

Davenport Community School District

Comprehensive Annual Financial Report

*For the year ended
June 30, 2007*

DAVENPORT
COMMUNITY
SCHOOLS

1606 Brady
Davenport, IA 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

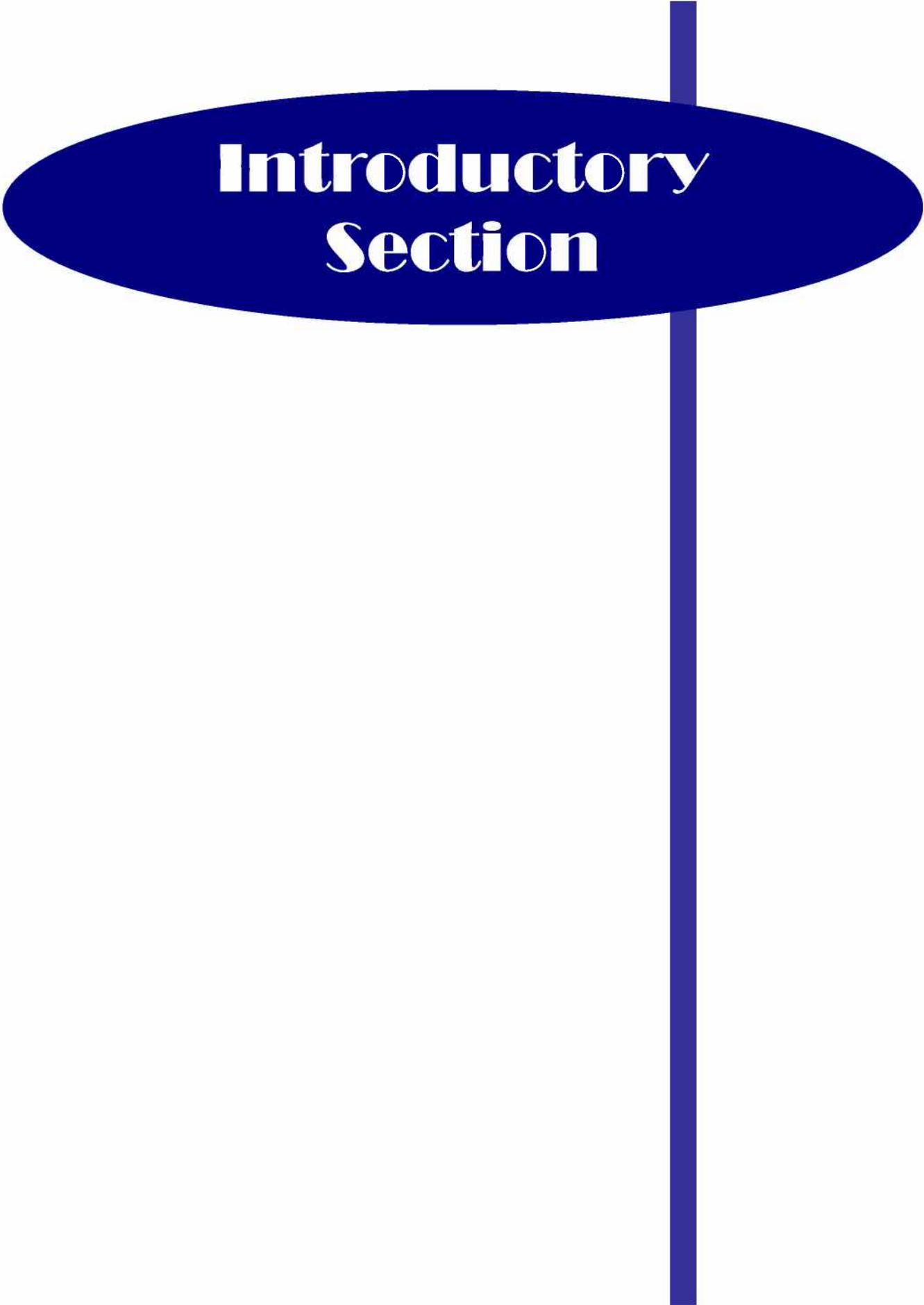
Fiscal Year Ended June 30, 2007

Prepared by:

**Marsha Tangen
Chief Financial Officer
1606 Brady Street
Davenport, Iowa 52803**

Davenport Community School District





**Introductory
Section**

Davenport Community School District



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Introductory Section

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Davenport Community School District



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 School District Officials
Year Ended June 30, 2007**

Name	Title	Term Expires
Board of Education		
Patt Zamora	President	2009
Larry Roberson	Vice President	2009
Richard Clewell	Director	2007
Nikki DeFauw	Director	2007
Ralph Johanson	Director	2007
Ken Krumwiede	Director	2008
Tim Tupper	Director	2008

School District Officials

Julio Almanza	Superintendent
Linda Smith-Kortemeyer	Board Secretary/Treasurer
Marsha Tangen	Chief Financial Officer

December 3, 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 ended June 30, 2007. 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.

RSM McGladrey, Certified Public Accountants, have issued an unqualified ("clean") opinion on the Davenport Community School District's financial statements for the year ended June 30, 2007. 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 16,000 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. The geographic area served includes the cities of Davenport, Blue Grass, Walcott and Buffalo, Iowa and portions of the agricultural territory in Scott and Muscatine Counties.

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

The District is composed of three high schools, six intermediate schools, 19 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 2006-07 school year was approximately 16,081 regular and special education students. The District employs approximately 2080 persons of whom approximately 1,273 are professional staff and 807 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 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 are 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 6 weeks 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 emersion 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.

Overall, the bi-state region's economy appears healthy. Currently, the total labor force is larger than any time in the past 25 years, where unemployment remains below 5%. Retail sales figures show growth in four of the five counties in the bi-state region.

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 300-mile radius is the largest between Los Angeles and Chicago.

Local development groups are working on several projects that if brought to fruition, will positively impact the economy in the near future. Stakeholders are working with the State of Illinois on expanding the campus of Western Illinois University at Moline's riverfront. A multiuse business, research and technology park adjacent to the new campus is also planned. Muscatine, Iowa officials are developing funding opportunities for Pearl City Pavilion, a proposed downtown arts and entertainment center.

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 core threat to the area's economy continues to be the scheduled loss of jobs at the Rock Island Arsenal. As part of the continued restructuring of the U.S. Military, there will be a net loss of approximately 1,100, mostly civilian, jobs by 2011. If those jobs were to leave the Arsenal, the region would lose an additional 1,487 jobs.

Other recent developments of concern are related to structural changes at three companies with significant facilities located within the region. John Deere Health was acquired by Minnesota based United Health Group. It is anticipated that the acquisition will lead to job loss. Bridgestone acquired Bandag, a Muscatine based company that provides tire retreading. This acquisition will reduce jobs in the region. Finally, KONE a Finland-based elevator manufacturer has decided to move its North American headquarters out of Moline. The move will cost the region 15-20 executive level jobs.

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 and job attraction

Long-term financial planning

Unreserved, undesignated fund balance in the General Fund is significantly up from 2005-06. The District's solvency ratio for 2006-07 is 3.71%, up from 2.19% in 2005-06. 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 the 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.

The District has set financial benchmarks as a way to have a plan in place for spending and setting priorities. The District has had a positive fund balance the last couple of years, though not at the amount recommended. While striving to obtain the recommended amount, there are also unfunded needs that need to be addressed.

The District has established the following benchmarks to be met by June 30, 2011:

1. Financial Solvency Ratio – 5%
2. Days Net Cash Ratio – 90 days
3. Unspent Balance Ratio – 5-10%

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 2007 legislature will set the FY09 state percent of growth. The allowable growth becomes increasingly important; 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
- ❖ Credit Recovery
- ❖ Freshman Transition/Academy
- ❖ Reading First, Reading Recovery, Read 180, Reading Mastery, Reading Workshop
- ❖ Fast For Word
- ❖ 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 for next year with funding coming from either the Physical Plant and Equipment Levy or from Local Option Sales Tax proceeds. Those projects for 2007-08 include:

- ❖ Completion of the auxiliary gymnasium and interior renovation at Central High School
- ❖ PE renovation and expansion at North High School
- ❖ Window replacement at Sudlow Intermediate
- ❖ Office remodeling and renovation at KCAE

Several other minor projects will also take place during 2007-08 with the above mentioned funding in place.

Cash Management Policies and Practices

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

To maximize investment return, the District informally bids its investments with all local interested financial institutions, the Iowa Schools Joint Investment Trust and IPAS education program. Interest revenue in the General Fund for 2006-07 was \$1,574,935, more than twice that of fiscal year 2005-06. 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), awarded a Certificate of Achievement for Excellence in Financial Reporting to the Davenport Community School District for its comprehensive annual financial report for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Association of School Business Officials International, (ASBO), awarded a Certificate of Excellence in Financial Reporting to the Davenport Community School District for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This Certificate is a prestigious national award, recognizing conformance with the highest standards for preparation of government financial reports.

We believe that our current CAFR also conforms to the requirements for the Certificate of Excellence in Financial Reporting and we are submitting it to ASBO to determine its eligibility for a 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
Juen 30, 2006

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



President

Executive Director

Association of School Business Officials International



This Certificate of Excellence in Financial Reporting

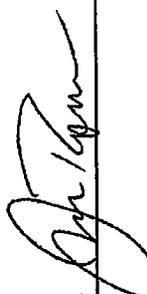
is presented to

DAVENPORT COMMUNITY SCHOOL DISTRICT

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2006

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



President



Executive Director



Financial Section

Davenport Community School District



McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Davenport Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Davenport Community School District as of June 30, 2007, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 16 and budgetary comparison information on pages 45 through 47 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Davenport Community School District's basic financial statements. The combining nonmajor fund financial statements and other schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information had not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Davenport, Iowa
November 20, 2007

Davenport Community School District

Management's Discussion and Analysis

For the Year Ended June 30, 2007

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 ended June 30, 2007. 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, 2007 fund balance improved to \$8,022,673 from the June 30, 2006 fund balance of \$4,202,647.
- The District's tax levy rate remained constant and did not increase for the 2006-07 school year.
- The District continues to be successful in receiving local, state and federal grants. In 2007, the District received almost \$16 million, or 11.22% of all general fund revenues.
- A turnaround in interest rates and competitive bidding resulted in interest earnings in the General Fund to double from \$769,660 in fiscal year 2006 to \$1,574,935 in fiscal year 2007.
- 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 exceeded the \$1,000,000 mark in energy savings since beginning the "Energy Efficient School" campaign in 2003.
- Special education posted a deficit for 2006-07 of (\$48,593). This is the fourth year in a row that special education has ended the year in a deficit. The 2005-06 deficit was (\$1,640,908).
- The certified enrollment for 2006-07 was down 212 students resulting in the District only receiving 3.35% in new funding compared to the state allowable growth amount of 4% for 2006-07.

Overview of the Financial Statements

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

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

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

Figure A-1

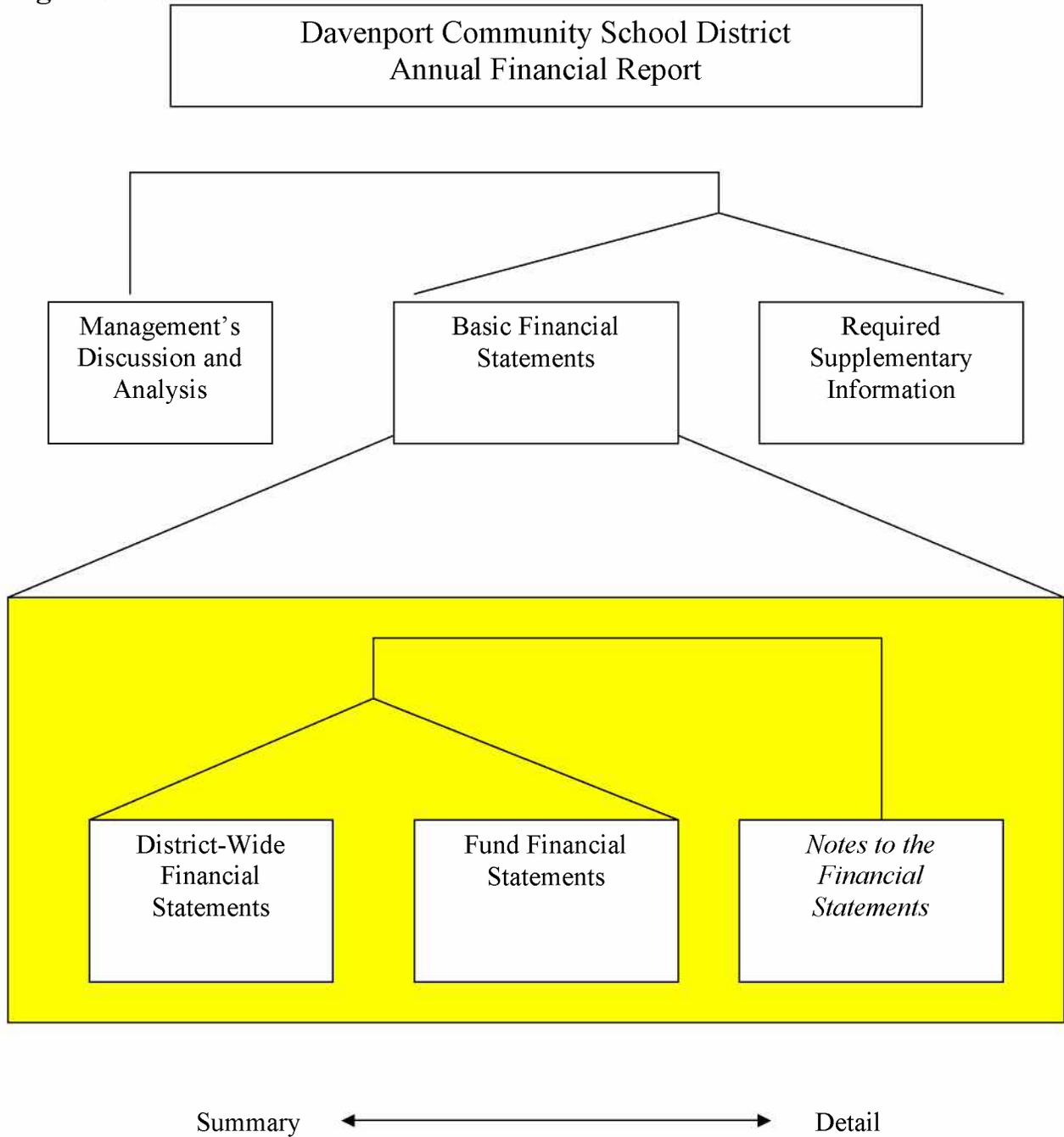


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

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

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services is included here	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statements of revenues, expenditures and changes in fund balance 	<ul style="list-style-type: none"> • Statement of net assets • 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

District-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

Financial Analysis of the District as a Whole

Net assets. Figure A-3 below provides a summary of the District’s net assets for the year ended June 30, 2007 compared to 2006.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2006-07
	2006	2007	2006	2007	2006	2007	
Current and other assets	\$103,700,019	\$114,138,770	\$268,352	(\$190,064)	\$103,968,371	\$113,948,706	9.6%
Capital assets	\$111,335,475	\$114,023,379	\$995,006	\$919,518	\$112,330,481	\$114,942,897	2.3%
Total Assets	\$215,035,494	\$228,162,149	\$1,263,358	\$729,454	\$216,298,852	\$228,891,603	5.8%
Long-term debt outstanding	\$22,104,249	\$15,364,938	\$0	\$0	\$22,104,249	\$15,364,938	-30.5%
Other liabilities	\$87,017,710	\$89,469,869	\$476,660	\$150,450	\$87,494,370	\$89,620,319	2.4%
Total liabilities	\$109,121,959	\$104,834,807	\$476,660	\$150,450	\$109,598,619	\$104,985,257	-4.2%
Net Assets							
Invested in capital assets, net of related debt	\$85,255,475	\$94,038,379	\$995,006	\$919,518	\$86,250,481	\$94,957,897	10.1%
Restricted	\$17,795,508	\$21,162,958	\$0	\$0	\$17,795,508	\$21,162,958	18.9%
Unrestricted	\$2,862,552	\$8,126,005	(\$208,308)	(\$340,514)	\$2,654,244	\$7,785,491	193.3%
TOTAL NET ASSETS	\$105,913,535	\$123,327,342	\$786,698	\$579,004	\$106,700,233	\$123,906,346	16.1%

The District’s combined total net assets increased by 16.1% to \$123,906,346. The majority of this improvement in the financial position came from governmental activities, the net assets of which grew \$17,413,807. Unrestricted net assets improved to \$8,126,005 up from the 2006 amount of \$2,862,552. The long-term debt outstanding declined by \$6,739,311 as long term debt is paid off. Investments in capital assets (net of related debt) increased by \$8,707,416 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 \$207,694. This is reflective of a decrease in current and other assets to (\$190,064) and a decrease in other liabilities.

Changes in net assets. Figure A-4 shows the changes in net assets for the fiscal year 2007.

Changes in Net Assets from Operating Results

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2006-07
	2006	2007	2006	2007	2006	2007	
Revenues							
Program Revenues							
Charges for services	\$ 3,718,848	\$ 4,781,066	\$ 2,727,852	\$ 2,774,961	\$ 6,446,700	\$ 7,556,027	17.21%
Operating Grants & Contributions	\$ 22,019,691	\$ 24,009,203	\$ 3,816,447	\$ 4,309,633	\$ 25,836,138	\$ 28,318,836	9.61%
Capital Grants & Contributions	\$ 232,035	\$ 162,112	\$ -	\$ -	\$ 232,035	\$ 162,112	-30.13%
General Revenues							
Property taxes & other taxes	\$ 68,765,559	\$ 71,983,405	\$ -	\$ -	\$ 68,765,559	\$ 71,983,405	4.68%
State formula aid	\$ 63,441,500	\$ 67,397,428	\$ -	\$ -	\$ 63,441,500	\$ 67,397,428	6.24%
Other	\$ 2,954,781	\$ 2,435,632	\$ 10,175	\$ -	\$ 2,964,956	\$ 2,435,632	-17.85%
Total Revenues	\$ 161,132,414	\$ 170,768,846	\$ 6,554,474	\$ 7,084,594	\$ 167,686,888	\$ 177,853,440	6.06%
Expenses							
Instruction	\$ 103,265,247	\$ 106,527,884	\$ -	\$ -	\$ 103,265,247	\$ 106,527,884	3.16%
Pupil & Instructional Svcs	\$ 10,784,681	\$ 12,915,711	\$ -	\$ -	\$ 10,784,681	\$ 12,915,711	19.76%
Administrative & Business	\$ 11,949,692	\$ 11,504,646	\$ -	\$ -	\$ 11,949,692	\$ 11,504,646	-3.72%
Maintenance & Operations	\$ 11,931,445	\$ 12,249,743	\$ -	\$ -	\$ 11,931,445	\$ 12,249,743	2.67%
Transportation	\$ 3,256,495	\$ 3,762,589	\$ -	\$ -	\$ 3,256,495	\$ 3,762,589	15.54%
Other	\$ 6,431,891	\$ 6,394,466	\$ 7,050,762	\$ 7,292,288	\$ 13,482,653	\$ 13,686,754	1.51%
Total Expenses	\$ 147,619,451	\$ 153,355,039	\$ 7,050,762	\$ 7,292,288	\$ 154,670,213	\$ 160,647,327	3.86%
Increase (decrease) in net assets	\$ 13,512,963	\$ 17,413,807	\$ (496,288)	\$ (207,694)	\$ 13,016,675	\$ 17,206,113	32.19%

Figure A-4

Overall, total net assets increased by 32.19% over 2005-06. As shown in Figure A-4, property tax and state aid provide 81.62% 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 breaks the revenues down further showing grants and contributions making up 14% of all revenues.

Revenues for governmental activities increased by 5.98%. State aid was up 6.24% and property taxes were up 4.68%. Capital grants were down 30.13% but operating grants for governmental and business-type activities were up 9.61%.

The District's predominant expenses are related to instruction, as can be seen in Figure A-6. Basic Instructional services together with Pupil & Instructional services comprise 74% of the District's expenditures. Administrative and Business expenditures show a decrease of 3.72% from 2005-06. This can be attributable to the reclassification of expenditures. Pupil and Instructional services show an increase of 19.76%. Due to a 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 line items. Overall, expenditures show a modest increase of 3.86%.

Business type activities experienced a \$207,694 decrease in net assets for 2006-07. Total revenues increased \$530,120 or 8.09% while expenses increased by \$241,526 or 3.43%. Both the Food & Nutrition Fund and Day Care Fund are experiencing expenses greater than the revenue being generated. The Day Care Fund is experiencing lower revenues as employee costs continue to rise higher than the charges for services.

Figure A-5

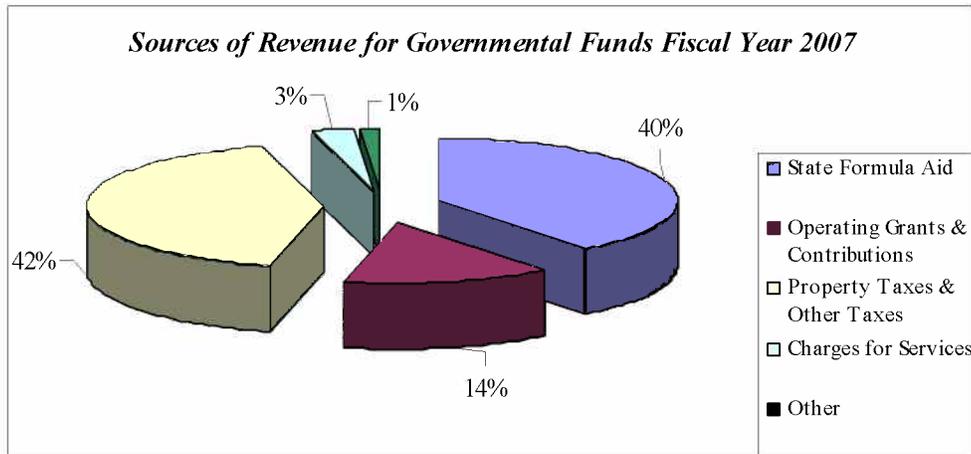
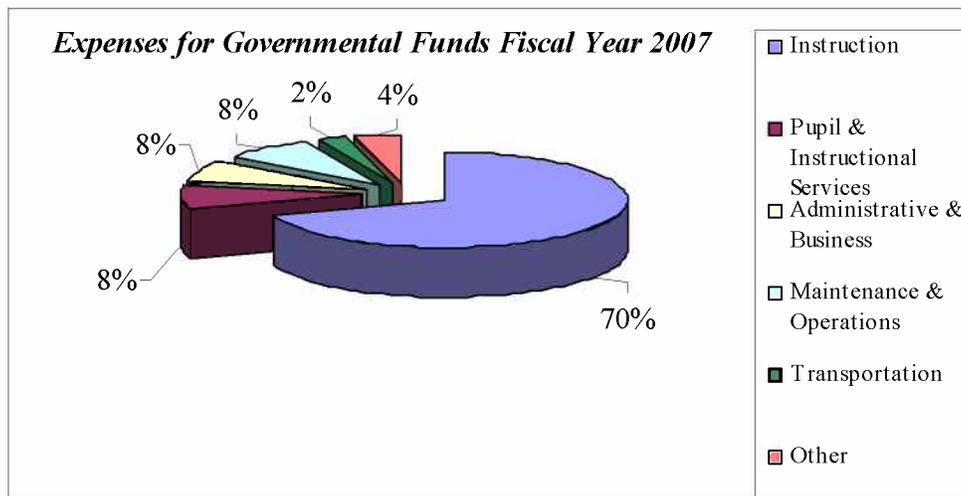


Figure A-6



Governmental Activities

Revenues for governmental activities were \$170,768,846 while total expenses amounted to \$153,355,039 (Figure A-4).

- The federal and state governments subsidized certain programs with grants and contributions of over \$24 million.
- Governmental activities were financed with \$71,983,405 in property taxes and \$67,397,428 of unrestricted state aid based on the statewide finance formula.
- Charges for services account for only 2.80% of all governmental revenues.

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

Figure A-7

Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change 2006-07	Net Cost of Services		Percentage Change 2006-07
	2006	2007		2006	2007	
Instruction	\$ 103,265,247	\$ 106,527,884	3.16%	\$ 83,862,526	\$ 84,926,650	1.27%
Pupil & Instructional Svcs	\$ 8,088,508	\$ 9,733,842	20.34%	\$ 6,845,797	\$ 8,130,700	18.77%
Administrative & Business	\$ 14,645,865	\$ 14,686,515	0.28%	\$ 14,636,863	\$ 14,678,161	0.28%
Maintenance & Operations	\$ 11,931,445	\$ 12,249,743	2.67%	\$ 11,724,718	\$ 12,225,952	4.28%
Transportation	\$ 3,256,495	\$ 3,762,589	15.54%	\$ 3,256,495	\$ 3,469,367	6.54%
Other	\$ 6,431,891	\$ 6,394,466	-0.58%	\$ 1,322,478	\$ 971,828	-26.51%
TOTAL	\$ 147,619,451	\$ 153,355,039	3.89%	\$ 121,648,877	\$ 124,402,658	2.26%

- The cost of all governmental activities this year was \$153,355,039, up 3.89% from 2005-06.
- Most of the District's costs were financed by District and state taxpayers for a total net cost of services of \$124,402,658 or 81.12% of total costs.

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 \$207,694 for 2006-07. In 2005-06 expenses exceeded revenues by \$496,288.
- Charges for services in the Food & Nutrition and Employee Day Care programs represent 39.17% of total revenue. This represents the amount paid by students/staff for daily food service and for the weekly fees for parents utilizing the Employee Day Care.
- Federal and state reimbursement for meals, including payments for free and reduced lunches, was \$4,309,633. 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 \$29,185,631, an increase of \$7,187,476 in comparison with the prior year. The biggest difference is in the General fund which experienced an increase in revenues of \$3,820,026 from last year.

Over 32% 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 \$387,257, 2) Prepaid expenses \$324,427, 3) Debt Service \$12,136,692, 4) Talented and Gifted \$331,007, 5) Non public textbooks \$2,718, 6) Encumbrances \$5,690,784 and 7) Student Activities \$839,893.

In addition, the District has *designated* funds for federal categorical \$1,106,654, state categorical \$346,505 and local grant funding \$129,412. Grants received from federal, state and local sources can span multiple years and funding is designated to meet those funding requirements.

The General Fund is the chief operating fund of the Davenport Schools. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$5,394,693 while total fund balance increased to \$8,022,673.

The fund balance of the Davenport Schools general fund improved by \$3,820,026, or almost 91.11% during the current fiscal year. The 2005-06 fund balance improved by 89.7% over 2004-05. Key factors in this improvement are as follows:

- A reduction in the Special Education deficit. Contributing to the improvement was the reduction of staff, particularly para educator hours. Also contributing to the bottom line was an increase in Medicaid and High Cost revenue.
- Budget reductions were put into place which included reducing 3.5 FTE of facilitators/teachers-in-charge, 5 FTE media specialists and restructuring of the adult education program.
- An early retirement incentive offered to certified staff.
- Interest rates continued to improve during the year and the District benefited from on-line bidding of investments.

The capital projects fund has a total fund balance of \$14,216,252 compared to \$11,799,483 in 2005-06. Construction during 2006-07 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 \$1,432,608 in construction contracts payable.

Budgetary Highlights

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 its internal service and agency funds. The legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year, the District amended its annual operating budget one time to reflect additional revenue and expenditures associated with programs and activities added or changed during the fiscal year. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Legal Budgetary Highlights

The District's total actual revenues were approximately \$3,073,792 more than the total budgeted revenues, a variance of less than 2 percent from the final budget. Approximately \$2,100,000 of this variance is from local source revenues that exceeded the budgeted amounts primarily from the General Fund and student activity fund.

Total expenditures were less than budgeted by approximately \$7,600,000 primarily due to timing of capital outlay expenditures.

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:

- Additional Physical Plant and Equipment Projects
- Increases for interest earnings, tuition to early childhood programs and increased funding from state and federal sources

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

Capital Assets and Debt Administration

Capital Assets

The Davenport Schools investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounts to \$114,942,897 (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 2.33%.

Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2006-07
	2006	2007	2006	2007	2006	2007	
Land and improvements	\$ 6,472,208	\$ 6,502,555	\$ -	\$ -	\$ 6,472,208	\$ 6,502,555	0.47%
Construction in progress	\$ 2,528,997	\$ 3,747,395	\$ -	\$ -	\$ 2,528,997	\$ 3,747,395	48.18%
Buildings and improvements	\$ 100,452,370	\$ 102,125,097	\$ -	\$ -	\$ 100,452,370	\$ 102,125,097	1.67%
Furniture and Equipment	\$ 1,881,900	\$ 1,648,332	\$ 995,006	\$ 919,518	\$ 2,876,906	\$ 2,567,850	-10.74%
TOTAL	\$ 111,335,475	\$ 114,023,379	\$ 995,006	\$ 919,518	\$ 112,330,481	\$ 114,942,897	2.33%

Figure A-8

The difference between 2005-06 and 2006-07 is the completion of several construction projects. The amount of Construction in Progress increased by \$1,218,298 and Buildings and Improvements increased by \$1,672,727. The number of projects under construction during the summer months has decreased over last year.

Construction in progress activities during 2006-07 included:

- Auxiliary gymnasium at Central High School
- Renovation of Science classrooms at West High School

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

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

Additional information about the District's capital assets can be found in Note 3 to the financial statements.

Long-Term Debt

At year-end, the District had no 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 Note 5 to the financial statements.

Factors Bearing on the District's Future

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

- 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 2006-07. Staffing guidelines have been revised in order to reduce costs, however, constant monitoring will be required in ensure the guidelines are followed.
- Effective July 1, 2007, an incremental increase to the employee's share of the Iowa Public Employees Retirement System (IPERS) contributions will go into effect until 2010 when employees share will be 6.95%.
- The District is preparing to present the Local Option Sales and Services Tax to the voters in the spring of 2008 for another 10-year renewal. This fund is vital to capital projects within the District. Without passage of this levy which could generate over \$9 million a year, projects will be neglected.
- 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 continues to offer early retirement incentives or discontinues the program.
- Current law and the District's desegregation policy allows the District to regulate open enrollment to maintain racial balance in the District. The Iowa Department of Education based upon a recent court case, has indicated that use of race by the District will not be allowed in determining open enrollment. This has a potential financial impact on the District.
- Because of the achievement gaps that still exist in some subject areas and in some student groups across the district, primarily students with Individual Education Plans (IEP – Special Education Students) and our African American students, our district is designated as a District in Need of Assistance by Iowa Department of Education. What this means is that the Iowa Department of Education has put together a team of professionals to assist our district in developing an action plan to address the learning needs of students and provide additional support for our local efforts to bolster student achievement, especially among the targeted groups mentioned above. The district leadership and staff have been working on a plan to address these specific needs including an audit of instructional practices and resources, research of best practices, conducting meetings including teacher and parent representatives, and analysis of local student data.

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.

Davenport Community School District



Davenport Community School District

Statement of Net Assets

June 30, 2007

Assets	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and cash equivalents	\$ 50,407,684	\$ -	\$ 50,407,684
Receivables:			
Property taxes	57,200,337	-	57,200,337
Other	577,124	37,633	614,757
Due from other governmental units	4,732,266	168,077	4,900,343
Internal balances	509,675	(509,675)	-
Inventories	387,257	113,901	501,158
Prepaid expenses	324,427	-	324,427
Total current assets	114,138,770	(190,064)	113,948,706
Noncurrent assets:			
Capital assets, not being depreciated	7,767,653	-	7,767,653
Capital assets, being depreciated	160,945,214	2,274,414	163,219,628
Less accumulated depreciation	(54,689,488)	(1,354,896)	(56,044,384)
Total noncurrent assets	114,023,379	919,518	114,942,897
Total assets	\$ 228,162,149	\$ 729,454	\$ 228,891,603

See Notes to Basic Financial Statements.

Liabilities	Governmental Activities	Business-Type Activities	Total
Current liabilities:			
Accounts payable	\$ 3,470,439	\$ 93,643	\$ 3,564,082
Accrued payroll and payroll taxes	17,135,116	53,989	17,189,105
Health claims and administrative costs payable	2,651,593	-	2,651,593
Compensated absences	510,507	2,818	513,325
Construction contracts payable	1,432,608	-	1,432,608
Unearned revenue	56,753,439	-	56,753,439
Accrued interest	485,114	-	485,114
Early retirement obligations	661,053	-	661,053
Bond obligations	6,370,000	-	6,370,000
Total current liabilities	89,469,869	150,450	89,620,319
Noncurrent liabilities:			
Early retirement obligations	1,749,938	-	1,749,938
Bond obligations	13,615,000	-	13,615,000
Total noncurrent liabilities	15,364,938	-	15,364,938
Total liabilities	104,834,807	150,450	104,985,257
Net Assets			
Invested in capital assets, net of related debt	94,038,379	919,518	94,957,897
Restricted for:			
Debt service	12,136,692	-	12,136,692
Capital projects	2,571,138	-	2,571,138
Physical plant and equipment	3,460,320	-	3,460,320
Employee benefits	2,154,915	-	2,154,915
Student activities	839,893	-	839,893
Unrestricted	8,126,005	(340,514)	7,785,491
Total net assets	123,327,342	579,004	123,906,346
Total liabilities and net assets	\$ 228,162,149	\$ 729,454	\$ 228,891,603

Davenport Community School District

**Statement of Activities
Year Ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, and Contributions	Capital Grants, and Contributions
Governmental Activities				
Instruction	\$ 106,527,884	\$ 4,781,066	\$ 16,757,580	\$ 62,588
Student support services	5,506,239	-	1,406,342	-
Instructional staff support services	4,227,603	-	97,276	99,524
General administration	3,181,869	-	-	-
Building administration	8,179,463	-	8,354	-
Business and central administration	3,325,183	-	-	-
Plant operation and maintenance	12,249,743	-	23,791	-
Student transportation	3,762,589	-	293,222	-
Area Education Agency	5,422,638	-	5,422,638	-
Interest on long-term debt	971,828	-	-	-
Total governmental activities	153,355,039	4,781,066	24,009,203	162,112
Business-type activities:				
Food services	6,942,428	2,436,442	4,304,716	-
Day care	349,860	338,519	4,917	-
Total business-type activities	7,292,288	2,774,961	4,309,633	-
Total school district	\$ 160,647,327	\$ 7,556,027	\$ 28,318,836	\$ 162,112

General revenues:

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

Changes in net assets
Net assets, beginning of year
Net assets, end of year

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (84,926,650)	\$ -	\$ (84,926,650)
(4,099,897)	-	(4,099,897)
(4,030,803)	-	(4,030,803)
(3,181,869)	-	(3,181,869)
(8,171,109)	-	(8,171,109)
(3,325,183)	-	(3,325,183)
(12,225,952)	-	(12,225,952)
(3,469,367)	-	(3,469,367)
-	-	-
(971,828)	-	(971,828)
(124,402,658)	-	(124,402,658)
-	(201,270)	(201,270)
-	(6,424)	(6,424)
-	(207,694)	(207,694)
57,104,269	-	57,104,269
14,879,136	-	14,879,136
67,397,428	-	67,397,428
1,963,695	-	1,963,695
471,937	-	471,937
141,816,465	-	141,816,465
17,413,807	(207,694)	17,206,113
105,913,535	786,698	106,700,233
\$ 123,327,342	\$ 579,004	\$ 123,906,346

Davenport Community School District

Balance Sheet - Governmental Funds
June 30, 2007

Assets	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 24,550,047	\$ 13,291,636	\$ 7,191,666	\$ 45,033,349
Receivables:				
Property taxes	50,200,260	-	7,000,077	57,200,337
Other	460,112	83,043	31,848	575,003
Due from other governmental units	2,456,796	2,275,470	-	4,732,266
Due from other funds	547,314	-	752	548,066
Inventories	387,257	-	-	387,257
Prepaid items	324,427	-	-	324,427
Total assets	\$ 78,926,213	\$ 15,650,149	\$ 14,224,343	\$ 108,800,705
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 3,093,822	\$ -	\$ 376,617	\$ 3,470,439
Accrued payroll and payroll taxes	17,131,779	-	3,337	17,135,116
Due to other funds	752	1,289	4,561	6,602
Construction contracts payable	-	1,432,608	-	1,432,608
Unearned revenue	50,677,187	-	6,893,122	57,570,309
Total liabilities	70,903,540	1,433,897	7,277,637	79,615,074
Fund balances:				
Reserved for:				
Inventories	387,257	-	-	387,257
Prepaid items	324,427	-	-	324,427
Debt service	-	11,645,114	491,578	12,136,692
Phase III, SIT & TAG	331,007	-	-	331,007
Nonpublic textbooks	2,718	-	-	2,718
Student activities	-	-	839,893	839,893
Encumbrances	-	5,690,784	-	5,690,784
Unreserved:				
Designated:				
Federal categorical funding	1,106,654	-	-	1,106,654
State categorical funding	346,505	-	-	346,505
Local grant funding	129,412	-	-	129,412
Undesignated, reported in:				
General Fund	5,394,693	-	-	5,394,693
Special revenue funds	-	-	5,615,235	5,615,235
Capital Projects Fund	-	(3,119,646)	-	(3,119,646)
Total fund balances	8,022,673	14,216,252	6,946,706	29,185,631
Total liabilities and fund balances	\$ 78,926,213	\$ 15,650,149	\$ 14,224,343	\$ 108,800,705

See Notes to Basic Financial Statements.

Davenport Community School District

Reconciliation of Total Governmental Fund Balances to Net Assets
of Governmental Activities
June 30, 2007

Total governmental fund balances		\$	29,185,631
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			
Capital assets	\$	168,712,867	
Accumulated depreciation		<u>(54,689,488)</u>	114,023,379
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:			
Property taxes		119,148	
Other receivables		<u>697,722</u>	816,870
Internal service funds are 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.			2,724,863
Internal service funds allocated to business-type activities			(31,789)
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		(19,985,000)	
Accrued interest on the bonds		(485,114)	
Compensated absences		(510,507)	
Early retirement obligations		<u>(2,410,991)</u>	(23,391,612)
Net assets of governmental activities			<u>\$ 123,327,342</u>

See Notes to Basic Financial Statements.

Davenport Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2007

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 50,154,807	\$ -	\$ 7,002,173	\$ 57,156,980
Local option sales tax, pledged as security for revenue bonds	-	14,879,136	-	14,879,136
Intergovernmental	88,510,488	-	4,640	88,515,128
Charges for services	2,290,106	-	-	2,290,106
Interest	1,574,935	229,719	159,041	1,963,695
Contributions and donations	281,982	-	-	281,982
Other	2,734,330	-	1,529,648	4,263,978
Total revenues	145,546,648	15,108,855	8,695,502	169,351,005
Expenditures:				
Current:				
Instruction	100,102,139	-	1,468,382	101,570,521
Student support services	4,836,112	-	875,023	5,711,135
Instructional staff support services	4,139,538	-	86,930	4,226,468
General administration	1,795,486	-	1,371,694	3,167,180
Building administration	8,171,963	7,500	-	8,179,463
Business and central administration	3,322,681	-	-	3,322,681
Plant operation and maintenance	10,255,426	-	1,962,255	12,217,681
Student transportation	3,703,226	-	52,085	3,755,311
Area Education Agency	5,422,638	-	-	5,422,638
Capital outlay	-	5,478,736	1,904,265	7,383,001
Debt service:				
Principal	-	-	6,095,000	6,095,000
Interest	-	-	1,112,450	1,112,450
Total expenditures	141,749,209	5,486,236	14,928,084	162,163,529
Excess (deficiency) of revenues over expenditures	3,797,439	9,622,619	(6,232,582)	7,187,476
Other financing sources (uses):				
Transfers in	22,587	-	7,205,850	7,228,437
Transfers out	-	(7,205,850)	(22,587)	(7,228,437)
Total other financing sources (uses)	22,587	(7,205,850)	7,183,263	-
Net change in fund balances	3,820,026	2,416,769	950,681	7,187,476
Fund balances, beginning of year	4,202,647	11,799,483	5,996,025	21,998,155
Fund balances, end of year	\$ 8,022,673	\$ 14,216,252	\$ 6,946,706	\$ 29,185,631

See Notes to Basic Financial Statements.

Davenport Community School District

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2007**

Net change in fund balances, total governmental funds \$ 7,187,476

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 expense in the statement of activities. This is the amount by which capital outlay exceeds depreciation in the period:

Depreciation expense	\$ (4,683,041)	
Total capital outlay expenditures capitalized	7,370,945	2,687,904

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. 85,907

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, \$939,330, were more than the amounts earned, \$313,662, by \$625,668. Vacation used, \$466,486, was less than the amounts earned, \$510,507 by \$44,021. 581,647

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. 6,095,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrued, regardless of when it is due. 140,622

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, net of the amount due to business-type activities, \$31,789. 635,251

Change in net assets of governmental activities	\$ 17,413,807	
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See Notes to Basic Financial Statements.

Davenport Community School District

Statement of Net Assets
 Proprietary Funds
 June 30, 2007

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	School Nutrition Fund	Nonmajor Day Care Fund	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 5,374,335
Other receivables	25	37,608	37,633	2,121
Due from governmental units	168,077	-	168,077	-
Inventories	113,901	-	113,901	-
Total current assets	282,003	37,608	319,611	5,376,456
Noncurrent assets, capital assets, net of accumulated depreciation				
	919,518	-	919,518	-
Total assets	\$ 1,201,521	\$ 37,608	\$ 1,239,129	\$ 5,376,456
Liabilities				
Current liabilities:				
Accounts payable	\$ 93,643	\$ -	93,643	2,651,593
Accrued payroll and payroll taxes	45,456	8,533	53,989	-
Compensated absences	1,939	879	2,818	-
Due to other funds	503,151	38,313	541,464	-
Total liabilities	644,189	47,725	691,914	2,651,593
Net Assets				
Invested in capital assets	919,518	-	919,518	-
Unrestricted	(362,186)	(10,117)	(372,303)	2,724,863
Total net assets	557,332	(10,117)	547,215	2,724,863
Total liabilities and net assets	\$ 1,201,521	\$ 37,608	\$ 1,239,129	\$ 5,376,456
Total enterprise fund net assets			\$	547,215
Amounts reported for business-type activities in the statement of net assets are different due to:				
Internal service funds are used by management to charge the cost of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets				
Total business-type activities net assets				<u>31,789</u>
			\$	<u>579,004</u>

See Notes to Basic Financial Statements.

Davenport Community School District

Statement of Revenues, Expenses and Changes in Net Assets
 Proprietary Funds
 Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	School Nutrition Fund	Nonmajor Day Care Fund	Total	
Operating revenue, charges for services	\$ 2,436,442	\$ 309,487	\$ 2,745,929	\$ 20,111,970
Operating expenses:				
Salaries and benefits	3,302,117	310,150	3,612,267	-
Facility rent	-	24,050	24,050	-
Purchased services	430,117	84	430,201	-
Supplies	3,062,462	13,000	3,075,462	-
Depreciation	179,521	2,576	182,097	-
Health care	-	-	-	19,444,930
Total operating expenses	6,974,217	349,860	7,324,077	19,444,930
Operating income (loss)	(4,537,775)	(40,373)	(4,578,148)	667,040
Nonoperating revenues:				
Intergovernmental	4,304,716	4,917	4,309,633	-
Other nonoperating revenue	-	29,032	29,032	-
Total nonoperating revenues	4,304,716	33,949	4,338,665	-
Changes in net assets	(233,059)	(6,424)	(239,483)	667,040
Net assets, beginning of year	790,391	(3,693)	786,698	2,057,823
Net assets, end of year	\$ 557,332	\$ (10,117)	\$ 547,215	\$ 2,724,863
Net changes in net assets in enterprise funds			\$ (239,483)	
Amounts reported for business-type activities in the statement of net assets are different due to: Internal service funds are used by management to charge the cost of certain services to individual funds. The net expense of certain activities of internal service funds is reported with business-type activities			31,789	
Net changes in net assets of business-type activities			\$ (207,694)	

See Notes to Basic Financial Statements.

Davenport Community School District

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	School Nutrition Fund	Nonmajor Day Care Fund	Total	
Cash flows from operating activities:				
Cash received from user charges	\$ 2,437,577	\$ 309,487	\$ 2,747,064	\$ -
Cash received from assessment made to other funds	-	-	-	20,110,956
Cash payments to employees for services	(3,300,775)	(319,820)	(3,620,595)	-
Cash payments for insurance claims	-	-	-	(18,474,395)
Cash payments to suppliers for goods and services	(3,455,726)	(37,864)	(3,493,590)	(825,540)
Cash received from affiliate	-	27,718	27,718	-
Net cash provided by (used in) operating activities	(4,318,924)	(20,479)	(4,339,403)	811,021
Cash flows from noncapital financing activities:				
Proceeds of interfund balances	178,319	15,562	193,881	-
Grants received	3,884,616	4,917	3,889,533	-
Net cash provided by noncapital financing activities	4,062,935	20,479	4,083,414	-
Cash flows from capital and related financing activities, acquisition of capital assets	(106,609)	-	(106,609)	-
Net increase (decrease) in cash and cash equivalents	(362,598)	-	(362,598)	811,021
Cash and cash equivalents:				
Beginning	362,598	-	362,598	4,563,314
Ending	\$ -	\$ -	\$ -	\$ 5,374,335

(Continued)

Davenport Community School District

Statement of Cash Flows (Continued)
 Proprietary Funds
 Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	School Nutrition Fund	Nonmajor Day Care Fund	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (4,537,775)	\$ (40,373)	\$ (4,578,148)	\$ 667,040
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	179,521	2,576	182,097	-
Cash receipts from affiliate	-	27,718	27,718	-
Commodities used	366,363	-	366,363	-
Changes in assets and liabilities:				
Receivables	1,135	-	1,135	(1,014)
Inventories	(12,358)	-	(12,358)	-
Accounts payable and accrued liabilities	(315,810)	(10,400)	(326,210)	144,995
Net cash provided by (used in) operating activities	\$ (4,318,924)	\$ (20,479)	\$ (4,339,403)	\$ 811,021

Noncash noncapital financing activities, during the year the District received \$366,363 of food commodities from the U.S. Department of Agriculture

See Notes to Basic Financial Statements.

Davenport Community School District

Statement of Assets and Liabilities

Agency Fund

June 30, 2007

Assets , cash and cash equivalents	<u>\$</u> 109,511
Liabilities:	
Accounts payable	\$ 4,275
Due to activity groups	<u>105,236</u>
Total liabilities	<u>\$</u> 109,511

See Notes to Basic Financial Statements.

Davenport Community School District

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Measurement Focus, Basis of Accounting and Financial Statement Presentation and Significant Accounting Policies

Nature of operations:

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. 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 nonpartisan basis.

The District is composed of three high schools, six intermediate schools, 19 elementary schools and various off-campus alternative education programs. Student enrollment (pre-school through high school) for the 2006-2007 school year was approximately 16,080 regular and special education students. The District employs approximately 2,080 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, basis of accounting and financial statement presentation:

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 Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Measurement Focus, Basis of Accounting and Financial Statement Presentation and Significant Accounting Policies (Continued)

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 No. 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 10 percent of those of its fund type and at least 5 percent of those of both governmental and enterprise fund types, then it must be a major fund. The District also elects to report the School Nutrition Fund as a major fund. The School Nutrition Fund does not meet the percentage test, but is considered of special interest to the Board of Education and the Community.

The District reports the following major governmental funds:

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.

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:

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.

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 Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Measurement Focus, Basis of Accounting and Financial Statement Presentation and Significant Accounting Policies (Continued)

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:

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

Additionally, the District reports the Day Care Fund, a nonmajor enterprise fund, and the internal service fund type. The internal service fund type consists of the Self-Insurance Fund, which 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.

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's operations that are not directly associated with a particular activity.

Davenport Community School District

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Measurement Focus, Basis of Accounting and Financial Statement Presentation and Significant Accounting Policies (Continued)

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. In addition, certain indirect costs are included in program expenses reported for individual functions and activities.

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 nonmajor 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.

Significant accounting policies:

Pass-through revenues: GASB Statement 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 Statement 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 \$5,422,638 pass-through grant from the Area Education Agency in 2006-2007 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. Securities traded in a national or international exchange are valued at the last reported sales price at the current exchange rates.

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.

Davenport Community School District

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Measurement Focus, Basis of Accounting and Financial Statement Presentation and Significant Accounting Policies (Continued)

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.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½ percent per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

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 value at the date of donation.

Interest incurred during construction is not capitalized for governmental funds. There was no interest required to be capitalized in the current year for proprietary fund types.

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.

Davenport Community School District

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Measurement Focus, Basis of Accounting and Financial Statement Presentation and Significant Accounting Policies (Continued)

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>Description</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>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings	50 years
Building improvements	20 years
Furniture and equipment	5 - 10 years

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

The District's collection of library books and other similar assets are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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, 2007.

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, 2007.

Compensated absences: Noninstructional 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 as of June 30, 2007, 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 as they are not considered due and are not reported as a fund liability.

Davenport Community School District

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Measurement Focus, Basis of Accounting and Financial Statement Presentation and Significant Accounting Policies (Continued)

Unearned 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. Unearned 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. Unearned 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 60 days after year-end.

Long-term obligations: In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities on the statement of net assets. As of June 30, 2007, the District did not have any long-term obligations related to its business-type activities or proprietary funds.

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.

Net assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District first applies restricted resources.

Net assets restricted through enabling legislation include \$12,136,692 for debt service, \$2,571,138 for capital projects, \$3,460,320 for physical plant and equipment \$2,154,915 for employee benefits and \$839,893 for student activities.

Budgets and budgetary accounting: As allowed by GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*, the District presents budgetary comparison schedules as required supplementary information based on the program structure or four functional areas as required by state statute for its legally adopted budget. During the year ended June 30, 2007, expenditures in the support services functional area exceeded the amount budgeted.

Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Cash and Investments

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 Basic Financial Statements

Note 2. Cash and Investments (Continued)

As of June 30, 2007, the book balance of the District's cash deposits plus petty cash totaled \$48,284,177 and the bank balances totaled \$51,797,336.

As of June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) diversified portfolio totaling \$720,602. 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 the same as the value of the pool shares. ISJIT is registered with and regulated by the Securities and Exchange Commission.

As of June 30, 2007, the District had investments in commercial paper totaling \$1,512,416, all of which matures in September and October 2007.

Interest rate risk: The District's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year of within 15 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. As of June 30, 2007, the District's investments were rated as follows:

Investment	Type	Moody's Investors Services	Standard & Poor's
Wells Fargo - Caterpillar Fin. Serv. Chp. Ser. E.	Commercial Paper	A2	A
Wells Fargo - US Bancorp	Commercial Paper	Aa3	AA-
Iowa Schools Joint Investment Trust	Money Market Mutual Fund	Unrated	Unrated

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 10 percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to 5 percent of its total deposits and investments. Each of the District's investments exceed 5 percent of the total investment portfolio.

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 ensure 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.

Davenport Community School District

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

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

Cash deposits and petty cash	\$ 48,284,177
ISJIT investments	720,602
Commercial paper	1,512,416
	<u>\$ 50,517,195</u>
Governmental funds	\$ 45,033,349
Internal service fund	5,374,335
Total governmental activities	<u>50,407,684</u>
Business-type activities/enterprise funds	-
Agency fund	109,511
	<u>\$ 50,517,195</u>

Note 3. Capital Assets

Governmental Activities	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 3,820,258	\$ 200,000	\$ -	\$ 4,020,258
Construction-in-progress	2,528,997	7,023,766	5,805,368	3,747,395
Total capital assets, not being depreciated	<u>6,349,255</u>	<u>7,223,766</u>	<u>5,805,368</u>	<u>7,767,653</u>
Capital assets, being depreciated:				
Land improvements	10,101,034	119,023	-	10,220,057
Buildings	95,273,181	-	-	95,273,181
Building improvements	42,903,949	5,686,345	-	48,590,294
Furniture and equipment	6,940,434	147,179	225,931	6,861,682
Total capital assets, being depreciated	<u>155,218,598</u>	<u>5,952,547</u>	<u>225,931</u>	<u>160,945,214</u>
Less accumulated depreciation for:				
Land improvements	7,449,084	288,676	-	7,737,760
Buildings	32,445,468	1,727,558	-	34,173,026
Building improvements	5,279,292	2,286,060	-	7,565,352
Furniture and equipment	5,058,534	380,747	225,931	5,213,350
Total accumulated depreciation	<u>50,232,378</u>	<u>4,683,041</u>	<u>225,931</u>	<u>54,689,488</u>
Total capital assets, being depreciated, net	<u>104,986,220</u>	<u>1,269,506</u>	<u>-</u>	<u>106,255,726</u>
Governmental activities capital assets, net	<u>\$ 111,335,475</u>	<u>\$ 8,493,272</u>	<u>\$ 5,805,368</u>	<u>\$ 114,023,379</u>

Davenport Community School District

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

Business-Type Activities	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated, construction-in-progress	\$ 250,813	\$ 19,025	\$ 269,838	\$ -
Capital assets, being depreciated, equipment	1,930,357	357,422	13,365	2,274,414
Less accumulated depreciation for equipment	1,186,164	182,097	13,365	1,354,896
Total capital assets, being depreciated, net	744,193	175,325	-	919,518
Business-type activities capital assets, net	\$ 995,006	\$ 194,350	\$ 269,838	\$ 919,518

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

Governmental activities:

Instruction	\$ 4,625,375
Instructional staff support services	1,135
General administration	14,689
Business and central administration	2,502
Plant operation and maintenance	32,062
Student transportation	7,278
	<u>\$ 4,683,041</u>

Business-type activities:

Food services	\$ 179,521
Day care	2,576
	<u>\$ 182,097</u>

Note 4. Interfund Balances and Transfers

Interfund balances as of June 30, 2007, consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 547,314	\$ 752
Capital Projects Fund	-	1,289
Nonmajor governmental funds	752	4,561
School Nutrition Fund	-	503,151
Nonmajor Day Care Fund	-	38,313
	<u>\$ 548,066</u>	<u>\$ 548,066</u>

Davenport Community School District

Notes to Basic Financial Statements

Note 4. Interfund Balances and Transfers (Continued)

The amounts due to the General Fund from the Day Care Fund, a nonmajor enterprise fund, and the School Nutrition Fund represents deficit pooled cash investments.

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

	Transfers In	Transfers Out
General Fund	\$ 22,587	\$ -
Capital Projects Fund	-	7,205,850
Nonmajor governmental funds	7,205,850	22,587
Total	\$ 7,228,437	\$ 7,228,437

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, from the Capital Projects 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, 2007, is as follows:

	Governmental Activities				Business-Type
	Local Option Sales Tax Bonds	Early Retirement Obligations	Compensated Absences	Total	Compensated Absences
Balance, beginning of year	\$ 26,080,000	\$ 3,036,659	\$ 466,486	\$ 29,583,145	\$ 1,209
Additions	-	313,662	510,507	824,169	2,818
Reductions	6,095,000	939,330	466,486	7,500,816	1,209
Balance, end of year	<u>\$ 19,985,000</u>	<u>\$ 2,410,991</u>	<u>\$ 510,507</u>	<u>\$ 22,906,498</u>	<u>\$ 2,818</u>
Due within one year	<u>\$ 6,370,000</u>	<u>\$ 661,053</u>	<u>\$ 510,507</u>	<u>\$ 7,541,560</u>	<u>\$ 2,818</u>

For the governmental activities, early retirement obligations are generally liquidated by the Management Fund and compensated absences are generally liquidated by the General Fund.

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

	Interest Rate	Maturity Date	Original Balance	Balance June 30, 2007
Sales and service tax revenue bonds, Series 1999	4.95%	7/1/09	\$ 8,400,000	\$ 2,945,000
Sales and service tax revenue bonds, Series 2000	5.25% - 5.30%	7/1/09	9,500,000	3,730,000
Sales and service tax revenue bonds, Series 2001	5.01%	7/1/09	15,000,000	6,315,000
Sales and service tax revenue bonds, Series 2002	3.80% - 4.60%	7/1/09	15,000,000	6,995,000
			<u>\$ 47,900,000</u>	<u>\$ 19,985,000</u>

Davenport Community School District

Notes to Basic Financial Statements

Note 5. Long-Term Liabilities (Continued)

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

Year Ending June 30:	Principal	Interest	Total
2007	\$ 6,370,000	\$ 818,136	\$ 7,188,136
2008	6,655,000	503,880	7,158,880
2009	6,960,000	170,858	7,130,858
	<u>\$ 19,985,000</u>	<u>\$ 1,492,874</u>	<u>\$ 21,477,874</u>

Early retirement: The District provides early retirement incentives for certain employees who meet certain qualifications as established by the Board of Education. The cost of the incentives is borne by the District in whole. Eligible participants can not, and do not, contribute to the incentive program.

Early retirement participation is based on the following criteria:

1. To all employees who are at least 55 years of age.
2. The employee has completed at least 33 years of service to the District.
3. The employee must work a minimum of six hours per day or have a contract of at least .75 full time equivalent.
4. The employee must submit an application to the Board prior to January 31, 2007.
5. The effective date of the retirement must be at, and not before, the conclusion of the contract or assignment year 2006-2007 and not later than June 30, 2007.
6. Benefits offered to all employees shall equal the lesser of \$25,000 or 50 percent of the employees 2006-07 salary.

Early retirement benefits are paid into a 403(b) special pay deferral plan and/or health care savings plan in accordance with Internal Revenue Service guidelines evenly over the next five years beginning January 1, 2008.

During the year ended June 30, 2007, 15 District employees requested early retirement. During the year ended June 30, 2007, the District paid \$939,330 of early retirement benefits.

Legal debt margin: As of June 30, 2007, the outstanding general obligation debt of the District did not exceed the statutory debt limit.

Short-term liabilities: On July 6, 2006, the District issued \$5,000,000 in tax anticipatory warrants. The interest rate on the warrants was 4.5 percent and the warrants matured and were paid on June 29, 2007.

Davenport Community School District

Notes to Basic Financial Statements

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 percent of their annual covered salary and the District is required to contribute 5.75 percent of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$4,949,929, \$4,907,801 and \$4,765,922, 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 percent 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, 2007, was \$696,276.

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 \$195,000 and an annual aggregate stop loss for the excess of 125 percent of estimated claims.

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.

Davenport Community School District

Notes to Basic Financial Statements

Note 7. Risk Management (Continued)

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, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Health claims and administrative costs payable balance, beginning of year	\$ 2,506,598	\$ 2,354,342
Incurred claims (including IBNR)	18,619,390	16,766,887
Claim payments	(18,474,395)	(16,614,631)
	<u>\$ 2,651,593</u>	<u>\$ 2,506,598</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. As of June 30, 2007, the portion of these contracts which has not been paid or accrued as a liability totals \$5,690,784.

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. Operating Leases

The District leases building and equipment under noncancelable operating leases. Total expenses for the year ended June 30, 2007, for such leases were \$277,500, which includes cash paid and the change in the prepaid rent balance. The future minimum lease payments for these leases are as follows:

Year Ending June 30:

2008	\$ 269,661
2009	233,902
2010	49,630
2011	38,157
2012	4,385
	<u>\$ 595,735</u>

Note 10. Subsequent Event

On July 17, 2007, the District issued \$5,000,000 in tax anticipatory warrants to meet cash flow needs. The interest rate on the warrants is 4.25 percent and the maturity date is June 30, 2008.

Davenport Community School District

Notes to Basic Financial Statements

Note 11. New Governmental Accounting Standards Board (GASB) Statements

The District implemented the following statement:

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supercedes existing guidance. This Statement had no effect to the District.

As of June 30, 2007, the GASB had issued several Statements not yet implemented by the District. The Statements which might impact the District are as follows:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the District beginning with its year ending June 30, 2008. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

GASB Statement No 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, is effective for the District with its year ending June 30, 2008. This Statement establishes accounting and financial reporting 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 provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition, this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the District beginning with its year ending June 30, 2009. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This standard requires the District to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

GASB Statement No. 50, *Pension Disclosures*, an amendment of GASB Statement Nos. 25 and 27, issued May 2007, will be effective for the District beginning with its year ending June 30, 2008. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the District beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.

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

Davenport Community School District

Required Supplementary Information
 Budgetary Comparison Schedule
 All Governmental Funds and Enterprise Funds
 Year Ended June 30, 2007

	Governmental Fund Types Actual	Enterprise Fund Type Actual	Total Actual
Revenues:			
Property taxes	\$ 57,156,980	\$ -	\$ 57,156,980
Local option sales tax	14,879,136	-	14,879,136
Intergovernmental	88,515,128	4,309,633	92,824,761
Charges for services	2,290,106	2,745,929	5,036,035
Interest	1,963,695	-	1,963,695
Other	4,545,960	29,032	4,574,992
Total revenues	169,351,005	7,084,594	176,435,599
Expenditures:			
Current:			
Instruction	101,570,521	-	101,570,521
Support services	40,579,919	-	40,579,919
Noninstructional programs	-	7,324,077	7,324,077
Other expenditures	20,013,089	-	20,013,089
Total expenditures	162,163,529	7,324,077	169,487,606
Excess (deficiency) of revenues over expenditures	7,187,476	(239,483)	6,947,993
Other financing sources (uses):			
Transfers in	7,228,437	-	7,228,437
Transfers out	(7,228,437)	-	(7,228,437)
Total other financing sources (uses)	-	-	-
Net change in fund balances	7,187,476	(239,483)	6,947,993
Fund balances, beginning of year	21,998,155	786,698	22,784,853
Fund balances, end of year	\$ 29,185,631	\$ 547,215	\$ 29,732,846

See Note to Required Supplementary Information.

Budgeted Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 57,359,556	\$ 57,409,542	\$ (252,562)
13,528,458	13,723,652	1,155,484
89,977,591	91,806,001	1,018,760
27,394,160	6,784,365	(1,748,330)
409,125	1,246,471	717,224
3,121,750	2,391,776	2,183,216
191,790,640	173,361,807	3,073,792
105,388,270	103,351,655	1,781,134
34,734,826	37,890,117	(2,689,802)
7,895,778	7,491,808	167,731
26,412,256	28,368,484	8,355,395
174,431,130	177,102,064	7,614,458
17,359,510	(3,740,257)	10,688,250
7,205,850	9,497,053	(2,268,616)
(7,205,850)	(7,450,169)	221,732
-	2,046,884	(2,046,884)
17,359,510	(1,693,373)	8,641,366
22,784,853	22,784,853	-
\$ 40,144,363	\$ 21,091,480	\$ 8,641,366

Davenport Community School District

Note to Required Supplementary Information – Budgetary Reporting

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, noninstructional 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 2007.

During the year ended June 30, 2007, 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 in April 2007, to increase the authorization of expenditures by \$2,670,934.
5. All annual appropriations lapse at fiscal year-end.
6. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Davenport Community School District



Davenport Community School District

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2007

	Special Revenue		
	Management	Student Activity	Physical Plant and Equipment
Assets			
Cash and investments	\$ 2,123,112	\$ 895,909	\$ 3,683,792
Receivables:			
Property taxes	2,534,993	-	4,465,084
Other	14	5,478	23,631
Due from other funds	-	752	-
Total assets	\$ 4,658,119	\$ 902,139	\$ 8,172,507
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 12,445	\$ 54,348	\$ 309,824
Accrued payroll and payroll taxes	-	3,337	-
Due to other funds	-	4,561	-
Unearned revenue	2,490,759	-	4,402,363
Total liabilities	2,503,204	62,246	4,712,187
Fund balances:			
Reserved for:			
Debt service	-	-	-
Student activities	-	839,893	-
Unreserved, undesignated, reported in special revenue funds	2,154,915	-	3,460,320
Total fund balances	2,154,915	839,893	3,460,320
Total liabilities and fund balances	\$ 4,658,119	\$ 902,139	\$ 8,172,507

Debt Service	Total Nonmajor Governmental Funds
\$ 488,853	\$ 7,191,666
-	7,000,077
2,725	31,848
-	752
<u>\$ 491,578</u>	<u>\$ 14,224,343</u>

\$ -	\$ 376,617
-	3,337
-	4,561
-	6,893,122
<u>-</u>	<u>7,277,637</u>

491,578	491,578
-	839,893
-	5,615,235
<u>491,578</u>	<u>6,946,706</u>
<u>\$ 491,578</u>	<u>\$ 14,224,343</u>

Davenport Community School District

Combining Statement of Revenues, Expenditures and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2007

	Special Revenue		
	Management	Student Activity	Physical Plant and Equipment
Revenues:			
Property taxes	\$ 2,566,975	\$ -	\$ 4,435,198
Intergovernmental	1,723	-	2,917
Interest	40,342	24,494	81,385
Other	5,094	1,353,800	170,754
Total revenues	2,614,134	1,378,294	4,690,254
Expenditures:			
Current:			
Instruction	1,080,599	387,783	-
Student support services	-	875,023	-
Instructional staff support services	-	5,191	81,739
General administration	1,369,027	2,667	-
Plant operation and maintenance	-	2,152	1,960,103
Student transportation	-	52,085	-
Capital outlay	-	-	1,904,265
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	2,449,626	1,324,901	3,946,107
Excess (deficiency) of revenues over (under) expenditures	164,508	53,393	744,147
Other financing sources (uses):			
Transfers in	-	-	-
Transfers (out)	-	(22,587)	-
Total other financing sources (uses)	-	(22,587)	-
Net change in fund balances	164,508	30,806	744,147
Fund balances, beginning of year	1,990,407	809,087	2,716,173
Fund balances, end of year	\$ 2,154,915	\$ 839,893	\$ 3,460,320

Debt Service	Total Nonmajor Governmental Funds
\$ -	\$ 7,002,173
-	4,640
12,820	159,041
-	1,529,648
<u>12,820</u>	<u>8,695,502</u>
-	1,468,382
-	875,023
-	86,930
-	1,371,694
-	1,962,255
-	52,085
-	1,904,265
6,095,000	6,095,000
1,112,450	1,112,450
<u>7,207,450</u>	<u>14,928,084</u>
<u>(7,194,630)</u>	<u>(6,232,582)</u>
7,205,850	7,205,850
-	(22,587)
<u>7,205,850</u>	<u>7,183,263</u>
11,220	950,681
480,358	5,996,025
<u>\$ 491,578</u>	<u>\$ 6,946,706</u>

Davenport Community School District

Combining Schedule of Changes in Balances
 Student Activity Fund
 Year Ended June 30, 2007

	Balance June 30, 2006	Revenues	Expenditures
District-Wide Athletics	\$ 782	\$ 19,332	\$ 4,332
Central High School Athletics	38,007	76,622	70,809
North High School Athletics	29,140	69,758	65,345
West High School Athletics	38,017	80,460	71,577
Central High School	169,251	301,265	301,928
Central Band Uniforms	21,949	-	-
North High School	10,619	178,070	189,266
West High School	187,522	299,481	298,220
Kimberly Center	42	814	601
Smart Intermediate School	31,541	27,143	28,218
Sudlow Intermediate School	59,753	63,878	62,104
Walcott Elementary and Intermediate School	40,940	64,563	64,232
Williams Intermediate School	27,667	60,975	55,773
Williams IDOT Grant	138	-	-
Wood Intermediate School	25,259	48,621	41,226
Young Intermediate School	10,806	12,385	16,672
Adams Elementary	6,457	403	1,568
Blue Grass Elementary	1,735	194	1,172
Buchanan Elementary	11,420	13,526	13,556
Buffalo Elementary	13,628	1,861	1,027
Eisenhower Elementary	7,959	5,429	8,259
Fillmore Elementary	1,145	-	-
Garfield Elementary	2,283	3,441	1,201
Harrison Elementary	2,395	708	265
Hayes Elementary	5,603	3,999	6,357
Jackson Elementary	168	15	46
Jefferson Elementary	54	-	-
Lincoln Elementary	5,777	5,761	4,531
Madison Elementary	16,964	2,059	3,731
McKinley Elementary	9,778	7,271	6,462
Monroe Elementary	3,898	2,922	3,206
Truman Elementary	195	668	632
Washington Elementary	2,315	1,736	702
Wilson Elementary	3,293	440	1,883
Unallocated interest income	22,587	24,494	-
Total special revenue student activity fund	\$ 809,087	\$ 1,378,294	\$ 1,324,901

Transfers	Balance June 30, 2007
\$ -	\$ 15,782
-	43,820
-	33,553
-	46,900
-	168,588
-	21,949
-	(577)
-	188,783
-	255
-	30,466
-	61,527
-	41,271
-	32,869
-	138
-	32,654
-	6,519
-	5,292
-	757
-	11,390
-	14,462
-	5,129
-	1,145
-	4,523
-	2,838
-	3,245
-	137
-	54
-	7,007
-	15,292
-	10,587
-	3,614
-	231
-	3,349
-	1,850
(22,587)	24,494
<u>\$ (22,587)</u>	<u>\$ 839,893</u>

Davenport Community School District

Statement of Changes in Fiduciary
Assets and Liabilities - Agency Fund
Year Ended June 30, 2007

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
Assets, cash and investments	\$ 98,970	\$ 102,311	\$ 91,770	\$ 109,511
Liabilities				
Accounts payable	\$ 4,606	\$ 4,275	\$ 4,606	\$ 4,275
Due to activity groups	94,364	93,878	83,006	105,236
Total liabilities	\$ 98,970	\$ 98,153	\$ 87,612	\$ 109,511

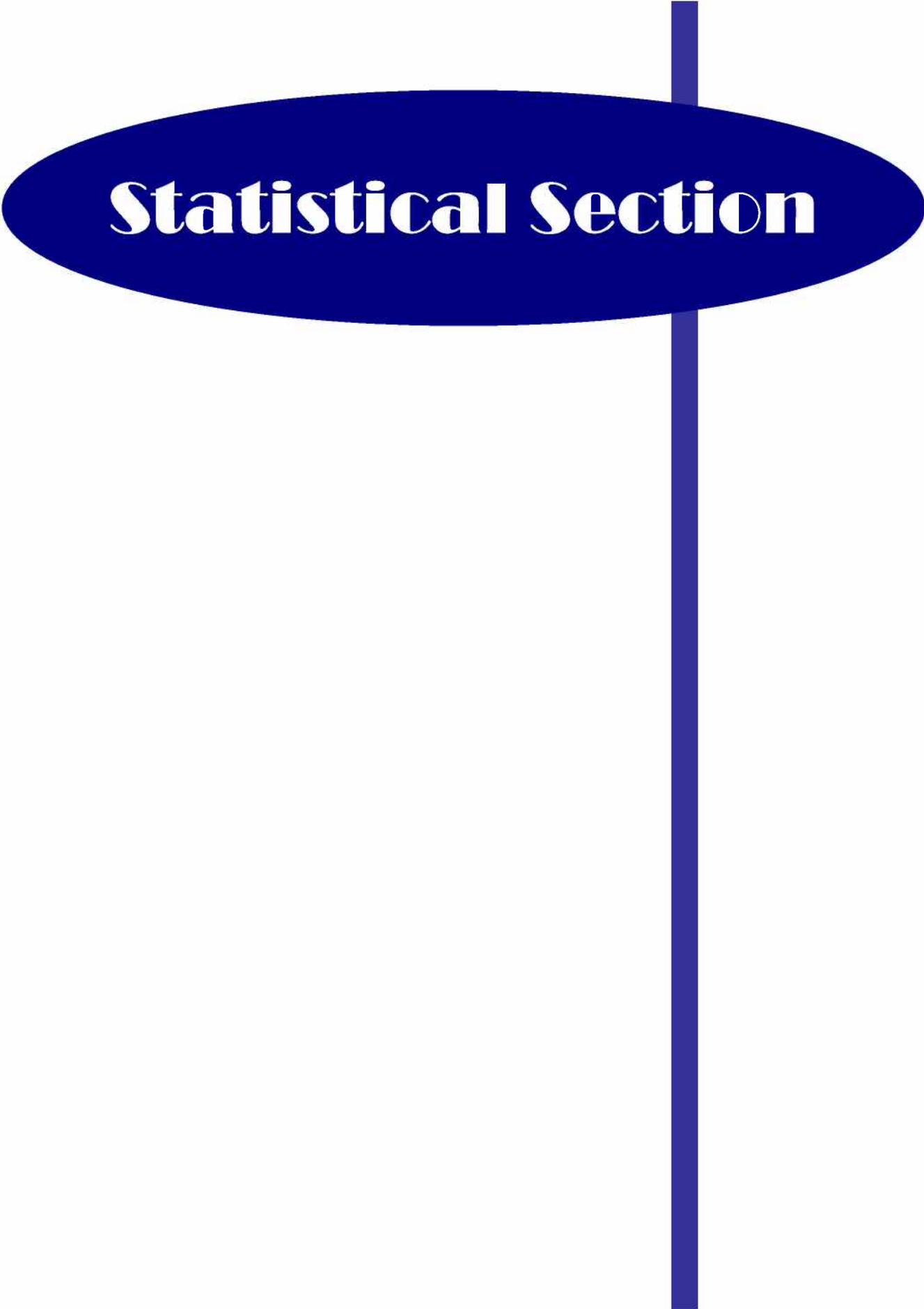
Davenport Community School District

Combining Schedule of Changes in Amounts Due to Activity Groups
 Agency Fund
 Year Ended June 30, 2007

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
Administration pop account	\$ 6,309	\$ 2,934	\$ 3,462	\$ 5,781
CVW staff account	414	989	788	615
Central staff pop account	2,478	9,086	6,973	4,591
Buchanan pop account	2,906	1,190	1,863	2,233
Fillmore pop account	1,222	315	632	905
Garfield pop account	252	1,225	1,244	233
Harrison pop account	2,237	1,692	1,440	2,489
Hayes staff fund	-	201	193	8
Hoover pop account	30	-	-	30
Lincoln pop account	5,243	1,047	1,278	5,012
Madison teacher's pop account	4,468	2,056	1,760	4,764
Monroe pop account	5,506	3,536	3,813	5,229
North pop account	655	6,515	5,453	1,717
Smart pop account	6,052	5,828	4,926	6,954
Sudlow staff account	7,990	11,410	10,629	8,771
Truman pop account	56	-	50	6
Young staff pop account	158	1,011	930	239
Washington pop account	1,994	1,102	1,263	1,833
West pop account	30,367	30,263	22,323	38,307
West alumni shrine hallway	-	1,727	1,748	(21)
Wilson pop account	10,543	10,145	9,071	11,617
Wood pop account	2,666	348	1,193	1,821
Youth fest account	2,756	-	916	1,840
KC staff account	62	1,258	1,058	262
Total	\$ 94,364	\$ 93,878	\$ 83,006	\$ 105,236

Davenport Community School District



A blue vertical signpost with a dark blue oval sign at the top. The sign contains the text "Statistical Section" in white, bold, serif font.

Statistical Section

Davenport Community School District



Davenport Community School District

Statistical Section

Contents

The statistical section of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	57 - 66
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue sources, the property tax.	67 - 72
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current level of outstanding debt and the District's ability to issue additional debt in the future.	73 - 77
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	78 - 85
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	86 - 96

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual report for the relevant year. The District implemented GASB Statement No. 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.

Davenport Community School District

Net Assets by Component
Last Six Fiscal Years*
(accrual basis of accounting)
(Unaudited)

	Fiscal Year	
	2007	2006
Governmental activities:		
Invested in capital assets, net of related debt	\$ 94,038,379	\$ 85,255,475
Restricted	21,162,958	17,795,508
Unrestricted	8,126,005	2,862,552
Total governmental activities net assets	\$ 123,327,342	\$ 105,913,535
Business-type activities:		
Invested in capital assets, net of related debt	\$ 919,518	\$ 995,006
Restricted	-	-
Unrestricted	(340,514)	(208,308)
Total business-type activities net assets	\$ 579,004	\$ 786,698
Primary government:		
Invested in capital assets, net of related debt	\$ 94,957,897	\$ 86,250,481
Restricted	21,162,958	17,795,508
Unrestricted	7,785,491	2,654,244
Total primary government net assets	\$ 123,906,346	\$ 106,700,233

* The District began to report accrual information when it implemented GASB Statement No. 34 in 2002.

Source: District financial records

Fiscal Year							
2005		2004		2003		2002	
\$	75,569,655	\$	60,388,078	\$	47,119,649	\$	42,896,101
	16,739,808		19,813,106		20,172,162		33,002,217
	91,109		(860,462)		(2,288,644)		(24,007,751)
\$	92,400,572	\$	79,340,722	\$	65,003,167	\$	51,890,567
<hr/>							
\$	756,996	\$	803,504	\$	901,725	\$	759,255
	-		-		15,733		-
	525,990		574,393		534,777		603,419
\$	1,282,986	\$	1,377,897	\$	1,452,235	\$	1,362,674
<hr/>							
\$	76,326,651	\$	61,191,582	\$	48,021,374	\$	43,655,356
	16,739,808		19,813,106		20,187,895		33,002,217
	617,099		(286,069)		(1,753,867)		(23,404,332)
\$	93,683,558	\$	80,718,619	\$	66,455,402	\$	53,253,241

Davenport Community School District

Expenses, Program Revenues and Net (Expense) Revenue
 Last Six Fiscal Years*
 (accrual basis of accounting)
 (Unaudited)

	Fiscal Year	
	2007	2006
Expenses:		
Governmental activities:		
Instruction	\$ 106,527,884	\$ 103,265,247
Student support services	5,506,239	4,332,402
Instructional staff support services	4,227,603	3,756,106
General administration	3,181,869	2,696,173
Building administration	8,179,463	8,874,500
Business administration	3,325,183	3,075,192
Plant operation and maintenance	12,249,743	11,931,445
Student transportation	3,762,589	3,256,495
Area Education Agency	5,422,638	5,069,948
Other expenses	-	108,871
Interest on long-term debt	971,828	1,253,072
Total governmental activities expenses	153,355,039	147,619,451
Business-type activities:		
Food service	6,942,428	6,774,334
Day care	349,860	276,428
Total business-type activities expenses	7,292,288	7,050,762
Total primary government expenses	\$ 160,647,327	\$ 154,670,213
Program revenues:		
Governmental activities:		
Charges for services	\$ 4,781,066	\$ 3,718,848
Operating grants and contributions	24,009,203	22,019,691
Capital grants and contributions	162,112	232,035
Total governmental revenues	28,952,381	25,970,574
Business-type activities:		
Charges for services	2,774,961	2,727,852
Operating grants and contributions	4,309,633	3,816,447
Total business-type revenues	7,084,594	6,544,299
Total primary government revenues	36,036,975	32,514,873
Net (expense) revenue:		
Governmental activities	\$ (124,402,658)	\$ (121,648,877)
Business-type activities	(207,694)	(506,463)
Total primary government net expense	\$ (124,610,352)	\$ (122,155,340)

* The District began to report accrual information when it implemented GASB Statement No. 34 in 2002.

Source: District financial records

Fiscal Year							
2005		2004		2003		2002	
\$	103,464,881	\$	96,345,329	\$	93,629,997	\$	90,265,176
	3,528,044		3,626,534		2,909,873		2,946,202
	3,071,271		2,940,963		3,085,657		4,135,267
	2,490,873		2,535,403		2,884,288		2,430,463
	8,380,875		8,125,994		8,561,479		8,496,206
	2,886,051		1,060,832		902,711		962,615
	10,912,469		10,316,051		10,428,662		11,642,431
	2,931,059		3,754,103		3,568,003		3,394,219
	4,899,580		4,911,280		5,180,587		5,188,282
	93,996		1,887,330		1,879,094		1,616,120
	1,520,560		1,771,719		1,973,294		1,661,272
	144,179,659		137,275,538		135,003,645		132,738,253
	6,734,989		6,329,378		5,967,580		5,761,785
	310,842		353,194		360,225		332,755
	7,045,831		6,682,572		6,327,805		6,094,540
\$	151,225,490	\$	143,958,110	\$	141,331,450	\$	138,832,793
\$	3,109,533	\$	3,959,144	\$	2,670,054	\$	2,489,305
	22,204,449		20,235,392		19,359,323		19,996,052
	506,426		310,070		377,356		-
	25,820,408		24,504,606		22,406,733		22,485,357
	2,773,847		2,628,887		2,713,556		2,695,351
	4,158,185		3,974,182		3,691,509		3,534,797
	6,932,032		6,603,069		6,405,065		6,230,148
	32,752,440		31,107,675		28,811,798		28,715,505
\$	(118,359,251)	\$	(112,770,932)	\$	(112,596,912)	\$	(110,252,896)
	(113,799)		(79,503)		77,260		135,608
\$	(118,473,050)	\$	(112,850,435)	\$	(112,519,652)	\$	(110,117,288)

Davenport Community School District

General Revenues and Total Change in Net Assets

Last Six Fiscal Years*

(accrual basis of accounting)

(Unaudited)

	Fiscal Year	
	2007	2006
Net (expense) revenue:		
Governmental activities	\$ (124,402,658)	\$ (121,648,877)
Business-type activities	(207,694)	(506,463)
Total primary government net expense	(124,610,352)	(122,155,340)
General revenues and other changes in net assets:		
Governmental activities:		
Property taxes	57,104,269	54,862,698
Local option sales tax	14,879,136	13,902,861
Unrestricted state aid and grants	67,397,428	63,441,500
Interest and investment earnings	1,963,695	1,109,542
Miscellaneous	471,937	1,845,239
Total governmental activities	141,816,465	135,161,840
Business-type activities, interest and investment earnings	-	10,175
Total primary government	141,816,465	135,172,015
Change in net assets:		
Governmental activities	17,413,807	13,512,963
Business-type activities	(207,694)	(496,288)
Total primary government	\$ 17,206,113	\$ 13,016,675

* The District began to report accrual information when it implemented GASB Statement No. 34 in 2002.

Source: District financial records

				Fiscal Year			
2005		2004		2003		2002	
\$	(118,359,251)	\$	(112,770,932)	\$	(112,596,912)	\$	(110,252,896)
	(113,799)		(79,503)		77,260		135,608
	(118,473,050)		(112,850,435)		(112,519,652)		(110,117,288)
	53,095,883		51,609,343		49,562,253		44,127,732
	13,647,672		13,512,282		13,303,691		13,727,303
	62,293,142		60,904,421		59,924,250		58,305,016
	360,682		254,285		480,210		821,399
	1,233,770		917,683		2,439,168		2,580,569
	130,631,149		127,198,014		125,709,572		119,562,019
	6,840		5,165		12,301		(5,352)
	130,637,989		127,203,179		125,721,873		119,556,667
	12,271,898		14,427,082		13,112,660		9,309,123
	(106,959)		(74,338)		89,561		130,256
\$	12,164,939	\$	14,352,744	\$	13,202,221	\$	9,439,379

Davenport Community School District

Fund Balances, Governmental Funds
 Last Six Fiscal Years
(modified accrual basis of accounting)
 (Unaudited)

	Fiscal Year	
	2007	2006
General Fund:		
Reserved	\$ 1,045,409	\$ 1,158,326
Unreserved	6,977,264	3,044,321
Total General Fund	\$ 8,022,673	\$ 4,202,647
All other governmental funds:		
Reserved	\$ 18,667,369	\$ 15,968,444
Unreserved, reported in:		
Capital projects funds	(3,119,646)	(2,879,516)
Special revenue funds	5,615,235	4,706,580
Total all other governmental funds	\$ 21,162,958	\$ 17,795,508

* The District began to report accrual information when it implemented GASB Statement No. 34 in 2002.

Source: District financial records

Fiscal Year							
2005		2004		2003		2002	
\$	1,441,457	\$	516,982	\$	500,863	\$	339,424
	794,920		200,274		(865,120)		(3,549,266)
\$	2,236,377	\$	717,256	\$	(364,257)	\$	(3,209,842)
\$	15,339,931	\$	16,891,494	\$	16,319,745	\$	21,362,061
	(3,494,174)		(92,799)		687,251		8,203,633
	4,078,240		3,014,411		3,165,166		3,436,523
\$	15,923,997	\$	19,813,106	\$	20,172,162	\$	33,002,217

Davenport Community School District

Changes in Fund Balances, Governmental Funds
 Last Six Fiscal Years
 (modified accrual basis of accounting)
 (Unaudited)

	Fiscal Year	
	2007	2006
Revenues:		
Property taxes	\$ 57,156,980	\$ 55,266,406
Local options sales tax, pledged as security for revenue bonds	14,879,136	13,902,861
Intergovernmental	88,515,128	85,212,452
Charges for services	2,290,106	3,593,277
Interest	1,963,695	1,109,542
Contributions and donations	281,982	182,115
Other	4,263,978	3,173,343
Total revenues	169,351,005	162,439,996
Expenditures:		
Instruction	101,570,521	100,396,929
Student support services	5,711,135	4,332,402
Instructional staff support services	4,226,468	3,744,654
General administration	3,167,180	2,681,482
Building administration	8,179,463	8,868,370
Business administration	3,322,681	3,073,582
Plant operations and maintenance	12,217,681	10,123,119
Student transportation	3,755,311	3,249,217
Other support services	-	108,871
Area Education Agency	5,422,638	5,069,948
Capital outlay	7,370,945	9,731,725
Capital outlay, not capitalized	12,056	-
Debt service:		
Principal	6,095,000	5,835,000
Interest	1,112,450	1,386,916
Total expenditures	162,163,529	158,602,215
Excess of revenues over (under) expenditures	7,187,476	3,837,781
Other financing sources (uses):		
Proceeds from sale of bonds	-	-
Transfers in	7,228,437	7,228,879
Transfers (out)	(7,228,437)	(7,228,879)
Total other financing sources	-	-
Special item, proceeds from sale of school property	-	-
Net change in fund balances	\$ 7,187,476	\$ 3,837,781
Debt service as a percentage of noncapital expenditures	4.656%	5.098%

* The District began to report accrual information when it implemented GASB Statement No. 34 in 2002.

Source: District financial records

					Fiscal Year					
					2005	2004	2003	2002		
\$	53,186,303	\$	51,311,490	\$	49,624,114	\$	43,773,947			
	13,647,672		13,512,282		13,303,691		13,727,303			
	82,655,338		80,354,110		79,283,573		78,301,068			
	3,373,607		2,455,095		2,670,054		2,489,305			
	360,682		254,285		480,210		821,399			
	32,565		186,426		377,356		-			
	2,737,790		2,260,809		2,336,690		2,515,449			
	155,993,957		150,334,497		148,075,688		141,628,471			
	99,487,411		93,949,560		90,371,397		87,363,380			
	3,528,044		3,626,534		2,909,873		2,946,202			
	3,047,147		2,926,648		3,082,908		4,125,388			
	2,477,019		2,521,966		2,870,851		2,417,026			
	8,376,064		8,121,070		8,565,161		8,495,298			
	2,884,968		1,060,832		901,118		960,963			
	10,524,740		9,393,391		10,042,945		11,565,705			
	2,923,775		3,746,825		3,560,725		3,386,941			
	93,996		1,886,247		1,901,984		1,616,120			
	4,899,580		4,911,280		5,180,587		5,188,282			
	13,684,961		10,425,907		24,027,813		25,254,294			
	-		-		-		-			
	5,590,000		5,230,000		3,075,000		2,005,861			
	1,646,240		1,885,142		1,870,475		1,415,197			
	159,163,945		149,685,402		158,360,837		156,740,657			
	(3,169,988)		649,095		(10,285,149)		(15,112,186)			
	-		-		-		15,025,047			
	7,242,344		898,226		7,346,842		5,341,939			
	(7,242,344)		(898,226)		(7,346,842)		(5,341,939)			
	-		-		-		15,025,047			
	-		162,889		300,679		156,000			
\$	(3,169,988)	\$	811,984	\$	(9,984,470)	\$	68,861			
	5.234%		5.384%		3.822%		2.671%			

Davenport Community School District

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

(in thousands of dollars)

(Unaudited)

Fiscal Year	Collection Year	Real Property		Personal Property	
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2005	2006-07	\$ 3,349,894,818	\$ 4,301,812,300	\$ 39,702,426	\$ 39,702,426
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

Source: Scott County Auditor's Office

Utilities		Total		Total Assessed Value to	Total
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Total Estimated Actual Value	Direct Rate
\$ 253,802,006	\$ 253,802,006	\$ 3,643,399,250	\$ 4,595,316,732	79.28505%	17.10576
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

Davenport Community School District

Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (rate per \$1,000 of assessed value)
 (Unaudited)

City	Levy Year	Collection Year	State	Area IX Community College	Ag Extension - BANGS	Assessor	Scott County
Davenport	2005	2006-07	\$ 0.005000	\$ 0.61277	\$ 0.07034	\$ 0.29672	\$ 5.51106
	2004	2005-06	0.005000	0.59269	0.06973	0.27404	5.56513
	2003	2004-05	0.005000	0.59216	0.06439	0.27648	4.75497
	2005	2003-04	0.005000	0.61738	0.06221	0.31521	4.80887
	2001	2002-03	0.005000	0.62633	0.06248	0.37656	4.48067
	2000	2001-02	0.005000	0.60382	0.06790	0.33488	4.17307
	1999	2000-01	0.005000	0.60302	0.06700	0.31303	4.16147
	1998	1999-00	0.005000	0.54709	0.06732	0.29311	4.06203
	1997	1998-99	0.005000	0.57182	0.03868	0.29389	3.91472
	1996	1997-98	0.005000	0.58671	0.04077	0.34669	4.19239
Blue Grass	2005	2006-07	\$ 0.005000	0.61277	0.07034	0.29563	5.51106
	2004	2005-06	0.005000	0.59269	0.06973	0.27404	5.56513
	2003	2004-05	0.005000	0.59216	0.06439	0.27124	4.75497
	2005	2003-04	0.005000	0.61738	0.06221	0.33119	4.80887
	2001	2002-03	0.005000	0.62633	0.06248	0.33124	4.48067
	2000	2001-02	0.005000	0.60382	0.06790	0.33488	4.17307
	1999	2000-01	0.005000	0.60302	0.06700	0.31303	4.16147
	1998	1999-00	0.005000	0.54709	0.06732	0.29311	4.06203
	1997	1998-99	0.005000	0.57182	0.03868	0.29389	3.91472
	1996	1997-98	0.005000	0.58671	0.04077	0.34669	4.19239
Walcott	2005	2006-07	\$ 0.005000	0.61277	0.07034	0.29563	5.51106
	2004	2005-06	0.005000	0.59269	0.06973	0.27404	5.56513
	2003	2004-05	0.005000	0.59216	0.06439	0.27124	4.75497
	2005	2003-04	0.005000	0.61738	0.06221	0.33119	4.80887
	2001	2002-03	0.005000	0.62633	0.06248	0.33124	4.48067
	2000	2001-02	0.005000	0.60382	0.06790	0.33488	4.17307
	1999	2000-01	0.005000	0.60302	0.06700	0.31303	4.16147
	1998	1999-00	0.005000	0.54709	0.06732	0.29311	4.06203
	1997	1998-99	0.005000	0.57182	0.03868	0.29389	3.91472
	1996	1997-98	0.005000	0.58671	0.04077	0.34669	4.19239
Buffalo	2005	2006-07	\$ 0.005000	0.61277	0.07034	0.29563	5.51106
	2004	2005-06	0.005000	0.59269	0.06973	0.27404	5.56513
	2003	2004-05	0.005000	0.59216	0.06439	0.27124	4.75497
	2005	2003-04	0.005000	0.61738	0.06221	0.33119	4.80887
	2001	2002-03	0.005000	0.62633	0.06248	0.33124	4.48067
	2000	2001-02	0.005000	0.60382	0.06790	0.33488	4.17307
	1999	2000-01	0.005000	0.60302	0.06700	0.31303	4.16147
	1998	1999-00	0.005000	0.54709	0.06732	0.29311	4.06203
	1997	1998-99	0.005000	0.57182	0.03868	0.29389	3.91472
	1996	1997-98	0.005000	0.58671	0.04077	0.34669	4.19239

Source: Scott County Auditor's Office

Davenport Community School District	City	Total	Ratio of Davenport Community School District to Total
\$ 17.10760	\$ 15.56702	39.17051	43.67%
17.09734	15.24000	38.84393	44.02
17.09591	15.24000	38.02891	44.96
17.07873	14.96445	37.85185	45.12
16.96204	14.63000	37.14308	45.67
15.46758	14.00000	34.65225	44.64
15.50967	14.60301	35.26220	43.98
14.92898	13.95123	33.85476	44.10
15.26607	13.96012	34.05030	44.83
15.19448	13.96012	34.32616	44.27
17.10760	11.58668	35.18908	48.62%
17.09734	11.43975	35.04368	48.79
17.09591	11.51524	34.29891	49.84
17.07873	12.48463	35.38801	48.26
16.96204	12.43356	34.90132	48.60
15.46758	11.56925	32.22150	48.00
15.50967	11.14846	31.80765	48.76
14.92898	10.38054	30.28407	49.30
15.26607	10.57459	30.66477	49.78
15.19448	11.60248	31.96852	47.53
17.10760	9.75000	33.35240	51.29%
17.09734	9.75001	33.35394	51.26
17.09591	9.75001	32.53368	52.55
17.07873	9.50000	32.40338	52.71
16.96204	9.50001	31.96777	53.06
15.46758	10.00001	30.65226	50.46
15.50967	10.50225	31.16144	49.77
14.92898	10.09000	29.99353	49.77
15.26607	8.14002	28.23020	54.08
15.19448	6.70018	27.06622	56.14
17.10760	8.10000	31.70240	53.96%
17.09734	8.09998	31.70391	53.93
17.09591	8.09999	30.88366	55.36
17.07873	7.65547	30.55885	55.89
16.96204	7.00203	29.46979	57.56
15.46758	6.99999	27.65224	55.94
15.50967	7.00003	27.65922	56.07
14.92898	6.65000	26.55353	56.22
15.26607	6.65000	26.74018	57.09
15.19448	6.65000	27.01604	56.24

Davenport Community School District

Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	2007			1998		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
SDG Macerich Properties	\$ 68,691,858	1	2.02%	\$ -		0.00%
Davenport Water Company	40,248,410	2	1.18	40,829,063	4	0.99
Quanex Corporation	22,322,600	3	0.66	24,824,932	10	0.60
LaFarge Corporation	20,156,405	4	0.59	-		-
Qwest	19,331,525	5	0.57	-		-
THE Davenport North Develop	17,316,235	6	0.33	-		-
Iowa 80 Truck Stop	15,728,168	7	0.46	-		-
Oscar Mayer Foods Corp	14,878,421	8	0.44	28,862,106	5	0.70
Wal Mart real estate	13,529,535	9	0.40	-		-
Davenport Center LTD Partnership	13,235,626	10	0.39	-		-
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 Cement Company	-		-	28,449,614	6	0.69
US West Communications	-		-	28,111,498	7	0.68
Deere & Company	-		-	26,601,400	8	0.65
Ralston Purina Company	-		-	24,986,909	9	0.61
Total	\$ 245,438,783		7.04%	\$ 700,834,637		18.28%

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
 (Unaudited)

Collection Fiscal Year Ending	Taxes Levied for the Fiscal Year	Total Tax Levy	Total Tax Collections	Percentage of Total Tax Collections	Outstanding Delinquent Taxes	Percentage of Levy
2006-07	2005	\$ 57,772,619	\$ 55,301,375	95.72%	\$ 169,861	0.29%
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

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

Davenport Community School District

Outstanding Debt by Type

Last Ten Fiscal Years

(dollars in thousands, except per capita)

(Unaudited)

Fiscal Year	Governmental	Percentage of Personal Income	Per Capita
	Activities Revenue Sales Bonds		
2007	\$ 19,985,000	0.35%	\$ 122.89
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	-	-	-

Source: District financial records

Davenport Community School District

Direct and Overlapping Governmental Activities Debt

As of June 30, 2006

(dollars in thousands)

(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Scott County	\$ 9,615,000	56.09%	\$ 5,393,054
Eastern Iowa Community College	49,700,000	32.61%	16,207,170
City of Blue Grass	186,000	100.00%	186,000
City of Buffalo	405,000	100.00%	405,000
City of Davenport	138,845,000	95.60%	132,735,820
City of Walcott	4,000,000	0.00%	-
City of Durant	1,960,000	4.68%	91,728
Subtotal, overlapping debt			<u>155,018,772</u>
District direct debt			19,985,000
Total direct and overlapping debt			<u><u>\$ 175,003,772</u></u>

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

Davenport Community School District

Legal Debt Margin Information
 Last Ten Fiscal Years
 (dollars in thousands)
 (Unaudited)

Legal Debt Margin Calculation for Fiscal Year 2007				
Assessed value				<u>\$ 3,425,483,920</u>
Debt limit (5% of assessed value)				<u>\$ 171,274,196</u>
Debt applicable to limit				<u>-</u>
Legal debt margin				<u>\$ 171,274,196</u>
	2007	2006	2005	2004
Debt limit	\$ 171,274,196	\$ 167,494,741	\$ 156,634,717	\$ 149,612,745
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<u>\$ 171,274,196</u>	<u>\$ 167,494,741</u>	<u>\$ 156,634,717</u>	<u>\$ 149,612,745</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%

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

2003	2002	2001	2000	1999	1998
\$ 146,495,120	\$ 138,161,257	\$ 132,153,371	\$ 129,405,653	\$ 119,085,975	\$ 112,889,015
-	-	-	-	-	-
\$ 146,495,120	\$ 138,161,257	\$ 132,153,371	\$ 129,405,653	\$ 119,085,975	\$ 112,889,015
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Davenport Community School District

Pledged-Revenue Coverage
 Last Ten Fiscal Years
(dollars in thousands)
 (Unaudited)

Fiscal Year	Local Option Sales Tax Revenue Bonds			Coverage
	Revenue	Debt Service		
		Principal	Interest	
2007	\$ 14,879,136	\$ 6,095,000	\$ 1,112,450	2.06%
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	-	-	-	-

Source: District financial records

Davenport Community School District

Demographic and Economic Statistics Last Ten Calendar Years (Unaudited)

Calendar Year	Population	Personal Income (000's)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2007	162,621	\$ 5,694,662	\$ 35,018	37.4	16,310	3.40%
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

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: \$204,405,916 in 2006-07

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 – 97.7
- Housing – 85.7
- Utilities – 100.9
- Transportation – 100.0
- Health Care – 92.1
- Misc. Goods – 97.3

Climate in the area is as follows:

- Average Winter Temperature – 24.8
- Average Summer Temperature – 73.2
- Average Annual Precipitation – 38.04"
- Average Annual Snowfall – 30.6"
- Average Wind Speed – 9.7 mph

Curriculum Basics:

- Elementary (Kindergarten through Fifth Grade)
- Fine arts, health and safety, language arts, mathematics, physical education, reading, science and social studies
- Intermediate (Sixth through Eighth Grade)
- Grade 6 - same as elementary
- Grades 7 and 8:
 - Required Areas: health, language arts, mathematics, physical education, science and social studies
 - Elective Areas: art, business education, computer education, foreign languages, family and consumer science, industrial technology, music and reading
- Senior High (Ninth through Twelfth Grade)

(Continued)

Davenport Community School District

Demographic and Miscellaneous Statistics (Continued)

- 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 grades 4-5 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
- Project Lead the Way (engineering technology curriculum for grades 9-12)
- 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

(Continued)

Davenport Community School District

Demographic and Miscellaneous Statistics (Continued)

Employee Top Awards:

- Bill Good, Director of Operations received the Pinnacle of Excellence Award. The Pinnacle Award recognizes innovative and outstanding practices, meaningful contributions to the improvement of school district efficiency, and new ideas which have resulted in significant contributions to school entities the profession of school business management.

Facilities:

- Preschool Center-2
- Elementary (some with preschool, all with kindergarten through fifth grade) - 19
- Intermediate (sixth through eighth grade) - 6
- Senior High (ninth through 12th grade) - 3
- Alternative Education (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-

- 44% Free
- 9% 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 percent
- Masters' Degrees – 50 percent
- Specialist or Doctorate Degrees – 1 percent

Program & School Top Awards:

- The Environmental Protection Agency has recognized the Davenport Schools as an Energy Star Leader, one of only 15 school districts nation-wide to have received this recognition.

(Continued)

Davenport Community School District

Demographic and Miscellaneous Statistics (Continued)

Student Top Awards (Just A Few!):

- Congratulations to the **Central** publications students who placed individually in national competition in Denver.
- Two Davenport **West High School** students have won three awards in the American Society of Newspaper Editors/Quill and Scroll 2007 International Writing and Photography Contest.
- A **Williams** 8th grader, inventor of the "Mobile Coat;" two students from **Walcott Intermediate**, 7th graders, inventors of the "The Putter Outer" (a device that automatically puts out your candle after a certain length of time) and an **Adams** 5th grader, inventor of the "Baby Mate" have all received notification from the directors of the **Iowa State Invention Convention** that they have each won a \$50.00 savings bond for their invention presentation last month at Iowa State University in Ames, Iowa.
- The **Wood Intermediate** Select 7-8 Grade Concert Choir took First Place Division A schools at the **Music In The Parks Festival** held Saturday, May 12 in Chicago, IL.
- A huge congratulation goes out to the **Central Army JROTC** Raider team who finished second at the **Iron Cadet championships** in Waterloo earlier in May.
- Forty Business Career Academy students from **West High** received the **President's Volunteer Service Award** on June 5th at the school. Iowa State Senator **Joe Seng** awarded the presidential medals to each student. The Business Career Academy students and staff volunteered 7,934 hours in the Quad City Area last year demonstrating citizenship, selfless service, and responsibility to America.
- The **Sudlow Intermediate Treble Choir**, was recently named the recipient of the **Grand Sweepstakes Award from the Music Showcase Festivals**. The award is given to the highest scoring ensemble of each level participating in the competition which was held at 6 Flags Great America.
- Two students at **Central High School** and a student at **West High School** have been named semifinalists in the 53rd annual **National Merit Scholarship** program.
- Students from **Central High School** have earned recognition from the College Board for their exceptional achievement on the college-level Advanced Placement program (AP) exams.

Student Diversity:

- About 64 percent Euro-American
- About 36 percent African American, Asian American, Hispanic, Native American and Bi-racial

Student Enrollment: 16,081 (October 2, 2006 Official Enrollment Count Day)

Student Teacher Ratio:

- Elementary – 12:1
- Intermediate – 12:1
- High School – 14:1

(Continued)

Davenport Community School District

Demographic and Miscellaneous Statistics (Continued)

Teacher Data:

	Beginning Salary	Maximum Salary	Number of Teachers	Average Salary
Bachelors	\$ 26,740	\$ 42,784	336	\$ 33,658
Bachelors + 15 hours	28,077	44,121	273	39,843
Masters	30,751	53,480	315	46,184
Masters + 15 hours	32,088	54,817	104	51,431
Masters + 30 hours	33,425	56,154	222	54,288
Specialists Degree	34,762	57,491	13	57,089

Average teachers salary: \$44,047

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

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

Twenty-five Great Things About Our Schools

"Enhance each student's abilities ... "

1. Extensive academic programs with many choices for individual students
2. Among area's smallest class sizes: average of 21.1 students in elementaries
3. Preschool programs and all-day kindergarten
4. Skills for Life, a district wide character education initiative
5. Unique I-on-I 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"

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

(Continued)

Davenport Community School District

Demographic and Miscellaneous Statistics (Continued)

"Enriched by our diverse community ... "

1. Expanded learning opportunities through many community partnerships
2. Active parents, supporting academic activities through playground projects
3. Area's first Partners in Education Program for schools, businesses, and organizations
4. Innovative Great Minds Program, sponsored by Davenport Schools Foundation and community
5. Recent school building modernization, supported by local taxpayers
6. Highly recognized art and music programs and student publications, reflective of a strong community heritage
7. Nurturing classroom and school environments, featuring many "brain-friendly" characteristics in which student learning thrives
8. Appreciation for the value that student and staff ethnic diversity brings to a well-rounded learning experience

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
(Unaudited)

Employer	2007			1998		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Rock Island Arsenal	6,600	1	4.00%	7,800	1	5.42%
Deere & Company	6,240	2	3.78	7,491	2	5.20
Genesis Health Systems	5,000	3	3.03	2,900	3	2.01
Trinity Regional Health System	2,650	4	1.61	2,147	4	1.49
Davenport Schools	2,482	5	1.50	2,368	5	1.64
Tyson Fresh Meats	2,400	6	1.46	-	-	-
Alcoa, Inc.	2,250	7	1.36	2,500	6	1.74
Hy Vee Stores	1,748	8	1.06	-	-	-
Kraft Foods/Oscar Mayer	1,600	9	0.97	-	-	-
US Postal Service	1,600	10	0.97	-	-	-
MidAmerican Energy	-	-	-	900	7	0.63
CASE Corporation	-	-	-	1,500	8	1.04
Eagle Foods Center	-	-	-	1,490	9	1.03
Illini Hospital	-	-	-	800	10	0.56
Total	32,570		19.74%	29,896		20.76%

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

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

Davenport Community School District



Davenport Community School District

**Full-Time Equivalent District Employees By Type
Last Ten Fiscal Years
(Unaudited)**

	2007	2006	2005	2004
Administration:				
District Secretary/Treasurer	1	1	1	1
Superintendent	1	1	1	1
Assistant Superintendents	2	2	2	1
Principals	30	27	27	28
Assistant Principals	16	16	16	16
All Other Administrators	16	14	14	15
Total Administration	66	61	61	62
Instructional:				
Teachers	872	894	896	870
Teachers - Special Programs	210	260	258	257
Teachers Aides	387	394	394	376
Total Instructional	1,469	1,548	1,548	1,503
Student Services:				
Counselors	44	38	38	38
Library Specialist	24	27	27	25
Other Education Professional	14	7	7	-
Nurses	21	23	23	22
Other Technical	18	14	14	12
Total Student Services	121	109	109	97
Support Services:				
Business Manager/Accountant	2	2	2	2
Other Professional	-	-	-	7
Office/Clerical	113	111	111	112
Crafts/Trades	29	29	29	29
Operative	-	-	-	-
Service Workers	280	281	281	282
Total Support Services	424	423	423	432
Total	2,080	2,141	2,141	2,094

Source: District records as reported on Certified Annual Report

2003	2002	2001	2000	1999	1998	Percentage Change 1998 - 2007
1	1	1	1	1	1	0.0%
1	1	1	1	1	1	-
1	1	2	2	3	3	(33.33)
28	31	32	31	31	29	3.45
16	14	16	16	15	13	23.08
14	15	11	11	25	34	(52.94)
61	63	63	62	76	81	(59.74)
850	935	980	958	937	937	(6.94)
240	242	284	309	318	332	(36.75)
370	406	404	335	337	372	4.03
1,460	1,583	1,668	1,602	1,592	1,641	(39.66)
25	28	31	32	33	36	22.22
26	25	31	31	31	30	(20.00)
-	-	-	-	-	-	-
20	17	21	20	19	18	16.67
11	11	13	13	21	20	(10.00)
82	81	96	96	104	104	8.89
2	3	3	3	1	1	100.00
8	5	4	4	-	1	(100.00)
112	103	120	117	124	126	(10.32)
29	30	39	44	34	45	(35.56)
-	-	-	-	1	89	(100.00)
276	132	159	241	243	281	(0.36)
427	273	325	409	403	543	(146.24)
2,030	2,000	2,152	2,169	2,175	2,369	(12.20)

Davenport Community School District

Operating Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced Price Meals
2007	16,081	\$ 141,749,209	\$ 6,050	6.64%	1,268	13.77	47.12%
2006	16,310	137,157,061	8,409	4.90	1,154	14.13	54.31
2005	16,446	131,835,442	8,016	(13.49)	1,154	14.25	55.56
2004	13,677	126,742,246	9,267	22.80	1,127	12.14	53.62
2003	16,417	123,891,530	7,547	3.59	1,090	15.06	51.35
2002	16,622	121,096,490	7,285	2.01	1,176	14.13	48.67
2001	16,831	120,205,496	7,142	8.30	1,264	13.32	47.91
2000	17,366	114,518,693	6,594	3.85	1,267	13.71	45.39
1999	17,288	109,776,735	6,350	4.96	1,255	13.78	56.00
1998	17,461	105,633,222	6,050	7.11	1,268	13.77	47.12

Source: District financial records

Davenport Community School District



Davenport Community School District

**School Building Information
Last Ten Fiscal Years
(Unaudited)**

School	Fiscal Year			
	2007	2006	2005	2004
Elementary:				
Adams (1950)				
Square feet	86,786	86,786	86,786	86,786
Capacity	690	690	690	690
Enrollment	575	564	567	554
Blue Grass (1957)				
Square feet	66,884	66,884	66,884	66,884
Capacity	552	552	552	552
Enrollment	344	338	326	336
Buchanan (1971)				
Square feet	60,481	60,481	60,481	60,481
Capacity	506	506	506	506
Enrollment	312	322	334	345
Buffalo (2002)				
Square feet	53,980	53,980	53,980	53,980
Capacity	391	391	391	391
Enrollment	288	299	305	316
Old Buffalo (1952)				
Square feet	-	-	-	-
Capacity	-	-	-	-
Enrollment	-	-	-	-
Eisenhower (1969)				
Square feet	61,442	61,442	61,442	61,442
Capacity	506	506	506	506
Enrollment	419	424	462	417
Fillmore (1955)				
Square feet	56,017	56,017	56,017	56,017
Capacity	552	552	552	552
Enrollment	388	380	401	440
Garfield (1923)				
Square feet	90,458	90,458	90,458	90,458
Capacity	483	483	483	483
Enrollment	428	406	476	459
Grant (1912)				
Square feet	-	-	-	-
Capacity	-	-	-	-
Enrollment	-	-	-	-
Harrison (1953)				
Square feet	72,912	72,912	72,912	72,912
Capacity	598	598	598	598
Enrollment	533	504	517	527
Hayes (1923)				
Square feet	77,618	77,618	77,618	77,618
Capacity	506	506	506	506
Enrollment	274	256	321	349

(Continued)

Fiscal Year					
2003	2002	2001	2000	1999	1998
86,786	86,786	86,786	82,282	82,282	82,282
690	690	690	690	690	690
565	519	520	528	522	497
66,884	66,884	66,884	66,884	66,884	66,884
552	552	552	552	552	552
317	365	350	365	351	359
60,481	60,481	60,481	56,103	56,103	56,103
506	506	506	506	506	506
377	366	363	400	424	429
53,980	53,980	53,980	53,980	-	-
391	391	391	391	-	-
282	261	304	203	-	-
-	-	-	-	29,245	29,245
-	-	-	-	230	230
-	-	-	-	206	210
61,442	61,442	61,442	57,811	57,811	57,811
506	506	506	506	506	506
399	395	416	426	424	390
56,017	56,017	56,017	56,017	51,980	51,980
552	552	552	552	552	552
425	415	408	479	464	472
90,458	90,458	90,458	68,558	68,558	68,558
483	483	483	483	483	483
546	379	388	403	402	395
-	-	-	34,789	34,789	34,789
-	-	-	232	232	232
-	-	-	231	210	234
72,912	72,912	72,912	72,912	72,912	63,926
598	598	598	598	598	598
488	453	449	459	471	484
77,618	71,918	71,918	64,918	64,918	64,918
506	506	506	506	506	506
336	338	377	432	346	376

Davenport Community School District

School Building Information (Continued)

Last Ten Fiscal Years

(Unaudited)

School	Fiscal Year			
	2007	2006	2005	2004
Elementary (Continued)				
Jackson (1971)				
Square feet	55,503	55,503	55,503	55,503
Capacity	529	529	529	529
Enrollment	388	358	370	396
Jefferson (1939)				
Square feet	64,514	64,514	64,514	64,514
Capacity	552	552	552	552
Enrollment	472	464	415	404
Johnson (1912)				
Square feet	-	-	-	-
Capacity	-	-	-	-
Enrollment	-	-	-	-
Lincoln (1939)				
Square feet	59,536	59,536	59,536	59,536
Capacity	483	483	483	483
Enrollment	302	281	240	287
Madison (1939)				
Square feet	64,614	64,614	64,614	64,614
Capacity	506	506	506	506
Enrollment	363	334	304	326
McKinley (1939)				
Square feet	61,063	61,063	61,063	61,063
Capacity	460	460	460	460
Enrollment	354	363	354	404
Monroe (1938)				
Square feet	72,435	72,435	72,435	72,435
Capacity	598	598	598	598
Enrollment	354	467	459	445
Roosevelt (N/A)				
Square feet	-	-	-	-
Capacity	-	-	-	-
Enrollment	-	-	-	-
Perry (N/A)				
Square feet	-	-	-	-
Capacity	-	-	-	-
Enrollment	-	-	-	-
Truman (1977)				
Square feet	61,064	61,064	61,064	61,064
Capacity	391	391	391	391
Enrollment	395	423	389	373
Washington (1939)				
Square feet	46,180	46,180	46,180	46,180
Capacity	322	322	322	322
Enrollment	270	290	270	245

Fiscal Year					
2003	2002	2001	2000	1999	1998
55,503	55,503	55,503	53,632	53,632	53,632
529	529	529	529	529	529
374	341	358	373	358	374
64,514	64,514	64,514	64,514	64,514	64,514
552	552	552	552	552	552
487	506	495	483	477	428
-	-	-	33,501	33,501	33,501
-	-	-	284	284	284
-	-	-	279	276	255
59,536	59,536	59,536	59,536	59,536	59,536
483	483	483	483	483	483
345	337	314	348	358	368
64,614	64,614	64,614	64,614	64,614	64,614
506	506	506	506	506	506
318	308	339	356	344	374
61,063	61,063	61,063	61,063	61,063	61,063
460	460	460	460	460	460
360	289	278	288	287	370
72,435	72,435	72,435	72,435	38,835	38,835
598	598	598	598	598	598
434	463	467	464	501	504
-	-	-	-	14,060	14,060
-	-	-	-	152	152
-	-	-	-	104	105
-	-	-	22,302	22,302	22,302
-	-	-	260	260	260
-	-	-	126	162	160
61,064	61,064	61,064	61,064	61,064	61,064
391	391	391	391	391	391
354	358	372	361	374	361
46,180	46,180	46,180	46,180	46,180	46,180
322	322	322	322	322	322
247	260	302	304	281	227

Davenport Community School District

School Building Information (Continued)
 Last Ten Fiscal Years
 (Unaudited)

School	Fiscal Year			
	2007	2006	2005	2004
Elementary (Continued)				
Wilson (1955)				
Square feet	78,401	78,401	78,401	78,401
Capacity	672	672	672	672
Enrollment	483	513	503	509
Intermediate				
Smart (1917)				
Square feet	134,901	134,901	134,901	134,901
Capacity	978	978	978	978
Enrollment	542	597	625	658
Sudlow (1917)				
Square feet	134,524	134,524	134,524	134,524
Capacity	978	978	978	978
Enrollment	643	665	706	693
Walcott (K-8) (1956)				
Square feet	92,160	92,160	92,160	92,160
Capacity	722	722	722	722
Enrollment	596	614	615	610
Williams (1954)				
Square feet	133,794	133,794	133,794	133,794
Capacity	977	977	977	977
Enrollment	745	779	799	772
Wood (1984)				
Square feet	105,815	105,815	105,815	105,815
Capacity	977	977	977	977
Enrollment	732	784	812	775
Young (1917)				
Square feet	108,018	108,018	108,018	108,018
Capacity	829	829	829	829
Enrollment	371	371	382	351
High				
Central (1904)				
Square feet	301,385	301,385	301,385	301,385
Capacity	1,933	1,933	1,933	1,933
Enrollment	1,560	1,554	1,560	1,475
North (1972)				
Square feet	390,763	390,763	359,621	359,621
Capacity	1,551	1,551	1,551	1,551
Enrollment	1,070	1,127	1,107	1,142
West (including train. rm. & vest) (1960)				
Square feet	453,811	453,811	453,811	453,811
Capacity	2,592	2,592	2,592	2,592
Enrollment	2,088	2,158	2,138	2,231
Other				
Child. Village at Hoover (1956)				
Square feet	20,002	20,002	20,002	20,002
Capacity	138	138	138	138
Enrollment	97	93	128	81

Fiscal Year					
2003	2002	2001	2000	1999	1998
78,401	78,401	78,401	73,501	73,501	73,501
672	672	672	672	672	672
594	581	551	543	533	509
134,901	134,901	134,901	134,901	119,210	119,210
978	978	978	978	978	978
683	678	688	730	726	726
134,524	134,524	134,524	134,524	118,833	118,833
978	978	978	978	978	978
654	653	659	657	683	730
92,160	92,160	92,160	87,771	87,771	87,771
722	722	722	722	722	722
660	657	658	694	695	659
133,794	133,794	133,794	133,794	124,926	124,926
977	977	977	977	977	977
792	781	773	746	718	746
105,815	105,815	105,815	105,815	99,912	99,912
977	977	977	977	977	977
747	720	773	736	767	773
108,018	108,018	108,018	108,018	108,018	108,018
829	829	829	829	829	829
402	436	410	432	435	454
301,385	301,385	301,385	301,385	301,385	301,385
1,933	1,933	1,933	1,933	1,933	1,933
1,456	1,407	1,398	1,439	1,404	1,380
359,621	359,621	359,621	276,940	226,579	226,579
1,551	1,551	1,551	1,551	1,551	1,551
1,108	1,082	1,059	1,126	1,154	1,187
453,811	449,316	420,196	391,076	357,239	323,402
2,592	2,592	2,592	2,592	2,592	2,592
2,263	2,336	2,324	2,416	2,350	2,384
20,002	20,002	20,002	4,943	4,943	4,943
138	138	138	94	94	94
66	57	41	75	30	90

Davenport Community School District

School Building Information (Continued)

Last Ten Fiscal Years

(Unaudited)

School	Fiscal Year			
	2007	2006	2005	2004
Other (Continued)				
Child. Village West (2004)				
Square feet	35,400	35,400	35,400	-
Capacity	286	286	286	-
Enrollment	199	178	164	-
Kimberly Center (1961)				
Square feet	79,884	79,884	79,884	79,884
Capacity	*	*	*	*
Enrollment	404	349	335	452

Source: District records

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

Fiscal Year					
2003	2002	2001	2000	1999	1998
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
79,884	79,884	79,884	79,884	79,884	79,884
*	*	*	*	*	*
455	428	366	413	396	395

Davenport Community School District





Compliance Section

Davenport Community School District



Davenport Community School District

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture: Passed through the State Department of Agriculture and Iowa Department of Education: Food Donation	10.550		\$ 366,363
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553		723,062
National School Lunch Program	10.555		3,075,046
Summer Food Service Program for Children	10.559		64,009
Total nutrition cluster			3,862,117
Total U.S. Department of Agriculture			4,228,480
U.S. Army Corps of Engineers: Passed through Scott County, Iowa: Flood Control Projects	12.112		31,112
U.S. Department of Health and Human Services Passed through State of Iowa Department of Health Wrap-Around Child Care Grant	93.575		75,789
Corporation for National Community Service Passed through State of Iowa Department of Education: Learn and Serve America - School and Community Based Programs	94.004		4,307
U.S. Department of Education: Passed through State of Iowa Department of Education:			
Title I - Grants to Local Educational Agencies	84.010		3,128,704
Special Education - Grants to States	84.027		1,316,751
Vocational Education - Grants to States	84.048		297,499
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126		13,218
Title IV - Safe and Drug-Free Schools and Communities - National Programs	84.184		125,901
Charter Schools	84.282		149,274
Education Technology State Grants	84.318		130,043
Reading First	84.357		645,009
Title II - Improving Teacher Quality State Grants	84.367		1,035,919
Title VI - Grants for State Assessments and Related Activities	84.369		110,495
			6,952,813

(Continued)

Davenport Community School District

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Passed through Mississippi Bend Area Education Agency:			
Fund for the Improvement of Education	84.215		32,781
Title V - State Grants for Innovative Programs	84.298		9,067
Advanced Placement Program	84.330		636
Comprehensive School Reform Demonstration	84.332		74,374
Early Reading First	84.359		14,354
Title III - English Language Acquisition Grants	84.365		66,378
			197,590
Direct Program:			
Emergency Response Crisis Management Grant	84.184E		73,269
Funding for the Improvement of Education - Carol White PE	84.215F		277,320
			350,589
Total U.S. Department of Education			7,500,992
Total expenditures of federal awards			\$ 11,840,680

See Notes to Schedule of Expenditures of Federal Awards.

Davenport Community School District

Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Davenport Community School District for the year ended June 30, 2007. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Significant Accounting Policies

Revenue from federal awards is recognized when the District has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

Davenport Community School District

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007**

	Finding	Status
II-A-06	The District experienced significant difficulties in performing reconciliations in the areas of cash and grant receivables.	Corrected
III-A-06	The District experienced significant difficulties in performing reconciliations in the areas of cash and grant receivables.	Corrected
IV-A-06	Expenditures exceeded the amended certified budget amount in the support services function.	Uncorrected; see similar finding 07-IV-A
IV-G-06	For certified enrollment, the District's supporting documentation did not agree to the Enrollment Report submitted to the Iowa Department of Education.	Uncorrected; see similar finding 07-IV-G
IV-J-06	Claims were not audited by the Board prior to payment.	Corrected

McGladrey & Pullen

Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Davenport Community School District as of and for the year ended June 30, 2007, which collectively comprise Davenport Community School District's basic financial statements and have issued our report thereon dated November 20, 2007. 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 Davenport Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Davenport Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Davenport Community School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Davenport Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 noncompliance 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, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the basic 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 interpretation of those statutes.

We noted certain matters that we reported to management of Davenport Community School District in a separate letter dated November 20, 2007.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
November 20, 2007

McGladrey & Pullen

Certified Public Accountants

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

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

Compliance

We have audited the compliance of 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, 2007. Davenport Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the 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 Nonprofit 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 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 on the District's compliance with those requirements.

In our opinion, 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, 2007.

Internal Control Over Compliance

The management of Davenport Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Davenport Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-III-A and 07-III-B to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Davenport Community School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Davenport Community School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education and others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
November 20, 2007

Davenport Community School District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major program:

CFDA Number	Name of Federal Program
84.010	Title I - Grants to Local Educational Agencies
84.357	Reading First State Grants
10.550	Food Donation

Dollar threshold used to distinguish between type A and type B programs: \$355,220

Auditee qualified as low-risk auditee? Yes No

(Continued)

Davenport Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2007

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

Significant deficiencies

None

III. Findings and Questioned Costs for Federal Awards.

A. Significant deficiencies in internal control.

07-III-A

U.S. Department of Education
Passed through State of Iowa Department of Education
Title I – Grants to Local Agencies (CFDA 84.010)
Federal Award Year: 2006/2007
Reading First (CFDA 84.357)
Federal Award Year: 2006/2007

Finding: The District does not have a system in place to obtain semi-annual certifications for employees fully funded by a federal program as required by OMB Circular A-87.

Condition: The District does not have a system in place that requires employees to properly sign semiannual certification letters stating their duties were exclusively related to Reading First or Title I.

Criteria: The Office of Management and Budget Circular A-87 requires semiannual certifications to support charges to a single federal award.

Prevalence: Nine of 24 employees tested.

Recommendation: We recommend the District implement a system to obtain semiannual certifications for personnel funded 100 percent by a federal award.

Response and Corrective Action Plan: The District will implement a system to obtain semiannual certifications for employees funded 100 percent by a federal award.

(Continued)

Davenport Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2007

07-III-B

U.S. Department of Education
Passed through State of Iowa Department of Education
Title I – Grants to Local Agencies (CFDA 84.010)
Federal Award Year: 2006/2007
Reading First (CFDA 84.357)
Federal Award Year: 2006/2007

Finding: The District does not have a system in place to document the allocation of split funded employee payroll costs as required by OMB Circular A-87.

Condition: District employees are not required to complete timesheets or equivalent documentation to support payroll costs charged to the programs. Quarterly comparisons of actual costs as accumulated by time records were not compared to the budgeted distributions.

Criteria: The Office of Management and Budget Circular A-87 requires a distribution of salaries be supported by personnel activity reports or equivalent documentation for all employees who work for more than one cost objective and the documentation be signed by the employee. Also, the circular requires at least quarterly comparisons of actual cost to budgeted distributions be made and reflect adjustments as a result of actual activity performed.

Prevalence: Fourteen of 24 employees tested.

Recommendation: We recommend the District implement a system to track employees' time by activity. Based on OMB Circular A-87, the employees should submit a signed timesheet or equivalent documentation by activity on a monthly basis. If a budget or estimate is determined before the services are performed, comparisons of actual costs to budgeted distributions based on the monthly documentation should be done on at least a quarterly basis.

Response and Corrective Action Plan: The District will implement a system to track employees' time when the employee is funded by more than one grant.

B. Compliance findings.

None

(Continued)

Davenport Community School District

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2007**

IV. Other Findings Related to Required Statutory Reporting.

07-IV-A Certified Budget

Expenditures for the year ended June 30, 2007, 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 area and make adjustments as needed.

Conclusion: Response accepted.

07-IV-B 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.

07-IV-C Travel Expenses

No expenditures of District money for travel expenses of spouses of District officials or employees were noted.

07-IV-D Business Transactions

No business transactions between the District and District officials or employees were noted.

07-IV-E Bond Coverage

Surety bond coverage of the District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

07-IV-F Board Minutes

Finding: Per Iowa Code 279.35 and 279.36, the secretary shall furnish a copy of the proceedings to be published within two weeks following the adjournment of the meeting. During the current year, the District was not publishing the proceedings within the two-week required time frame.

Recommendation: The District should notify the proper publishers of Board minutes within two weeks following the adjournment of the Board meetings.

Response: The District will notify the proper publisher of Board minutes within two weeks following the adjournment of the Board meetings.

Conclusion: Response accepted.

(Continued)

Davenport Community School District

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

07-IV-G Certified Enrollment

Finding: The District's supporting documentation did not agree to the Enrollment Report submitted to the Iowa Department of Education. This is based on the documentation maintained by the District to support the basic enrollment certified to the IDE for September 2006. The following variances were noted:

Line Number	Certified Number	District Records
7	16,492	16,500
9	79	80
11	15,942	15,950

Recommendation: The Iowa Department of Management and the Iowa Department of Education should be notified of the variances.

Response and Corrective Action Plan: The District does maintain documentation of students that qualify for certified enrollment. The challenge is there are changes that occur throughout the school year. The numbers reported as of the certified enrollment date can and may change up to the date the information is submitted to the State Department of Education. The District will continue to update and maintain appropriate documentation for those changes that occur during the year and also as of the designated certified enrollment date.

Conclusion: Response accepted.

07-IV-H Deposits and Investments

No instances of noncompliance 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.

07-IV-I Certified Annual Report

The Certified Annual Report (CAR) was filed with the Iowa Department of Education timely. As part of the audit, the District recorded adjustments which changed amounts reported on the CAR which was previously submitted. These changes will be reflected in the fiscal year 2008 beginning equity balances.

07-IV-J Claims

No instances of noncompliance with claim payments made in regards to Chapter 279.29 of the Code of Iowa were noted.

Davenport Community School District

**Corrective Action Plan
Year Ended June 30, 2007**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Significant Deficiencies in Internal Control in Administering Federal Programs				
07-III-A	The District does not have a system in place to obtain semiannual certifications for employees fully funded by a federal program as required by OMB Circular A-87.	See response and corrective action plan at 07-III-A.	June 2008	Marsha Tangen
07-III-B	The District does not have a system in place to document the allocation of split funded employee payroll costs as required by OMB Circular A-87.	See response and corrective action plan at 07-III-B.	June 2008	Marsha Tangen
Other Findings Related to Statutory Reporting				
07-IV-A	Expenditures exceeded the amended certified budget amount in the support services function.	See response and corrective action plan at 07-IV-A.	June 2008	Marsha Tangen
07-IV-F	The District did not publish the Board meeting proceedings within the two week required time frame.	See response and corrective action plan at 07-IV-F.	June 2008	Marsha Tangen
07-IV-G	For certified enrollment the District's supporting documentation did not agree to the Enrollment Report submitted to the Iowa Department of Education.	See response and corrective action plan at 07-IV-G.	June 2008	Marsha Tangen