,628,471</u>
90,371,397	87,363,380
2,909,873	2,946,202
3,082,908	4,125,388
2,870,851	2,417,026
8,565,161	8,495,298
901,118	960,963
10,042,945	11,565,705
3,560,725	3,386,941
1,901,984	1,616,120
5,180,587	5,188,282
24,027,813	25,254,294
3,075,000	2,005,861
1,870,475	1,415,197
<u>158,360,837</u>	<u>156,740,657</u>
<u>(10,285,149)</u>	<u>(15,112,186)</u>
-	15,025,047
7,346,842	5,341,939
<u>(7,346,842)</u>	<u>(5,341,939)</u>
-	15,025,047
<u>300,679</u>	<u>156,000</u>
<u>\$ (9,984,470)</u>	<u>\$ 68,861</u>
3.822%	2.671%

DAVENPORT COMMUNITY SCHOOL DISTRICT
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Levy Year	Collection Year	Real Property		Personal Property	
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2004	2005-06	\$ 3,326,490,854	\$ 4,259,220,129	\$ 38,579,755	\$ 38,579,755
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

Source: Scott County Auditor's Office

<u>Utilities</u>		<u>Total</u>		<u>Total</u>		
<u>Assessed</u>	<u>Estimated</u>	<u>Assessed</u>	<u>Estimated</u>	<u>Assessed Value</u>	<u>to Total Estimated</u>	<u>Direct</u>
<u>Value</u>	<u>Actual Value</u>	<u>Value</u>	<u>Actual Value</u>	<u>Actual Value</u>		<u>Rate</u>
\$ 247,614,354	\$ 247,614,354	\$ 3,612,684,963	\$ 4,545,414,238	79.47977	%	17.09734
238,503,228	238,503,228	3,396,267,088	4,332,359,424	78.39301		17.09591
226,853,877	226,853,877	3,254,893,688	4,240,693,499	76.75381		17.07873
217,000,491	217,274,495	3,183,273,862	4,035,989,423	78.87221		16.96204
212,034,311	212,034,311	2,832,218,371	3,919,089,157	72.26726		15.46758
214,191,684	214,191,684	2,754,809,283	3,878,279,787	71.03173		15.50967
221,302,221	221,302,221	2,639,896,774	3,614,057,851	73.04523		14.92898
240,828,666	240,872,996	2,585,366,454	3,599,080,870	71.83408		15.26607
194,825,504	194,825,504	2,379,967,198	3,198,536,341	74.40801		15.19448
205,553,174	205,894,773	2,319,009,344	3,129,788,769	74.09476		15.33816

**DAVENPORT COMMUNITY SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(RATE PER \$1,000 OF ASSESSED VALUE)**

<u>City</u>	<u>Levy Year</u>	<u>Collection Year</u>	<u>State</u>	<u>Area IX Community College</u>	<u>Ag Extension - BANGS</u>	<u>Assessor</u>
Davenport	2004	2005-06	\$ 0.005000	\$ 0.59269	\$ 0.06973	\$ 0.27404
	2003	2004-05	0.005000	0.59216	0.06439	0.27648
	2002	2003-04	0.005000	0.61738	0.06221	0.31521
	2001	2002-03	0.005000	0.62633	0.06248	0.37656
	2000	2001-02	0.005000	0.60382	0.06790	0.33488
	1999	2000-01	0.005000	0.60302	0.06700	0.31303
	1998	1999-00	0.005000	0.54709	0.06732	0.29311
	1997	1998-99	0.005000	0.57182	0.03868	0.29389
	1996	1997-98	0.005000	0.58671	0.04077	0.34669
	1995	1996-97	0.005000	0.51543	0.41444	0.34674
Blue Grass	2004	2005-06	0.005000	0.59269	0.06973	0.27404
	2003	2004-05	0.005000	0.59216	0.06439	0.27124
	2002	2003-04	0.005000	0.61738	0.06221	0.33119
	2001	2002-03	0.005000	0.62633	0.06248	0.33124
	2000	2001-02	0.005000	0.60382	0.06790	0.33488
	1999	2000-01	0.005000	0.60302	0.06700	0.31303
	1998	1999-00	0.005000	0.54709	0.06732	0.29311
	1997	1998-99	0.005000	0.57182	0.03868	0.29389
	1996	1997-98	0.005000	0.58671	0.04077	0.34669
	1995	1996-97	0.005000	0.51543	0.41444	0.34674
Walcott	2004	2005-06	0.005000	0.59269	0.06973	0.27404
	2003	2004-05	0.005000	0.59216	0.06439	0.27124
	2002	2003-04	0.005000	0.61738	0.06221	0.33119
	2001	2002-03	0.005000	0.62633	0.06248	0.33124
	2000	2001-02	0.005000	0.60382	0.06790	0.33488
	1999	2000-01	0.005000	0.60302	0.06700	0.31303
	1998	1999-00	0.005000	0.54709	0.06732	0.29311
	1997	1998-99	0.005000	0.57182	0.03868	0.29389
	1996	1997-98	0.005000	0.58671	0.04077	0.34669
	1995	1996-97	0.005000	0.51543	0.41444	0.34674
Buffalo	2004	2005-06	0.005000	0.59269	0.06973	0.27404
	2003	2004-05	0.005000	0.59216	0.06439	0.27124
	2002	2003-04	0.005000	0.61738	0.06221	0.33119
	2001	2002-03	0.005000	0.62633	0.06248	0.33124
	2000	2001-02	0.005000	0.60382	0.06790	0.33488
	1999	2000-01	0.005000	0.60302	0.06700	0.31303
	1998	1999-00	0.005000	0.54709	0.06732	0.29311
	1997	1998-99	0.005000	0.57182	0.03868	0.29389
	1996	1997-98	0.005000	0.58671	0.04077	0.34669
	1995	1996-97	0.005000	0.51543	0.41444	0.34674

Source: Scott County Auditor's Office

Scott County	Davenport Community School District	City	Total	Ratio of Davenport Community School District to Total	%
\$ 5.56513	\$ 17.09734	\$ 15.24000	\$ 38.84393		44.02
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
5.56513	17.09734	11.43975	35.04368		48.79
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
5.56513	17.09734	9.75001	33.35394		51.26
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
5.56513	17.09734	8.09998	31.70391		53.93
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

**DAVENPORT COMMUNITY SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Tax Payer</u>	<u>2006</u>			<u>1997</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
SDG Macerich Properties	\$ 71,516,500	1	1.30 %			-
Quanex Corporation	20,862,200	2	0.38	\$ 24,824,932	10	0.60 %
Davenport 1031 LLC	18,517,300	3	0.34			-
THR Davenport North Develop	18,294,007	4	0.33			-
National Amusements Inc	18,254,200	5	0.33			-
Petersen Properties LLC	14,866,780	6	0.27			-
Bradley Operation LTD Partners	14,724,800	7	0.27			-
Genesis Medical Center	13,418,862	8	0.24			-
Oscar Mayer Foods Corp	12,543,615	9	0.23	28,862,106	5	0.70
Davenport Center LTD Partnership	12,000,000	10	0.22			-
MidAmerican Energy*				275,497,022	1	6.69
Aluminum Company of America	-		-	195,008,470	2	4.74
Equitable Life Assurance society	-		-	79,251,932	3	1.93
Davenport Water Company	-		-	40,829,063	4	0.99
Davenport Cement Company	-		-	28,449,614	6	0.69
US West Communications	-		-	28,111,498	7	0.68
Deer & Company	-		-	26,601,400	8	0.65
Ralston Purina Company	-		-	24,986,909	9	0.61
	<u>\$ 214,998,264</u>		<u>3.91 %</u>	<u>\$ 752,422,946</u>		<u>18.28 %</u>

Source: Scott County Treasurer's Office

* MidAmerican is no longer a property tax payer, they are now a "utility replacement" tax payer.

**DAVENPORT COMMUNITY SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Collection Fiscal Year Ending	Levy Fiscal Year Ending	Total Tax Levy	Collected within the Fiscal Year of the Levy		Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
			Total Tax Collections	Percentage of Total Tax Collections		
2005-06	2004	\$ 55,684,269	\$ 55,393,625	99.48 %	\$ 81,646	0.15 %
2004-05	2003	53,979,612	53,271,950	98.69	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

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

**DAVENPORT COMMUNITY SCHOOL DISTRICT
 OUTSTANDING DEBT BY TYPE
 LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities		Percentage of Personal Income	Per Capita
	Revenues	Sales Bonds		
2006	\$	26,080,000	0.49 %	\$ 162.87
2005		31,915,000	0.64	200.22
2004		37,505,000	0.77	235.77
2003		42,735,000	0.91	269.23
2002		45,810,000	1.02	288.60
2001		32,225,000	0.76	202.97
2000		17,900,000	0.43	113.47
1999		-	-	-
1998		-	-	-
1997		-	-	-

Source: District financial records

**DAVENPORT COMMUNITY SCHOOL DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2006**

<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 Debt</u>
Scott County	\$ 10,480,000	56.71%	\$ 5,943,208
Eastern Iowa Community College	42,520,000	32.18%	13,682,936
City of Blue Grass	408,259	100.00%	408,259
City of Buffalo	460,000	100.00%	460,000
City of Davenport	139,760,000	93.23%	130,298,248
City of Walcott	-	100.00%	-
Total direct and overlapping debt:			<u><u>\$ 150,792,651</u></u>

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

DAVENPORT COMMUNITY SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal Year			
	2006	2005	2004	2003
Debt Limit	\$ 167,494,741	\$ 156,634,717	\$ 149,612,745	\$ 146,495,120
Total net debt applicable to limit	-	-	-	-
Legal debt margin	\$167,494,741	\$156,634,717	\$149,612,745	\$146,495,120
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%

As of June 30, 2006, the District did not exceed its legal debt margin,
 Computed as follows:

Total Assessed Value	\$3,349,894,818
Debt limit 5% of total assessed value	\$167,494,741
Amount of debt applicable to debt limit, total general obligation bonded debt	<u>\$0</u>
Excess of debt limit over bonded debt outstanding, legal debt margin	<u><u>\$167,494,741</u></u>

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

Fiscal Year					
2002	2001	2000	1999	1998	1997
\$ 138,161,257	\$ 132,153,371	\$ 129,405,653	\$ 119,085,975	\$ 112,889,015	\$ 109,729,682
-	-	-	-	-	-
\$138,161,257	\$132,153,371	\$129,405,653	\$119,085,975	\$112,889,015	\$109,729,682
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**DAVENPORT COMMUNITY SCHOOL DISTRICT
 PLEDGED – REVENUE COVERAGE
 LAST TEN FISCAL YEARS**

Fiscal Year	Local Option Sales Tax Revenue Bonds			
	Revenue	Debt Service		Coverage
		Principal	Interest	
2006	\$ 14,157,960	\$ 5,835,000	\$ 1,385,916	1.96
2005	14,099,821	5,590,000	1,644,840	1.95
2004	13,798,885	5,230,000	1,884,242	1.94
2003	13,937,406	3,075,000	1,869,500	2.82
2002	14,747,944	1,415,000	1,394,912	5.25
2001	12,203,137	675,000	983,269	7.36
2000	12,664,447	-	-	-
1999	-	-	-	-
1998	-	-	-	-
1997	-	-	-	-

Source: District financial records

**DAVENPORT COMMUNITY SCHOOL DISTRICT
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS**

Fiscal Year	Population	Personal Income*	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2006	160,125	\$ 5,292,804	\$ 33,054	36.6	16,377	5.00 %
2005	159,399	4,959,726	31,115	36.2	16,417	4.70
2004	159,076	4,855,622	30,524	35.9	16,622	4.60
2003	158,733	4,677,783	29,470	35.4	16,831	3.90
2002	158,732	4,469,469	28,157	N/A	17,366	3.40
2001	158,765	4,256,086	26,807	N/A	17,288	3.10
2000	157,754	4,176,600	26,475	N/A	17,461	2.80
1999	157,228	3,900,733	24,809	N/A	17,540	3.20
1998	156,751	3,705,045	23,636	N/A	17,535	3.70
1997	156,271	3,503,918	22,422	N/A	17,722	3.70

** Displayed in thousands of dollars*

Note: Information not available for Davenport Schools. Information is reported for Scott County, Iowa

Source: Bureau of Economic Analysis

N/A: Not Available

DAVENPORT COMMUNITY SCHOOL DISTRICT

DEMOGRAPHIC AND MISCELLANEOUS STATISTICS

The ABCs about Davenport Community Schools . . .

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

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

Budget – \$187,596,258 in 2005-06

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 Eighth Grade)
- Grade 6 - same as elementary
- Grades 7 and 8:
- Required Areas: health, language arts, mathematics, physical education, science and social studies
- Elective Areas: art, business education, computer education, foreign languages, family and consumer science, industrial technology, music and reading

DAVENPORT COMMUNITY SCHOOL DISTRICT

DEMOGRAPHIC AND MISCELLANEOUS STATISTICS

- *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

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

DAVENPORT COMMUNITY SCHOOL DISTRICT

DEMOGRAPHIC AND MISCELLANEOUS STATISTICS

Employee Top Awards –

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

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

**DAVENPORT COMMUNITY SCHOOL DISTRICT
DEMOGRAPHIC AND MISCELLANEOUS STATISTICS**

Student Top Awards (Just A Few!) –

- Best Student Long Film Award in Iowa
- Top Iowa Individual Student and Team MathCounts Awards
- Top Ratings in Instrumental & Vocal Music
- SECME National Mousetrap Car Competition Second-Place Team
- 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 – 15,921 (September 25, 2005 Official Enrollment Count Day)

Student/Teacher Ratio –

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

Teacher Data –

	Beginning	Maximum	# of	Average
	Salary	Salary	Teachers	Salary
Bachelors	\$26,165	\$41,864	344	\$32,958
Bachelors + 15 hrs.	\$27,473	\$43,175	289	\$39,420
Masters	\$30,090	\$52,330	297	\$45,235
Masters + 15 hrs.	\$31,398	\$53,638	111	\$49,770
Masters + 30 hrs.	\$32,706	\$54,946	236	\$53,207
Specialists Degree	\$34,014	\$56,255	13	\$55,659
Average Teachers Salary: \$42,973				

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

DAVENPORT COMMUNITY SCHOOL DISTRICT

DEMOGRAPHIC AND MISCELLANEOUS STATISTICS

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 districtwide 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
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO**

<u>Employer</u>	2005		Percentage of Total Employment
	<u>Employees</u>	<u>Rank</u>	
Rock Island Arsenal	6,600	1	4.00 %
Deere & Company	6,400	2	3.88
Genesis Health Systems	4,730	3	2.87
Trinity Regional Health System	2,650	4	1.61
Tyson Fresh Meats	2,400	5	1.46
Alcoa, Inc.	2,200	6	1.33
Davenport Schools	2,139	7	1.30
Kraft Foods/Oscar Mayer	1,500	8	0.91
MidAmerican Energy	1,230	9	0.75
APAC Customer Services, Inc.	950	10	0.58
CASE Corporation	-		-
Eagle Foods Center	-		-
Illini Hospital	-		-
	<u>30,799</u>		<u>18.67</u> %

Note: Information for Quad Cities metropolitan area. Information unavailable for Davenport District.

Note: 2006 and 1996 data unavailable to provide true ten year historical information.

Source: Quad City Development Group, Iowa Workforce Development, Illinois Department of Employment

1997

<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
7,800	1	5.42 %
7,491	2	5.20
2,900	3	2.01
2,147	6	1.49
-		-
2,500	4	1.74
2,368	5	1.64
-		-
900	9	0.62
-		-
1,500	7	1.04
1,490	8	1.03
<u>800</u>	10	<u>0.56</u>
<u><u>29,896</u></u>		<u><u>20.76 %</u></u>

**DAVENPORT COMMUNITY SCHOOL DISTRICT
 FULL-TIME-EQUIVALENT DISTRICT EMPLOYEES BY TYPE
 LAST TEN FISCAL YEARS**

	Full-time-Equivalent Employees as of June 30				
	<u>06-FTE</u>	<u>05-FTE</u>	<u>04 -FTE</u>	<u>03 - FTE</u>	<u>02-FTE</u>
Administration					
District Secretary/Treasurer	1	1	1	1	1
Superintendent	1	1	1	1	1
Asst. Superintendents	2	2	1	1	1
Principals	27	27	28	28	31
Asst. Principals	16	16	16	16	14
All other Administrators	<u>14</u>	<u>14</u>	<u>15</u>	<u>14</u>	<u>15</u>
Total administration	<u>61</u>	<u>61</u>	<u>62</u>	<u>61</u>	<u>63</u>
Instructional					
Teachers	894	896	870	850	935
Teachers - Special Programs	260	258	257	240	242
Teacher Aides	<u>394</u>	<u>394</u>	<u>376</u>	<u>370</u>	<u>406</u>
Total instructional	<u>1,548</u>	<u>1,548</u>	<u>1,503</u>	<u>1,461</u>	<u>1,582</u>
Student Services					
Counselors	38	38	38	25	28
Library Specialist	27	27	25	26	25
Other Ed. Professional	7	7	-	-	-
Nurses	23	23	22	20	17
Other Technical	<u>14</u>	<u>14</u>	<u>12</u>	<u>11</u>	<u>11</u>
Total student services	<u>108</u>	<u>108</u>	<u>97</u>	<u>82</u>	<u>80</u>
Support Services					
Bus Mgr/Accountant	2	2	2	2	3
Other Professional			7	8	5
Office/Clerical	111	111	112	112	103
Crafts/Trades	29	29	29	29	30
Operative					
Service Workers	<u>281</u>	<u>281</u>	<u>282</u>	<u>276</u>	<u>132</u>
Total support services	<u>423</u>	<u>423</u>	<u>432</u>	<u>427</u>	<u>273</u>
TOTAL FTE	<u>2,139</u>	<u>2,139</u>	<u>2,094</u>	<u>2,031</u>	<u>1,998</u>

Source: District records as reported on Certified Annual Report

Full time equivalent employees as of June 30

<u>01-FTE</u>	<u>00-FTE</u>	<u>99-FTE</u>	<u>98-FTE</u>	<u>97-FTE</u>
1	1	1	1	2
1	1	1	1	1
2	2	3	3	3
32	31	31	29	31
16	16	15	13	13
<u>11</u>	<u>11</u>	<u>25</u>	<u>34</u>	<u>28</u>
<u>63</u>	<u>62</u>	<u>76</u>	<u>81</u>	<u>78</u>
980	958	937	937	936
284	309	318	332	323
<u>404</u>	<u>335</u>	<u>337</u>	<u>372</u>	<u>336</u>
<u>1,668</u>	<u>1,602</u>	<u>1,592</u>	<u>1,641</u>	<u>1,595</u>
31	32	33	36	42
31	31	31	30	31
-	-	-	-	-
21	20	19	18	18
<u>13</u>	<u>13</u>	<u>21</u>	<u>20</u>	<u>-</u>
<u>95</u>	<u>95</u>	<u>103</u>	<u>104</u>	<u>90</u>
3	3	1	1	1
4	4	-	1	1
120	117	124	126	124
39	44	34	45	43
-	-	1	89	89
<u>159</u>	<u>241</u>	<u>243</u>	<u>281</u>	<u>267</u>
<u>325</u>	<u>410</u>	<u>403</u>	<u>543</u>	<u>525</u>
<u>2,152</u>	<u>2,169</u>	<u>2,175</u>	<u>2,369</u>	<u>2,287</u>

**DAVENPORT COMMUNITY SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Enrollment	Operating Expenditures	Cost per Pupil	Percentage Change	Teaching Staff	Pupil - Teacher Ratio	Percentage of Students Receiving Free or Reduced-Price Meals
2006	16,310	\$ 137,157,061	\$ 8,409	4.90%	1154	14.13	54.31%
2005	16,446	131,835,442	8,016	-13.49%	1154	14.25	55.56%
2004	13,677	126,742,246	9,267	22.80%	1127	12.14	53.62%
2003	16,417	123,891,530	7,547	3.59%	1090	15.06	51.35%
2002	16,622	121,096,490	7,285	2.01%	1176	14.13	48.67%
2001	16,831	120,205,496	7,142	8.30%	1264	13.32	47.91%
2000	17,366	114,518,693	6,594	3.85%	1267	13.71	45.39%
1999	17,288	109,776,735	6,350	4.96%	1255	13.78	56.00%
1998	17,461	105,633,222	6,050	7.11%	1268	13.77	47.12%
1997	17,540	99,065,374	5,648	N/A	1259	13.93	43.31%

Source: District financial records

DAVENPORT COMMUNITY SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

<u>School</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Elementary										
Adams (1950)										
Square Feet	86,786	86,786	86,786	86,786	86,786	86,786	82,282	82,282	82,282	82,282
Capacity	690	690	690	690	690	690	690	690	690	690
Enrollment	564	567	554	565	519	52	528	522	497	504
Blue Grass (1957)										
Square Feet	66,884	66,884	66,884	66,884	66,884	66,884	66,884	66,884	66,884	66,884
Capacity	552	552	552	552	552	552	552	552	552	552
Enrollment	338	326	336	317	365	350	365	351	359	364
Buchanan (1971)										
Square Feet	60,481	60,481	60,481	60,481	60,481	60,481	56,103	56,103	56,103	56,103
Capacity	506	506	506	506	506	506	506	506	506	506
Enrollment	322	334	345	377	366	363	400	424	429	420
Buffalo (2002)										
Square Feet	53,980	53,980	53,980	53,980	53,980	53,980	53,980	-	-	-
Capacity	391	391	391	391	391	391	391	-	-	-
Enrollment	299	305	316	282	261	304	203	-	-	-
Old Buffalo (1952)										
Square Feet	-	-	-	-	-	-	-	29,245	29,245	29,245
Capacity	-	-	-	-	-	-	-	230	230	230
Enrollment	-	-	-	-	-	-	-	206	210	210
Eisenhower (1969)										
Square Feet	61,442	61,442	61,442	61,442	61,442	61,442	57,811	57,811	57,811	57,811
Capacity	506	506	506	506	506	506	506	506	506	506
Enrollment	424	462	417	399	395	416	426	424	390	394
Fillmore (1955)										
Square Feet	56,017	56,017	56,017	56,017	56,017	56,017	56,017	51,980	51,980	51,980
Capacity	552	552	552	552	552	552	552	552	552	552
Enrollment	380	401	440	425	415	408	479	464	472	477
Garfield (1923)										
Square Feet	90,458	90,458	90,458	90,458	90,458	90,458	68,558	68,558	68,558	68,558
Capacity	483	483	483	483	483	483	483	483	483	483
Enrollment	406	476	459	546	379	388	403	402	395	393
Grant (1912)										
Square Feet	-	-	-	-	-	-	34,789	34,789	34,789	34,789
Capacity	-	-	-	-	-	-	232	232	232	232
Enrollment	-	-	-	-	-	-	231	210	234	227
Harrison (1953)										
Square Feet	72,912	72,912	72,912	72,912	72,912	72,912	72,912	72,912	63,926	63,926
Capacity	598	598	598	598	598	598	598	598	598	598
Enrollment	504	517	527	488	453	449	459	471	484	477

DAVENPORT COMMUNITY SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

<u>School</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Elementary										
Hayes (1923)										
Square Feet	77,618	77,618	77,618	77,618	71,918	71,918	64,918	64,918	64,918	64,918
Capacity	506	506	506	506	506	506	506	506	506	506
Enrollment	256	321	349	336	338	377	432	346	376	337
Jackson (1971)										
Square Feet	55,503	55,503	55,503	55,503	55,503	55,503	53,632	53,632	53,632	53,632
Capacity	529	529	529	529	529	529	529	529	529	529
Enrollment	358	370	396	374	341	358	373	358	374	374
Jefferson (1939)										
Square Feet	64,514	64,514	64,514	64,514	64,514	64,514	64,514	64,514	64,514	64,514
Capacity	552	552	552	552	552	552	552	552	552	552
Enrollment	464	415	404	487	506	495	483	477	428	421
Johnson (1912)										
Square Feet	-	-	-	-	-	-	33,501	33,501	33,501	33,501
Capacity	-	-	-	-	-	-	284	284	284	284
Enrollment	-	-	-	-	-	-	279	276	255	273
Lincoln (1939)										
Square Feet	59,536	59,536	59,536	59,536	59,536	59,536	59,536	59,536	59,536	59,536
Capacity	483	483	483	483	483	483	483	483	483	483
Enrollment	281	240	287	345	337	314	348	358	368	367
Madison (1939)										
Square Feet	64,614	64,614	64,614	64,614	64,614	64,614	64,614	64,614	64,614	64,614
Capacity	506	506	506	506	506	506	506	506	506	506
Enrollment	334	304	326	318	308	339	356	344	374	404
McKinley (1939)										
Square Feet	61,063	61,063	61,063	61,063	61,063	61,063	61,063	61,063	61,063	61,063
Capacity	460	460	460	460	460	460	460	460	460	460
Enrollment	363	354	404	360	289	278	288	287	370	326
Monroe (1938)										
Square Feet	72,435	72,435	72,435	72,435	72,435	72,435	72,435	38,835	38,835	38,835
Capacity	598	598	598	598	598	598	598	598	598	598
Enrollment	467	459	445	434	463	467	464	501	504	530
Roosevelt (N/A)										
Square Feet	-	-	-	-	-	-	-	14,060	14,060	14,060
Capacity	-	-	-	-	-	-	-	152	152	152
Enrollment	-	-	-	-	-	-	-	104	105	122
Perry (N/A)										
Square Feet	-	-	-	-	-	-	22,302	22,302	22,302	22,302
Capacity	-	-	-	-	-	-	260	260	260	260
Enrollment	-	-	-	-	-	-	126	162	160	185

**DAVENPORT COMMUNITY SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS**

<u>School</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Elementary										
Truman (1977)										
Square Feet	61,064	61,064	61,064	61,064	61,064	61,064	61,064	61,064	61,064	61,064
Capacity	391	391	391	391	391	391	391	391	391	391
Enrollment	423	389	373	354	358	372	361	374	361	402
Washington (1939)										
Square Feet	46,180	46,180	46,180	46,180	46,180	46,180	46,180	46,180	46,180	46,180
Capacity	322	322	322	322	322	322	322	322	322	322
Enrollment	290	270	245	247	260	302	304	2,814	227	261
Wilson (1955)										
Square Feet	78,401	78,401	78,401	78,401	78,401	78,401	73,501	73,501	73,501	73,501
Capacity	672	672	672	672	672	672	672	672	672	672
Enrollment	513	503	509	594	581	551	543	533	509	531
Middle										
Smart (1917)										
Square Feet	134,901	134,901	134,901	134,901	134,901	134,901	134,901	119,210	119,210	119,210
Capacity	978	978	978	978	978	978	978	978	978	978
Enrollment	597	625	658	683	678	688	730	726	726	741
Sudlow (1917)										
Square Feet	134,524	134,524	134,524	134,524	134,524	134,524	134,524	118,833	118,833	118,833
Capacity	978	978	978	978	978	978	978	978	978	978
Enrollment	665	706	693	654	653	659	657	683	730	722
Walcott (K-8) (1956)										
Square Feet	92,160	92,160	92,160	92,160	92,160	92,160	87,771	87,771	87,771	87,771
Capacity	722	722	722	722	722	722	722	722	722	722
Enrollment	614	615	610	660	657	658	694	695	659	634
Williams (1954)										
Square Feet	133,794	133,794	133,794	133,794	133,794	133,794	133,794	124,926	124,926	124,926
Capacity	977	977	977	977	977	977	977	977	977	977
Enrollment	779	799	772	792	781	773	746	718	746	738
Wood (1984)										
Square Feet	105,815	105,815	105,815	105,815	105,815	105,815	105,815	99,912	99,912	99,912
Capacity	977	977	977	977	977	977	977	977	977	977
Enrollment	784	812	775	747	720	733	736	767	773	715
Young (1917)										
Square Feet	108,018	108,018	108,018	108,018	108,018	108,018	108,018	108,018	108,018	108,018
Capacity	829	829	829	829	829	829	829	829	829	829
Enrollment	371	382	351	402	436	410	432	435	454	465

DAVENPORT COMMUNITY SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
School										
High										
Central (1904)										
Square Feet	301,385	301,385	301,385	301,385	301,385	301,385	301,385	301,385	301,385	301,385
Capacity	1,933	1,933	1,933	1,933	1,933	1,933	1,933	1,933	1,933	1,933
Enrollment	1,554	1,560	1,475	1,456	1,407	1,398	1,439	1,404	1,380	1,340
North (1972)										
Square Feet	390,763	359,621	359,621	359,621	359,621	359,621	276,940	226,579	226,579	226,579
Capacity	1,551	1,551	1,551	1,551	1,551	1,551	1,551	1,551	1,551	1,551
Enrollment	1,127	1,107	1,142	1,108	1,082	1,059	1,126	1,154	1,187	1,289
West (incl. train. rm. & vest) (1960)										
Square Feet	453,811	453,811	453,811	453,811	449,316	420,196	391,076	357,239	323,402	323,402
Capacity	2,592	2,592	2,592	2,592	2,592	2,592	2,592	2,592	2,592	2,592
Enrollment	2,158	2,138	2,231	2,263	2,336	2,324	2,416	2,350	2,384	2,340
Other										
Child. Village at Hoover (1956)										
Square Feet	20,002	20,002	20,002	20,002	20,002	20,002	4,943	4,943	4,943	4,943
Capacity	138	138	138	138	138	138	94	94	94	94
Enrollment	93	128	81	66	57	41	75	30	90	93
Child. Village West (2004)										
Square Feet	35,400	35,400	-	-	-	-	-	-	-	-
Capacity	286	286	-	-	-	-	-	-	-	-
Enrollment	178	164	-	-	-	-	-	-	-	-
Kimberly Center (1961)										
Square Feet	79,884	79,884	79,884	79,884	79,884	79,884	79,884	79,884	79,884	79,884
Capacity	*	*	*	*	*	*	*	*	*	*
Enrollment	349	335	452	455	428	366	413	396	395	385

Source: District records

* Kimberly Center houses several alternative programs, the District bakery and employee day care center. Capacity is not available.

Davenport Community Schools



Compliance Section





CPAs & BUSINESS ADVISORS

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

To the Board of Education of
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, 2006, which collectively comprise the District’s basic financial statements listed in the table of contents, and have issued our report thereon dated October 18, 2006. 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District’s ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying schedule of findings and questioned costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006, 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 18, 2006.

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 cursive script that reads "Eide Bailly LLP".

Dubuque, Iowa
October 18, 2006



CPAs & BUSINESS ADVISORS

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

To the Board of Education of
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, 2006. 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 grant agreements 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, 2006.

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 grant agreements 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.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grant agreements. The reportable condition is described as item III-A-06 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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 Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
October 18, 2006

**DAVENPORT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
Food Donation	10.550		<u>\$ 331,592</u>
School Nutrition Cluster Programs			
School Breakfast Program	10.553		683,877
National School Lunch Program	10.555		13,426
National School Lunch Program	10.555		2,598,577
Summer Food Service Program for Children	10.559		<u>67,723</u>
			<u>3,363,603</u>
Department of Justice:			
City of Davenport, Iowa:			
Local Law Enforcement Block Grants Program	16.592		7,500
Local Law Enforcement Block Grants Program	16.592		<u>8,026</u>
			<u>15,526</u>
Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010		98,793
Title I Grants to Local Educational Agencies	84.010		22,164
Title I Grants to Local Educational Agencies	84.010		256,821
Title I Grants to Local Educational Agencies	84.010		<u>3,090,888</u>
			<u>3,468,666</u>
Area Education Agency, Davenport, Iowa:			
Special Education – Grants to States	84.027		1,022,280
Special Education – Grants to States	84.027		1,050
Special Education – Grants to States	84.027		<u>4,125</u>
			<u>1,027,455</u>
Iowa Department of Education:			
Vocational Education – Basic Grants to States	84.048		<u>295,380</u>
Rehabilitation Services – Vocational			
Rehabilitation Grants to States	84.126		8,238
Rehabilitation Services – Vocational			
Rehabilitation Grants to States	84.126		<u>52,640</u>
			<u>60,878</u>
Safe and Drug-Free Schools and Communities – National Programs	84.184		<u>38,533</u>
Area Education Agency, Davenport, Iowa:			
Safe and Drug-Free Schools and Communities – State Grants	84.186		<u>126,247</u>

(continued)

**DAVENPORT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

<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)			
Area Education Agency, Davenport, Iowa: (continued)			
Fund for the Improvement of Education	84.215		\$ 111,841
Fund for the Improvement of Education	84.215		<u>124,779</u>
			<u>236,620</u>
Charter Schools	84.282		<u>141,517</u>
State Grants for Innovative Programs	84.298		31,235
State Grants for Innovative Programs	84.298		<u>53,285</u>
			<u>84,520</u>
Education Technology State Grants	84.318		<u>292,917</u>
Advanced Placement Program	84.330		<u>780</u>
Comprehensive School Reform Demonstration	84.332		<u>111,335</u>
Reading First State Grants	84.357		<u>851,503</u>
Early Reading First	84.359		<u>46,646</u>
English Language Acquisition Grants	84.365		<u>32,399</u>
Iowa Department of Education:			
Improving Teacher Quality State Grants	84.367		<u>1,184,362</u>
Grants for State Assessments and Related Activities	84.369		<u>102,318</u>
Federal Hurricane Relief Funding Program	84.938		<u>76,500</u>
Corporation for National and Community Service:			
Iowa Department of Education:			
Learn and Serve America – School and Community Based Programs	94.004		930
Learn and Serve America – School and Community Based Programs	94.004		<u>4,970</u>
			<u>5,900</u>
Total			<u>\$11,895,197</u>

DAVENPORT COMMUNITY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

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, 2006**

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements but was not considered a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements but was not considered a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is 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:
 - School Nutrition Cluster Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.559 – Summer Food Service Program for Children
 - CFDA Number 84.027 – Special Education – Grants to States
 - CFDA Number 84.367 – Improving Teacher Quality State Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$356,856.
- (i) The Davenport Community School District qualified as a low-risk auditee.

Part II: Findings Related to Basic Financial Statements:

REPORTABLE CONDITION

II-A-06 Cash and Receivable Reconciliations – During the audit, the District experienced significant difficulties in performing reconciliations in the areas of cash and grant receivables. The difficulties stemmed from staff inexperienced with the year-end reconciliation process and conflicting reporting requirements of the trial balance required by the Iowa Department of Education and financial statements prepared under generally accepted accounting principals (GAAP).

Recommendation – Staff should be trained in not only the policies and procedures of the District, but also GAAP. The District's reconciliations should be performed timely, completely and accurately. The procedures of the District should be updated to resolve differences between the information needed to be submitted to the State and the information needed to prepare GAAP financial statements.

**DAVENPORT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006**

Part II: Findings Related to Basic Financial Statements: (continued)

Response – The District will continue to work with the State and provide input to the State on reporting procedures following GAAP. The District will provide more training to staff in GAAP and District policies and procedures.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

REPORTABLE CONDITION

CFDA Number 10.553 – School Breakfast Program
CFDA Number 10.555 – National School Lunch Program
CFDA Number 10.559 – Summer Food Service Program for Children
Department of Agriculture
Passed Through the Iowa Department of Education

CFDA Number 84.027 – Special Education – Grants to States
Department of Education
Passed Through Area Education Agency, Davenport, Iowa

CFDA Number 84.367 – Improving Teacher Quality State Grants
Department of Education
Passed Through the Iowa Department of Education

III-A-06 Cash and Receivable Reconciliations – The District experienced significant difficulties in performing reconciliations in the areas of cash and grant receivables. See Item II-A-06.

Part IV: Other Findings Related to Statutory Reporting:

IV-A-06 Certified Budget – Expenditures for the year ended June 30, 2006, exceeded the amended certified budget amount in the support services function.

Recommendation – The certified 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 continue to monitor the budget throughout the year in functional areas and make adjustments as needed.

Conclusion – Response accepted.

IV-B-06 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, 2006**

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

- IV-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted.
- IV-D-06 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-06 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.
- IV-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-06 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 2005 was overstated by two students. The District's certified enrollment count included two tuitioned out resident public students to a community college that were also included in the full-time K-12 category. In addition, the District's certified enrollment count included an overstated amount for the number of resident students in class used to calculate line 12 supplementary weighting. This resulted in an overstatement of 0.3 in line 12.
- Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response – The Department of Education and Department of Management have been contacted regarding the adjustment.
- Conclusion – Response accepted.
- IV-H-06 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.
- IV-I-06 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 2007 beginning equity balances.
- IV-J-06 Claims – Chapter 279.29 of the Code of Iowa requires the Board to audit all claims prior to payment. The audit can also be made by one or more of the Board members designated by the Board or by a certified public account (CPA) employed by the Board. Currently, the Board is relying on the Board secretary to audit the claims. This is not in accordance with the Code of Iowa.

**DAVENPORT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006**

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

Recommendation – The Board should audit the claims, or designate a Board Member or employ a CPA to audit the claims in accordance with Chapter 279.29 of the Code of Iowa.

Response – The Board will make all changes necessary in order to comply with the Iowa Code in regards to auditing claims.

Conclusion – Response accepted.

Davenport Community Schools

