

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

JUNE 30, 2009

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Bettendorf Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Barry Anderson	President	2008
Jeannine Crockett	Vice President	2008
Betsy Justis	Board Member	2009
Scott Tinsman	Board Member	2009
Paul Castro	Board Member	2010
Melinda Duncan Foreman	Board Member	2010
Barb Ehrmann	Board Member	2010
Board of Education (After September 2008 Election)		
Barry Anderson	President	2011
Jeannine Crockett	Vice President	2011
Betsy Justis	Board Member	2009
Scott Tinsman	Board Member	2009
Paul Castro	Board Member	2011 *
Melinda Duncan Foreman	Board Member	2011 *
Barb Ehrmann	Board Member	2009 *
School Officials		
Dr. Harrison Cass, Jr.	Interim Superintendent	2009
Dr. Carol Webb	Acting Superintendent (Resigned 8/4/08)	2009
Maxine McEnany	Director of Financial and Business Services	2009
Colleen Skolrood	Board Secretary	2009
Ray Cassady	Board Treasurer	2009
Cameron Davidson	Attorney	2009
Don Hoskins	Attorney	2009

* Board term altered per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

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(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Bettendorf Community School District, Bettendorf, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Bettendorf Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2009 on our consideration of the Bettendorf Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of 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.

Members American Institute & Iowa Society of Certified Public Accountants

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 39 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Bettendorf Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for five years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

December 8, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bettendorf Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$37,337,020 in fiscal 2008 to \$40,613,774 in fiscal 2009, while General Fund expenditures increased from \$38,288,034 in fiscal 2008 to \$39,899,526 in fiscal 2009. The District's General Fund balance increased from \$6,425,702 in fiscal 2008 to a balance of \$7,110,432 in fiscal 2009, a 10.66% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in property tax revenue, teacher quality revenue, Medicaid revenue and preschool revenue. The increase in expenditures was due to new contractual obligations and the increase in teacher quality funds and preschool expenditures.
- A decrease in interest rates during the past three fiscal years has resulted in interest earnings in the General Fund to decrease from \$325,506 in fiscal year 2008 to \$200,782 in fiscal year 2009.
- The District's General Fund solvency ratio was 10.04% at June 30, 2009.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

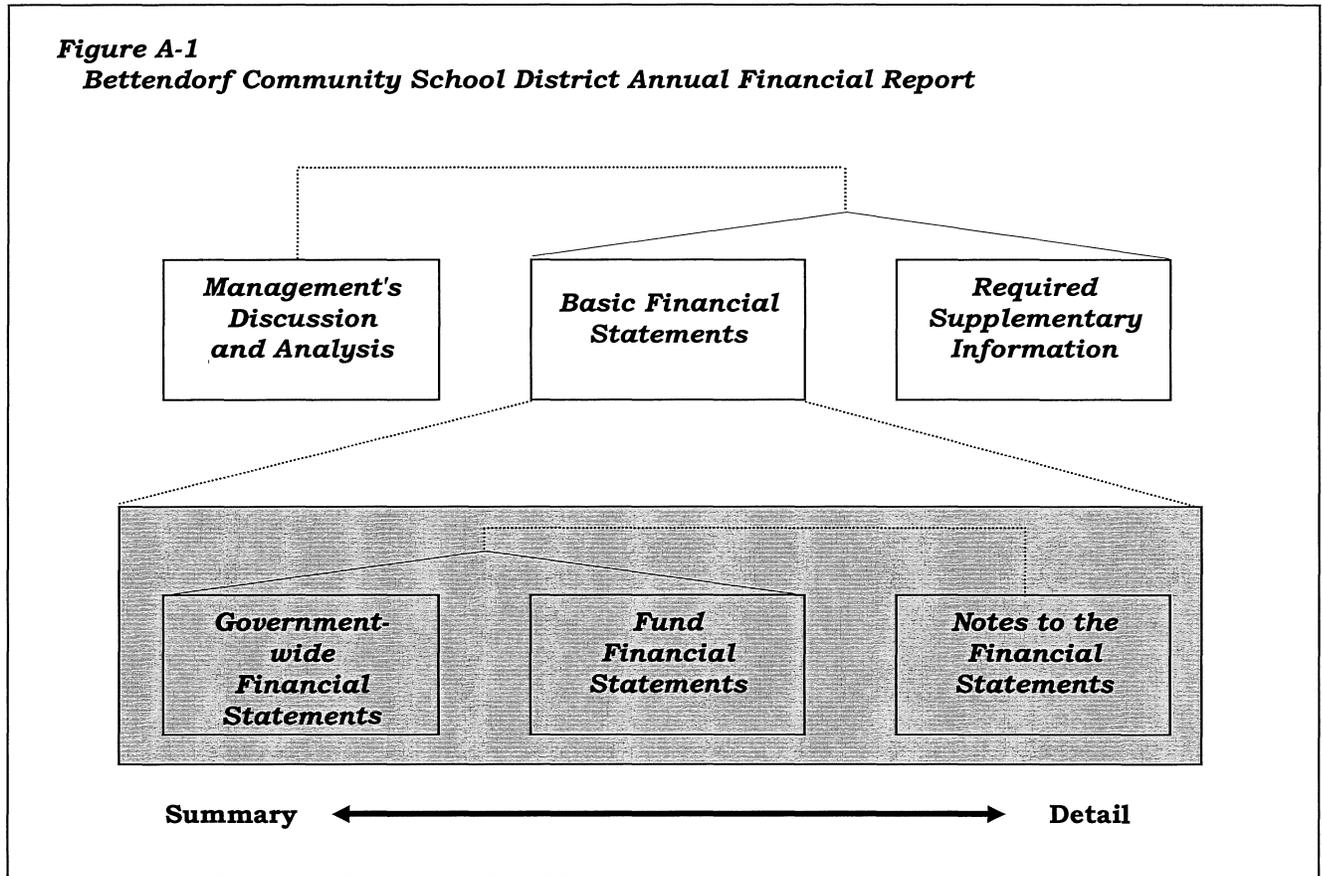


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 44,276,746	41,250,312	267,855	215,742	44,544,601	41,466,054	7.42%
Capital assets	36,255,325	35,381,970	110,291	135,765	36,365,616	35,517,735	2.39%
Total assets	80,532,071	76,632,282	378,146	351,507	80,910,217	76,983,789	5.10%
Long-term obligations	10,116,701	11,007,431	0	0	10,116,701	11,007,431	-8.09%
Other liabilities	21,883,762	21,390,960	48,766	33,772	21,932,528	21,424,732	2.37%
Total liabilities	32,000,463	32,398,391	48,766	33,772	32,049,229	32,432,163	-1.18%
Net assets:							
Invested in capital assets, net of related debt	26,690,325	25,001,970	110,291	135,765	26,800,616	25,137,735	6.62%
Restricted	11,912,425	10,064,473	0	0	11,912,425	10,064,473	18.36%
Unrestricted	9,928,858	9,167,448	219,089	181,970	10,147,947	9,349,418	8.54%
Total net assets	\$ 48,531,608	44,233,891	329,380	317,735	48,860,988	44,551,626	9.67%

The District's combined net assets increased by 9.67%, or \$4,309,362, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$1,847,952, or 18.36% over the prior year. The increase was primarily a result of local option sales tax reserves set aside for payment of the debt service issued for 1997/98 building projects, the Neil Armstrong new elementary school and the middle school pod renovation project.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$798,529, or 8.54%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 4,566,004	4,340,763	1,058,966	1,053,185	5,624,970	5,393,948	4.28%
Operating grants and contributions and restricted interest	7,135,248	4,989,886	581,440	536,500	7,716,688	5,526,386	39.63%
General revenues:							
Property tax	16,547,170	15,478,814	0	0	16,547,170	15,478,814	6.90%
Local option sales and service tax	3,660,156	3,822,827	0	0	3,660,156	3,822,827	-4.26%
Unrestricted state grants	15,310,071	15,508,136	0	0	15,310,071	15,508,136	-1.28%
Other	704,026	1,019,079	7,776	11,321	711,802	1,030,400	-30.92%
Total revenues	47,922,675	45,159,505	1,648,182	1,601,006	49,570,857	46,760,511	6.01%
Program expenses:							
Governmental activities:							
Instructional	26,906,987	24,868,484	0	0	26,906,987	24,868,484	8.20%
Support services	12,603,531	12,728,585	45,056	42,516	12,648,587	12,771,101	-0.96%
Non-instructional programs	0	112	1,591,481	1,584,170	1,591,481	1,584,282	0.45%
Other expenses	4,114,440	3,448,665	0	0	4,114,440	3,448,665	19.31%
Total expenses	43,624,958	41,045,846	1,636,537	1,626,686	45,261,495	42,672,532	6.07%
Changes in net assets	4,297,717	4,113,659	11,645	(25,680)	4,309,362	4,087,979	5.42%
Beginning net assets	44,233,891	40,120,232	317,735	343,415	44,551,626	40,463,647	10.10%
Ending net assets	\$ 48,531,608	44,233,891	329,380	317,735	48,860,988	44,551,626	9.67%

In fiscal 2009, property tax, local option sales and services tax and unrestricted state grants account for 74.11% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.53% of the revenue from business type activities.

The District's total revenues were approximately \$49.57 million of which \$47.92 million was for governmental activities and \$1.65 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.01% increase in revenues and a 6.07% increase in expenses. Property tax increased approximately \$1.07 million to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits as well as increases in expenses related to the net OPEB liability.

Governmental Activities

Revenues for governmental activities were \$47,922,675 and expenses were \$43,624,958.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 26,906,987	24,868,484	8.20%	16,801,552	16,992,443	-1.12%
Support services	12,603,531	12,728,585	-0.98%	12,461,992	12,646,422	-1.46%
Non-instructional programs	0	112	100.00%	0	112	100.00%
Other expenses	4,114,440	3,448,665	19.31%	2,660,162	2,076,220	28.13%
Totals	\$ 43,624,958	41,045,846	6.28%	31,923,706	31,715,197	0.66%

- The cost financed by users of the District’s programs was \$4,566,004.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$7,135,248.
- The net cost of governmental activities was financed with \$16,547,170 in property tax, \$3,660,156 in local option sales and services tax, \$15,310,071 in unrestricted state grants, \$443,894 in interest income and \$260,132 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities were \$1,648,182 and expenses were \$1,636,537. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$18,899,698, which is greater than last year’s ending fund balances of \$16,710,116. The primary reason for the increase in combined fund balances in fiscal 2009 is due to an increase in fund balance of the Capital Projects Fund. During fiscal year 2010, the District plans to pay off all general obligation bond and revenue BAN indebtedness.

Governmental Fund Highlights

- The General Fund balance increased from \$6,425,702 to \$7,110,432, due to the District having the following resources on hand at June 30, 2009 that we did not have on hand at June 30, 2008 causing the increase: ARRA Title I \$37,417; ARRA Part B \$116,894; Teacher Quality \$30,003; Mentoring \$27,206; Staff Development \$62,943; AT Risk \$156,359; Core Curriculum \$60,586; Talented and Gifted \$51,583; Limited English Proficiency \$44,095; and Preschool \$69,570.

-
- The Districts tax rate remained the same at \$14.85 per \$1,000 valuation in fiscal year 2008 and in fiscal year 2009.
 - The Capital Projects Fund balance increased from \$7,573,481 in fiscal 2008 to \$8,873,897 in fiscal 2009. The District will pay off its Capital Loan Notes and Bond Anticipation Notes on October 1, 2009. They will be debt free at that time. A facilities committee has put together recommendations for future building projects and presented their findings to the Board of Education. The Board of Education is in the process of getting cost estimates and will determine which projects we can proceed with. They plan to determine the scope of projects early in the 2010 calendar year with construction estimated to begin in the Spring of 2010.
 - The Special Revenue, Physical Plant and Equipment Levy fund balance increased from \$1,049,118 in fiscal 2008 to \$1,244,373 in fiscal 2009.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$317,735 at June 30, 2008 to \$329,380 at June 30, 2009, representing an increase of 3.67%. The increase in net assets was due to the decrease in expenses for salaries and benefits.

BUDGETARY HIGHLIGHTS

Over the course of the year, Bettendorf Community School District amended its annual budget one time to reflect expenditures associated with the increases in costs due to the timing of construction.

The District's revenues were \$707,413 more than budgeted revenues, a variance of 1.45%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated due to American Recovery and Reinvestment Act Funds. The District manages or controls General Fund spending through its line-item budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$36.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 2.33% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$2,096,214.

The original cost of the District's capital assets was \$64.6 million. Governmental funds account for \$64.0 million with the remainder of \$0.6 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,199,468 at June 30, 2008, compared to \$0 reported at June 30, 2009. This significant decrease resulted from the completion of construction projects at the middle school.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 1,017,415	1,017,415	0	0	1,017,415	1,017,415	0.00%
Construction in progress	0	2,199,468	0	0	0	2,199,468	-100.00%
Buildings	33,833,998	30,923,081	0	0	33,833,998	30,923,081	8.60%
Land improvements	51,982	56,579	0	0	51,982	56,579	-8.84%
Machinery and equipment	1,351,930	1,185,427	110,291	135,765	1,462,221	1,321,192	9.64%
Total	<u>\$ 36,255,325</u>	<u>35,381,970</u>	<u>110,291</u>	<u>135,765</u>	<u>36,365,616</u>	<u>35,517,735</u>	<u>2.33%</u>

Long-Term Debt

At June 30, 2009, the District had \$10,090,032 in general obligation and other long-term debt outstanding. This represents a decrease of 8.33% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bond indebtedness at June 30, 2009 of \$2,565,000.

The District had total outstanding Revenue Bond Anticipation Notes indebtedness at June 30, 2009 of \$7,000,000. During fiscal year 2010, the Revenue Bond Anticipation Notes will be repaid entirely.

The District had total outstanding Early Retirement payable from the General and Special Revenue - Management Funds of \$411,380 at June 30, 2009.

The District had total outstanding Compensated Absences payable from the General Fund of \$113,652 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
General Obligation Bonds	\$ 2,565,000	3,380,000	0	0	2,565,000	3,380,000	-24.11%
Revenue Bonds	7,000,000	7,000,000	0	0	7,000,000	7,000,000	0.00%
Early Retirement	411,380	506,938	0	0	411,380	506,938	-18.85%
Compensated Absences	113,652	120,493	0	0	113,652	120,493	-5.68%
Net OPEB Liability	26,669	0	331	0	27,000	0	100.00%
Totals	<u>\$ 10,116,701</u>	<u>11,007,431</u>	<u>331</u>	<u>0</u>	<u>10,117,032</u>	<u>11,007,431</u>	<u>-8.09%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- On October 1, 2009 the District's certified enrollment was 4093.4 students. This is an increase of 9.6 students over our October 1, 2008 certified enrollment of 4083.8. The Iowa Department of Education projects a stable enrollment for the next five years for our District.

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- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.
 - During the 2008/2009 school year Governor Chester Culver ordered a 1.5% across-the-board cut. This cut was a permanent cut to our state aid. It amounts to approximately \$58 per student weighted enrollment. This shortfall amount to our fiscal year June 30, 2009 budget and to our fiscal year June 30, 2010 is \$252,403 each year.
 - On September 25, 2009, Governor Chester Culver issued Executive Order Number 19, wherein he ordered a uniform modification of allotment requests, pursuant to Iowa Code section 8.31, to achieve an annual ten percent budget reduction for fiscal year 2010. This reduction amount for us is \$1,889,897.
 - The Board of Education approved expenditure reductions of \$633,995 in the Spring of 2009 for the 2009/2010 school year to help offset the 1.5% across-the-board reduction in state aid and new contractual obligations of \$1,012,620. The district's new money for fiscal year end June 30, 2009 based on enrollment increase was projected to be \$546,997.
 - With the September 25, 2009 ten percent across-the-board reduction, the district will continue to implement cost-saving measures and put together a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost saving measures we will implement and how much we can spend from our reserves.
 - Continued budget concerns at the state level will affect future projections. The District is aware of the Governor's request to use reserve balances before raising property taxes.
 - On September 9, 2003 voters in the District passed a voter-approved physical plant and equipment levy not to exceed \$1.34 per \$1,000 assessed valuation for ten years commencing July 1, 2004. The 2008/2009 \$.33 regular PPEL levy and 1.34 voted PPEL levy generated \$2,047,412 property tax income.
 - The first 10-year local option sales tax will expire in 2009. During the 2005 legislative session lawmakers voted to approve a statewide local option tax pool. For the 2008/2009 year, the Scott County per pupil amount for Local Option Sales and Service tax was \$824. The District will now receive the statewide average set by the legislature. This will be a reduction in our LOSST proceeds of approximately \$400,000. The Scott County voters renewed the local option sales tax on March 4, 2008 for 10 years.
 - A \$5 million renovation of the Middle School Pod area was completed and occupied in the fall of 2008.
 - The District repaid 100% of outstanding bonds from the local option sales tax receipts. The Board has determined they will not be issuing any debt, unless they chose to borrow against any future sales tax. The District paid all of its outstanding debt on October 1, 2009.
 - Overall usage of electricity and natural gas decreased 23% for fiscal year end June 30, 2009. The District has purchased 50% of its natural gas supply for the High School and the Middle School. Conservative estimates show we will save greater than \$100,000 on natural gas during the 2009/2010 school year.
 - The District is self-funded for health insurance. The fund balance has increased since last year. On June 30, 2008, the fund balance was \$3,230,938 while on June 30, 2009 the fund balance is \$3,572,679.

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- The Board of Education is in the process of implementing an early retirement plan for the year ended June 30, 2010. The plan would allow people who are at least 55 years of age and who have been full-time with the District for at least 15 years to retire with a benefit of \$2,400 per year paid into a Health Reimbursement Arrangement (HRA) until eligible for Medicare or death and \$15 per day for unused sick leave to be paid into an HRA. The amount due for early retirement for the current retirement program at June 30, 2009 is \$411,380.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Maxine McEnany, Director of Financial and Business Services, Bettendorf Community School District, 800 23rd Street, Bettendorf, Iowa, 52722.

BASIC FINANCIAL STATEMENTS

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 24,787,603	244,498	25,032,101
Receivables:			
Property tax:			
Delinquent	299,460	0	299,460
Succeeding year	17,169,921	0	17,169,921
Interfund	20,000	(20,000)	0
Accounts	232,246	22,677	254,923
Due from other governments	1,767,516	0	1,767,516
Inventories	0	20,680	20,680
Capital assets, net of accumulated depreciation	36,255,325	110,291	36,365,616
Total Assets	80,532,071	378,146	80,910,217
Liabilities			
Accounts payable	809,324	9,632	818,956
Salaries and benefits payable	3,095,707	5,652	3,101,359
Incurred but not reported claims	535,566	0	535,566
Interest payable	79,393	0	79,393
Deferred revenue:			
Succeeding year property tax	17,169,921	0	17,169,921
Other	193,851	0	193,851
Unearned revenue	0	33,151	33,151
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	840,000	0	840,000
Early retirement payable	119,993	0	119,993
Compensated absences	113,652	0	113,652
Revenue BANS payable	7,000,000	0	7,000,000
Portion due after one year:			
General obligation bonds payable	1,725,000	0	1,725,000
Early retirement payable	291,387	0	291,387
Net OPEB liability	26,669	331	27,000
Total Liabilities	32,000,463	48,766	32,049,229
Net Assets			
Invested in capital assets, net of related debt	26,690,325	110,291	26,800,616
Restricted for:			
Debt service	2,844	0	2,844
Categorical funding	534,539	0	534,539
Management levy	803,894	0	803,894
Physical plant and equipment levy	1,244,373	0	1,244,373
Capital projects	8,873,897	0	8,873,897
Other special revenue purposes	452,878	0	452,878
Unrestricted	9,928,858	219,089	10,147,947
Total Net Assets	\$ 48,531,608	329,380	48,860,988

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 18,212,867	3,065,713	4,694,943	(10,452,211)	0	(10,452,211)
Special	5,125,937	549,806	940,836	(3,635,295)	0	(3,635,295)
Other	3,568,183	852,087	2,050	(2,714,046)	0	(2,714,046)
	<u>26,906,987</u>	<u>4,467,606</u>	<u>5,637,829</u>	<u>(16,801,552)</u>	<u>0</u>	<u>(16,801,552)</u>
Support services:						
Student	1,563,223	0	0	(1,563,223)	0	(1,563,223)
Instructional staff	661,017	0	0	(661,017)	0	(661,017)
Administration	5,492,896	0	0	(5,492,896)	0	(5,492,896)
Operation and maintenance of plant	4,219,241	0	0	(4,219,241)	0	(4,219,241)
Transportation	667,154	98,398	43,141	(525,615)	0	(525,615)
	<u>12,603,531</u>	<u>98,398</u>	<u>43,141</u>	<u>(12,461,992)</u>	<u>0</u>	<u>(12,461,992)</u>
Other expenditures:						
Facilities acquisitions	546,337	0	0	(546,337)	0	(546,337)
Long-term debt interest	402,811	0	0	(402,811)	0	(402,811)
AEA flowthrough	1,454,278	0	1,454,278	0	0	0
Depreciation(unallocated)*	1,711,014	0	0	(1,711,014)	0	(1,711,014)
	<u>4,114,440</u>	<u>0</u>	<u>1,454,278</u>	<u>(2,660,162)</u>	<u>0</u>	<u>(2,660,162)</u>
Total governmental activities	43,624,958	4,566,004	7,135,248	(31,923,706)	0	(31,923,706)
Business-Type activities:						
Support services:						
Administration	38,457	0	0	0	(38,457)	(38,457)
Operation and maintenance of plant	6,599	0	0	0	(6,599)	(6,599)
	<u>45,056</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(45,056)</u>	<u>(45,056)</u>
Non-instructional programs:						
Food service operations	1,591,481	1,058,966	581,440	0	48,925	48,925
Total business-type activities	1,636,537	1,058,966	581,440	0	3,869	3,869
Total	<u>\$ 45,261,495</u>	<u>5,624,970</u>	<u>7,716,688</u>	<u>(31,923,706)</u>	<u>3,869</u>	<u>(31,919,837)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 14,515,124	0	14,515,124
Capital outlay				2,032,046	0	2,032,046
Local option sales and service tax				3,660,156	0	3,660,156
Unrestricted state grants				15,310,071	0	15,310,071
Unrestricted investment earnings				443,894	7,776	451,670
Other general revenues				260,132	0	260,132
Total general revenues				<u>36,221,423</u>	<u>7,776</u>	<u>36,229,199</u>
Changes in net assets				4,297,717	11,645	4,309,362
Net assets beginning of year				44,233,891	317,735	44,551,626
Net assets end of year				<u>\$ 48,531,608</u>	<u>329,380</u>	<u>48,860,988</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
Assets:						
Cash and pooled investments	\$ 9,448,091	1,286,640	8,320,320	2,844	1,678,418	20,736,313
Receivables:						
Property tax						
Delinquent	254,589	36,589	0	0	8,282	299,460
Succeeding year	14,590,086	2,111,533	0	0	468,302	17,169,921
Interfund	20,199	0	0	0	0	20,199
Accounts	140,892	25,070	0	0	9,329	175,291
Due from other governments	1,196,962	11	570,540	0	3	1,767,516
Total assets	\$ 25,650,819	3,459,843	8,890,860	2,844	2,164,334	40,168,700
Liabilities and fund balances:						
Liabilities:						
Interfund payable	\$ 0	0	0	0	199	199
Accounts payable	660,936	103,937	16,963	0	27,488	809,324
Salaries and benefits payable	3,095,514	0	0	0	193	3,095,707
Deferred revenue:						
Succeeding year property tax	14,590,086	2,111,533	0	0	468,302	17,169,921
Other	193,851	0	0	0	0	193,851
Total liabilities	18,540,387	2,215,470	16,963	0	496,182	21,269,002
Fund balances:						
Reserved for:						
Debt service	0	0	0	2,844	0	2,844
Categorical funding	534,539	0	0	0	0	534,539
Unreserved:						
Designated:						
Special purposes by the board	500,000	0	0	0	0	500,000
Cash flow	2,000,000	0	0	0	0	2,000,000
Undesignated	4,075,893	1,244,373	8,873,897	0	1,668,152	15,862,315
Total fund balances	7,110,432	1,244,373	8,873,897	2,844	1,668,152	18,899,698
Total liabilities and fund balances	\$ 25,650,819	3,459,843	8,890,860	2,844	2,164,334	40,168,700

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 17)	\$	18,899,698
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		36,255,325
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		3,572,679
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(79,393)
Long-term liabilities, including bonds payable, BANS payable, early retirement payable, compensated absences and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(10,116,701)
Net assets of governmental activities (page 15)	\$	<u>48,531,608</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:						
Local sources:						
Local tax	\$ 14,057,789	2,032,046	3,660,156	0	457,335	20,207,326
Tuition	3,291,369	0	0	0	0	3,291,369
Other	1,121,632	81,351	199,660	0	887,501	2,290,144
Intermediate sources	20,853	0	0	0	0	20,853
State sources	20,222,946	1,084	0	0	268	20,224,298
Federal sources	1,884,007	0	0	0	0	1,884,007
Total revenues	40,598,596	2,114,481	3,859,816	0	1,345,104	47,917,997
EXPENDITURES:						
Current:						
Instruction:						
Regular	17,588,550	0	0	0	978,674	18,567,224
Special	5,165,763	0	0	0	0	5,165,763
Other	3,562,104	0	0	0	2,400	3,564,504
	26,316,417	0	0	0	981,074	27,297,491
Support services:						
Student	1,561,460	0	0	0	12,238	1,573,698
Instructional staff	668,936	0	0	0	2,693	671,629
Administration	5,437,407	10,785	0	0	94,521	5,542,713
Operation and maintenance of plant	3,821,204	171,772	0	0	210,952	4,203,928
Transportation	639,824	141,264	0	0	22,949	804,037
	12,128,831	323,821	0	0	343,353	12,796,005
Non-instructional programs:						
Food service operations	0	0	0	0	11,496	11,496
Other expenditures:						
Facilities acquisitions	0	1,624,923	1,339,280	0	0	2,964,203
Long-term debt:						
Principal	0	0	0	815,000	0	815,000
Interest and fiscal charges	0	0	0	405,120	0	405,120
AEA flowthrough	1,454,278	0	0	0	0	1,454,278
	1,454,278	1,624,923	1,339,280	1,220,120	0	5,638,601
Total expenditures	39,899,526	1,948,744	1,339,280	1,220,120	1,335,923	45,743,593
Excess(deficiency) of revenues over(under) expenditures	699,070	165,737	2,520,536	(1,220,120)	9,181	2,174,404
Other financing sources(uses):						
Transfers in	0	29,518	0	1,220,120	0	1,249,638
Transfers out	(29,518)	0	(1,220,120)	0	0	(1,249,638)
Proceeds from the disposal of property	15,178	0	0	0	0	15,178
Total other financing sources	(14,340)	29,518	(1,220,120)	1,220,120	0	15,178
Net change in fund balances	684,730	195,255	1,300,416	0	9,181	2,189,582
Fund balances beginning of year	6,425,702	1,049,118	7,573,481	2,844	1,658,971	16,710,116
Fund balances end of year	\$ 7,110,432	1,244,373	8,873,897	2,844	1,668,152	18,899,698

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds (page 19) \$ 2,189,582

**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, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, loss on disposal of capital assets and depreciation expense in the year are as follows:

Capital outlays	\$ 2,954,586	
Loss on disposal of capital assets	(10,500)	
Depreciation expense	<u>(2,070,731)</u>	873,355

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 815,000

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 341,741

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,309

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	\$ 95,558	
Compensated absences	6,841	
Other postemployment benefits	<u>(26,669)</u>	75,730

Changes in net assets of governmental activities (page 16) \$ 4,297,717

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 244,498	4,051,290
Accounts receivable	22,677	56,955
Inventories	20,680	0
Total current assets	<u>287,855</u>	<u>4,108,245</u>
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	110,291	0
Total non-current assets	<u>110,291</u>	<u>0</u>
TOTAL ASSETS	<u>398,146</u>	<u>4,108,245</u>
LIABILITIES		
Current liabilities:		
Interfund payable	20,000	0
Accounts payable	9,632	0
Salaries and benefits payable	5,652	0
Net OPEB liability	331	0
Incurred but not reported claims	0	535,566
Unearned revenue	33,151	0
TOTAL LIABILITIES	<u>68,766</u>	<u>535,566</u>
NET ASSETS		
Invested in capital assets	110,291	0
Unrestricted	219,089	3,572,679
TOTAL NET ASSETS	<u>\$ 329,380</u>	<u>3,572,679</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 1,058,966	4,322,861
OPERATING EXPENSES:		
Support services:		
Administration services:		
Salaries	31,736	0
Benefits	4,779	0
Services	1,501	64,145
Other	441	0
	<u>38,457</u>	<u>64,145</u>
Operation and maintenance of plant:		
Services	6,599	0
Total support services	<u>45,056</u>	<u>64,145</u>
Non-instructional programs:		
Food service operations:		
Salaries	490,962	0
Benefits	127,189	0
Services	47,882	0
Supplies	899,974	0
Depreciation	25,474	0
	<u>1,591,481</u>	<u>0</u>
Other enterprise operations:		
Benefits	0	3,974,087
Total non-instructional programs	<u>1,591,481</u>	<u>3,974,087</u>
TOTAL OPERATING EXPENSES	<u>1,636,537</u>	<u>4,038,232</u>
OPERATING INCOME (LOSS)	<u>(577,571)</u>	<u>284,629</u>
NON-OPERATING REVENUES:		
State sources	17,302	0
Federal sources	564,138	0
Interest income	7,776	57,112
TOTAL NON-OPERATING REVENUES	<u>589,216</u>	<u>57,112</u>
Changes in net assets	11,645	341,741
Net assets beginning of year	<u>317,735</u>	<u>3,230,938</u>
Net assets end of year	<u>\$ 329,380</u>	<u>3,572,679</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Business-Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 1,015,529	0
Cash received from miscellaneous operating activities	24,323	4,326,726
Cash payments to employees for services	(652,676)	0
Cash payments to suppliers for goods or services	(866,536)	(4,007,957)
Net cash provided by(used in) operating activities	<u>(479,360)</u>	<u>318,769</u>
Cash flows from non-capital financing activities:		
State grants received	17,302	0
Federal grants received	486,130	0
Net cash provided by non-capital financing activities	<u>503,432</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investment	7,776	57,112
Net increase in cash and cash equivalents	31,848	375,881
Cash and cash equivalents at beginning of year	212,650	3,675,409
Cash and cash equivalents at end of year	<u>\$ 244,498</u>	<u>4,051,290</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (577,571)	284,629
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	78,008	0
Depreciation	25,474	0
Decrease in inventories	2,221	0
(Increase)Decrease in accounts receivable	(22,486)	3,865
Increase in incurred but not reported claims	0	34,300
Increase(Decrease) in accounts payable	9,632	(4,025)
Increase in salaries and benefits payable	1,659	0
Increase in unearned revenues	3,372	0
Increase in other postemployment benefits	331	0
Net cash provided by(used in) operating activities	<u>\$ (479,360)</u>	<u>318,769</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and investments	<u>\$ 244,498</u>	<u>4,051,290</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
During the year ended June 30, 2009, the District received Federal commodities valued at \$78,008.		
SEE NOTES TO FINANCIAL STATEMENTS.		

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2009

	Agency
ASSETS	
Cash and pooled investments	\$ 21,134
Accounts receivable	2,500
	23,634
LIABILITIES	
Due to other groups	\$ 23,634
	23,634

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Special Revenue, Physical Plant & Equipment Levy (PPEL) Fund is used to account for machinery and equipment expenditures as well as the improvements to capital facilities.

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be

collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

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

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

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

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

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

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

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

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 1,755,140</u>

At June 30, 2009, the District had investments in the IPASeducation as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 4,700,000</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service. The investments in the IPASeducation are registered and not subject to rating.

(3) Due From and Due to Other Funds

The detail of interfund receivable and payable balances for the year ended June 30, 2009 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Student Activity	\$ 199
General	Enterprise, School Nutrition	<u>20,000</u>
Total		<u>\$ 20,199</u>

The Student Activity Fund and the Enterprise, School Nutrition Fund is repaying the General Fund for salaries and benefits paid during the 2008-09 school year. The interfund loans between these funds have been subsequently repaid.

(4) Transfers

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 1,220,120
Physical Plant and Equipment Levy	General	29,518
Total		<u>\$ 1,249,638</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,017,415	0	0	1,017,415
Construction in progress	2,199,468	2,417,866	4,617,334	0
Total capital assets not being depreciated	<u>3,216,883</u>	<u>2,417,866</u>	<u>4,617,334</u>	<u>1,017,415</u>
Capital assets being depreciated:				
Buildings	52,211,009	4,617,334	0	56,828,343
Land improvements	184,544	0	0	184,544
Machinery and equipment	5,496,155	536,720	97,292	5,935,583
Total capital assets being depreciated	<u>57,891,708</u>	<u>5,154,054</u>	<u>97,292</u>	<u>62,948,470</u>
Less accumulated depreciation for:				
Buildings	21,287,928	1,706,417	0	22,994,345
Land improvements	127,965	4,597	0	132,562
Machinery and equipment	4,310,728	359,726	86,801	4,583,653
Total accumulated depreciation	<u>25,726,621</u>	<u>2,070,740</u>	<u>86,801</u>	<u>27,710,560</u>
Total capital assets being depreciated, net	<u>32,165,087</u>	<u>3,083,314</u>	<u>10,491</u>	<u>35,237,910</u>
Governmental activities capital assets, net	<u>\$ 35,381,970</u>	<u>5,501,180</u>	<u>4,627,825</u>	<u>36,255,325</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 636,397	0	0	636,397
Less accumulated depreciation	500,632	25,474	0	526,106
Business type activities capital assets, net	\$ 135,765	(25,474)	0	110,291

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 191,688
Special		1,936
Other		19,541
Support services:		
Operation and maintenance		34,374
Transportation		112,187
		<u>359,726</u>
Unallocated depreciation		1,711,014
		<u>1,711,014</u>
Total governmental activities depreciation expense		<u>\$ 2,070,740</u>
Business type activities:		
Food services		<u>\$ 25,474</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 3,380,000	0	815,000	2,565,000	840,000
Revenue BANS	7,000,000	0	0	7,000,000	7,000,000
Early Retirement	506,938	0	95,558	411,380	119,993
Compensated Absences	120,493	113,652	120,493	113,652	113,652
Net OPEB Liability	0	26,669	0	26,669	0
Total	\$ 11,007,431	140,321	1,031,051	10,116,701	8,073,645
Business type activities:					
Net OPEB Liability	\$ 0	331	0	331	0

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of August 1, 2005			
	Interest Rates	Principal	Interest	Total
2010	3.40%	\$ 840,000	87,210	927,210
2011	3.40	860,000	58,650	918,650
2012	3.40	865,000	29,410	894,410
Total		\$ 2,565,000	175,270	2,740,270

Revenue BANS Payable

Revenue bond anticipation notes (BANS) were issued in anticipation of future revenues from sales tax. Revenue BANS were issued for capital facility additions and will be repaid using Local Option Sales and Services Tax collected in the Capital Projects Fund. Details of the District's June 30, 2009 revenue bond anticipation Notes indebtedness is as follows:

Year Ending June 30,	Bond Issue of October 2, 2006			
	Interest Rates	Principal	Interest	Total
2010	4.12%	\$ 7,000,000	144,250	7,144,250

The District has pledged future local option sales and services tax revenues to repay \$7,000,000 Revenue BANS issued in October 2006. The bonds were issued for the purpose of financing capital facility construction. The Revenue BANS are payable solely from the proceeds of the local option sales and services tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2023. The Revenue BANS are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. The total principal and interest remaining to be paid on the notes is \$7,144,250. For the current year, principal of \$0 and interest of \$288,500 was paid on the Revenue BANS and total local option sales and services tax revenues were \$3,660,156.

Early Retirement

The District offered a voluntary early retirement plan to its employees who retired June 30, 2005, or June 30, 2006, or June 30, 2007. Eligible employees had to have been at least age fifty-five and have completed fifteen years of continuous service to the District. Employees completed an application which was required to be approved by the Board of Education. The benefits were \$2,400 per year paid into a Health Reimbursement Arrangement (HRA) until age 65 or for 10 years, whichever was less, and \$10 per day for unused sick leave paid into an HRA. A liability has been recorded in the Statement of Net Assets for government-wide activities for these early retirement benefits. Early retirement benefits paid during the year ended June 30, 2009, totaled \$95,558.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$1,541,307, \$1,364,059 and \$1,215,772 respectively, equal to the required contributions for each year.

(8) Risk Management

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

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$3,572,679 at June 30, 2009. The incurred but not recorded and unpaid claims liability of \$535,566 reported in the plan at June 30, 2009 based on the requirements of GASB Statement Number 10, is set up as a liability on the statement of net assets.

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

(9) Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 420 active and 69 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Alliance Select. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

Funding Policy - the contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 387,000
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	<u>387,000</u>
Contributions made	<u>(360,000)</u>
Increase in net OPEB obligation	27,000
Net OPEB obligation - beginning of year	<u>0</u>
Net OPEB obligation - end of year	<u><u>\$ 27,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2009.

For the fiscal year 2009, the District contributed \$360,000 to the medical plan. Plan members receiving benefits contributed \$268,322, or 43% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/09	\$ 387,000	93.02%	\$ 27,000

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$3.646 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.646 million. The covered payroll (annual payroll of active employees covered

by the plan) was \$20.888 million, and the ratio of the UAAL to the covered payroll was 17.5%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by a percentage each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2008 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$681 per month for retirees less than 65 and \$549 per month for retirees under the classified staff plan. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years for the non cash benefits while the UAAL for the cash benefits to the grandfathered retirees is amortized over 5 years on a closed basis.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,454,278 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
Home school assistance program	\$ 3,373
Limited english proficiency	44,095
Talented and gifted	51,583
Dropout prevention	156,359
Educator quality, basic salary	30,003
Educator quality, professional development	62,943
Beginning administrator mentoring	4
Market factor	5,502
Market factor incentives	22,072
Beginning teacher mentoring	27,206
Four-year-old state preschool	69,569
Non-public textbook services	44
Community partnership	1,200
Model core curriculum	60,586
Total	<u>\$ 534,539</u>

REQUIRED SUPPLEMENTARY INFORMATION

BETTENDORF COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND ENTERPRISE FUND

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 25,788,839	1,066,742	26,855,581	26,379,181	26,379,181	476,400
Intermediate sources	20,853	0	20,853	200,000	200,000	(179,147)
State sources	20,224,298	17,302	20,241,600	20,480,585	20,480,585	(238,985)
Federal sources	1,884,007	564,138	2,448,145	1,799,000	1,799,000	649,145
Total revenues	<u>47,917,997</u>	<u>1,648,182</u>	<u>49,566,179</u>	<u>48,858,766</u>	<u>48,858,766</u>	<u>707,413</u>
Expenditures/Expenses:						
Instruction	27,297,491	0	27,297,491	26,707,000	27,706,132	408,641
Support services	12,796,005	45,056	12,841,061	12,900,320	13,350,825	509,764
Non-instructional programs	11,496	1,591,481	1,602,977	1,621,520	1,686,821	83,844
Other expenditures	5,638,601	0	5,638,601	8,666,045	9,363,995	3,725,394
Total expenditures/expenses	<u>45,743,593</u>	<u>1,636,537</u>	<u>47,380,130</u>	<u>49,894,885</u>	<u>52,107,773</u>	<u>4,727,643</u>
Excess(Deficiency) of revenues (over)under expenditures/expenses	2,174,404	11,645	2,186,049	(1,036,119)	(3,249,007)	5,435,056
Other financing sources, net	15,178	0	15,178	10,000	10,000	5,178
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	2,189,582	11,645	2,201,227	(1,026,119)	(3,239,007)	5,440,234
Balance beginning of year	16,710,116	317,735	17,027,851	14,747,359	14,747,359	2,280,492
Balance end of year	<u>\$ 18,899,698</u>	<u>329,380</u>	<u>19,229,078</u>	<u>13,721,240</u>	<u>11,508,352</u>	<u>7,720,726</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$2,212,888.

BETTENDORF COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			
July 1 ,2008	\$ -	\$ 3,646	\$ 3,646	0.0%	\$20,888	17.5%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

BETTENDORF COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2009

	Nonmajor Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 1,217,571	460,847	1,678,418
Receivables:			
Property tax			
Current year delinquent	8,282	0	8,282
Succeeding year	468,302	0	468,302
Accounts	0	9,329	9,329
Due from other governments	3	0	3
Total assets	<u>\$ 1,694,158</u>	<u>470,176</u>	<u>2,164,334</u>
Liabilities and fund balances			
Liabilities:			
Interfund payable	\$ 0	199	199
Accounts payable	10,582	16,906	27,488
Salaries and benefits payable	0	193	193
Deferred revenue:			
Succeeding year property tax	468,302	0	468,302
Total liabilities	<u>478,884</u>	<u>17,298</u>	<u>496,182</u>
Unreserved fund balances	<u>1,215,274</u>	<u>452,878</u>	<u>1,668,152</u>
Total liabilities and fund balances	<u>\$ 1,694,158</u>	<u>470,176</u>	<u>2,164,334</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2009

	Nonmajor Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 457,335	0	457,335
Other	58,893	828,608	887,501
State sources	268	0	268
TOTAL REVENUES	<u>516,496</u>	<u>828,608</u>	<u>1,345,104</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	188,207	790,467	978,674
Other	2,400	0	2,400
	<u>190,607</u>	<u>790,467</u>	<u>981,074</u>
Support services:			
Student	12,238	0	12,238
Instructional staff	2,693	0	2,693
Administration	94,521	0	94,521
Operation and maintenance of plant	210,952	0	210,952
Transportation	22,949	0	22,949
	<u>343,353</u>	<u>0</u>	<u>343,353</u>
Non-instructional programs:			
Food service operations	11,496	0	11,496
TOTAL EXPENDITURES	<u>545,456</u>	<u>790,467</u>	<u>1,335,923</u>
Excess(deficiency) of revenues over(under) expenditures	(28,960)	38,141	9,181
Fund balance beginning of year	<u>1,244,234</u>	<u>414,737</u>	<u>1,658,971</u>
Fund balance end of year	<u>\$ 1,215,274</u>	<u>452,878</u>	<u>1,668,152</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 0	3,664	0	3,664
Outdoor Education	3,269	16,870	15,712	4,427
Sail/Tag Fundraiser	1,702	0	0	1,702
N.A. Fundraiser	971	0	0	971
N.A. Bookstore	4,083	0	0	4,083
N.A. Pop Fund	0	706	346	360
N.A. Shooting Stars	284	325	325	284
N.A. Student Services For Student Needs	782	1,995	2,091	686
N.A. Student	733	1,000	703	1,030
N.A. Student	376	0	0	376
Hoover Fundraiser	1,065	0	0	1,065
Hoover Bookstore	6,707	1,327	2,237	5,797
Hoover Pop Fund	3,991	1,325	767	4,549
Jefferson Fundraiser	14	0	0	14
Jefferson Bookstore	692	1,485	1,166	1,011
TJ Student Council	521	289	219	591
P.N. Bookstore	2,769	132	0	2,901
P.N. Pop Fund	578	395	450	523
M.T. Fundraiser	123	0	0	123
M.T. Bookstore	8,069	1,210	250	9,029
M.T. Bookstore - BD	488	0	0	488
G.W. Fundraiser	1,990	7,319	1,674	7,635
G.W. Bookstore	2,760	694	0	3,454
G.W. Pop Fund	1,870	513	181	2,202
G.W. Memorial	6	0	0	6
Vocal Music 1	2,291	18	142	2,167
Vocal Music 2	3,608	178	1,235	2,551
Instrumental Music	9,220	23,929	19,323	13,826
Orchestra	546	244	293	497
Co-Ed Athletics	180,517	187,504	265,638	102,383
Sports Uniforms	402	2,289	1,748	943
BMS Cheerleading	763	2,498	2,650	611
Boys Basketball	9	20,262	20,271	0
Football	(6,591)	41,322	34,731	0
Boys Track	179	3,760	3,934	5
Boys Swimming	0	1,506	1,506	0
Wrestling	(223)	8,081	0	7,858
MS Nurse Vending	337	353	532	158
MS PE Lifetouch	0	1,840	36	1,804
Health Club	215	284	284	215
Yearbook/Photo Club	(20)	8,770	8,935	(185)
Reading Club	84	60	20	124
Library Club	5,280	3,619	3,250	5,649
Foreign Lang Club	590	0	0	590
Spec Ed Activities	24	0	16	8
Student Council	11,467	31,399	29,775	13,091
Computer Club	1	0	0	1
Living Skills Club	542	0	31	511

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
School Paper	1,934	8,940	7,687	3,187
Art Club	175	0	0	175
German Club	4,041	1,164	1,953	3,252
Ceramics Club	61	0	0	61
MS Vending	1,929	1,744	897	2,776
6-House I	525	1,492	1,442	575
6-House II	908	362	399	871
6-House III	271	0	0	271
7-House I	278	0	49	229
7-House II	1,536	538	972	1,102
7-House III	520	0	100	420
8-House I	2,254	4,041	3,831	2,464
8-House II	1,148	4,002	2,867	2,283
8-House III	0	2,742	1,892	850
School Fundraising	12,970	15,740	9,248	19,462
Student Needs	2,253	887	336	2,804
BWCA	305	0	0	305
MS Parent Link	3,965	2,050	5,995	20
Drama	17,622	10,855	9,437	19,040
Debate	895	12,288	8,182	5,001
Mock Trial	82	0	0	82
Vocal Music	2,167	4,324	3,791	2,700
Musical	17,511	16,037	11,439	22,109
Show Choir	(1,504)	17,776	10,666	5,606
Boys Soccer	0	4,570	4,570	0
Baseball	(544)	4,161	3,692	(75)
Boys Tennis	0	215	215	0
Boys Golf	0	430	430	0
Girls Basketball	0	7,452	7,452	0
Volleyball	(55)	7,077	7,022	0
Girls Soccer	0	1,912	1,912	0
Softball	122	3,850	3,224	748
Girls Track	200	2,190	2,240	150
Girls Cross Country	0	3	3	0
Girls Tennis	144	201	0	345
Girls Golf	620	103	723	0
Girls Swimming	0	1,270	1,270	0
Golf Outing	8,911	13,379	16,510	5,780
Close Up	408	40	131	317
Amicus	1,729	0	933	796
Prof Business	1,430	14,660	15,375	715
BHS England Trip	6,009	5,200	4,132	7,077
Activity Tickets	4,218	13,061	12,318	4,961
BHS SIT	2,086	830	893	2,023
Step Team	126	441	0	567
Science Club	352	158	0	510
Scholastic Bowl	571	437	891	117
Yearbook-Beacon	14,755	64,806	57,977	21,584
Growl Newspaper	19,329	881	3,734	16,476

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
SADD	845	0	355	490
Cheerleaders	899	23,192	20,888	3,203
SAVE	1,220	0	765	455
HIV Peer Educ	1,285	161	368	1,078
Functional Skills	1,279	587	1,439	427
Spanish Club	4,194	471	3,137	1,528
Nat Honor Soc	(60)	160	0	100
French Club	407	2,261	2,764	(96)
TTAAA	31	0	0	31
Social Comm Club	486	0	66	420
Goldusters	4,175	15,208	16,370	3,013
Art Club	514	171	0	685
Key Club	57	0	64	(7)
Club Vending	4,610	5,295	5,635	4,270
Class of 2008	568	0	568	0
Class of 2009	2,266	9,600	11,866	0
Class of 2010	1,598	1,420	1,136	1,882
Class of 2011	783	526	0	1,309
Class of 2012	0	436	0	436
BHS Fine Arts Trip	0	17,885	11,896	5,989
BHS New Tuxedos	0	2,026	720	1,306
BBOP	0	67,254	57,447	9,807
VBOD	0	5,400	1,460	3,940
Band Uniform Replacement	0	40,781	0	40,781
Pr Club Vending	4,152	6,300	6,222	4,230
Pr Student Needs	87	0	0	87
Total	\$ 414,737	828,608	790,467	452,878

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 18,781	7,193	4,840	21,134
Accounts receivable	0	2,500	0	2,500
	<u>\$ 18,781</u>	<u>9,693</u>	<u>4,840</u>	<u>23,634</u>
LIABILITIES				
Accounts payable	\$ 1,126	0	1,126	0
Due to other groups	17,655	9,693	3,714	23,634
	<u>\$ 18,781</u>	<u>9,693</u>	<u>4,840</u>	<u>23,634</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 20,207,326	19,301,641	18,755,868	18,125,916	18,007,604	16,823,954
Tuition	3,291,369	2,946,370	2,666,548	2,588,528	2,399,022	2,046,563
Other	2,290,144	2,618,267	2,382,216	1,919,448	2,192,358	3,038,648
Intermediate sources	20,853	307,489	188,430	126,709	119,308	2,902
State sources	20,224,298	18,878,742	17,251,533	16,636,019	15,642,365	15,280,414
Federal sources	1,884,007	1,080,726	1,263,628	1,013,070	1,276,650	746,060
Total	<u>\$ 47,917,997</u>	<u>45,133,235</u>	<u>42,508,223</u>	<u>40,409,690</u>	<u>39,637,307</u>	<u>37,938,541</u>
Expenditures:						
Instruction:						
Regular	\$ 18,567,224	16,907,228	15,581,657	15,072,881	14,724,134	14,274,129
Special	5,165,763	4,901,873	4,487,457	4,572,032	4,734,324	5,716,290
Other	3,564,504	3,579,858	3,328,064	3,891,306	3,839,779	2,125,947
Support services:						
Student	1,573,698	1,468,740	1,385,866	512,669	675,195	779,098
Instructional staff	671,629	608,399	571,052	629,082	583,015	1,505,432
Administration	5,542,713	5,522,904	4,940,107	5,026,556	4,704,480	3,501,533
Operation and maintenance of plant	4,203,928	4,664,959	3,732,309	3,668,068	3,341,979	3,108,767
Transportation	804,037	717,449	832,408	637,396	676,443	626,091
Central support	0	0	0	0	0	170,495
Non-instructional programs	11,496	10,887	9,886	1,319	5,212	6,748
Other expenditures:						
Facilities acquisitions	2,964,203	4,236,963	7,902,878	1,779,691	4,755,728	3,767,811
Long-term debt:						
Principal	815,000	785,000	765,000	790,000	655,000	625,000
Interest and other charges	405,120	575,259	192,520	297,223	309,704	332,945
AEA flow-through	1,454,278	1,372,445	1,274,667	1,219,600	1,148,422	1,136,605
Total	<u>\$ 45,743,593</u>	<u>45,351,964</u>	<u>45,003,871</u>	<u>38,097,823</u>	<u>40,153,415</u>	<u>37,676,891</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	\$ 88,350
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	475,788
			<u>564,138</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	0821-G	325,504
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	0821-GC	5,216
			<u>330,720</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	11,159
TITLE III - ENGLISH LANGUAGE ACQUISITION	84.365	FY 09	5,673
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 09	123,088
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 09	28,288
ARRA - STATE FISCAL STABILIZATION FUND(SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	332,189
DEPARTMENT OF DEFENSE:			
SCOTT COUNTY:			
FLOOD CONTROL PROJECTS	12.106	FY 09	12,261
DEPARTMENT OF EDUCATION:			
MISSISSIPPI BEND AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)			
	84.027	FY 09	212,435
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	FY 08	125
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	12,291
DEPARTMENT OF HUMAN SERVICES:			
IOWA DEPARTMENT OF HUMAN SERVICES:			
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	FY 09	87,502
TOTAL			<u>\$ 1,719,869</u>

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bettendorf Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 8, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bettendorf Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Bettendorf Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bettendorf Community School District's internal control over financial reporting.

A control deficiency exists when the design or operation of the 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 District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

Our consideration of 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 internal control over financial reporting 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 Bettendorf Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Bettendorf Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Bettendorf Community School District's responses and, accordingly, we express no opinion on them.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

December 8, 2009

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

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

To the Board of Education of
Bettendorf Community School District:

Compliance

We have audited the compliance of Bettendorf Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Bettendorf Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Bettendorf Community School District's management. Our responsibility is to express an opinion on Bettendorf Community School District's compliance based on our audit.

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

In our opinion, Bettendorf Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

A control deficiency in the District'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 District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

December 8, 2009

BETTENDORF COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs are as follows:
 - Individual Program:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund(SFSF)- Education State Grants, Recovery Act
 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Bettendorf Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over financial report were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed budgeted amounts.
- IV-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-09 Business Transactions - No business transactions between the District and District officials were noted.
- IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and services tax revenue			3,660,156
Expenditures/transfers out:			
Debt service for school infrastructure:			
General obligation debt	\$	929,920	
Revenue debt		290,200	1,220,120
Ending balance		\$	<u>2,440,036</u>

Levies reduced as a result of statewide sales and services tax received:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	0.75850	\$ 929,920

IV-L-09 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - We will obtain written authorization from employees that desire to receive their payroll check by mail.

Conclusion - Response accepted.

IV-M-09 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff who do not perform other extracurricular duties.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - We will keep track of hours worked by non-certified staff coaches.

Conclusion - Response accepted.

IV-N-09 Clothing Purchased for Coaches - We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy

to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

Response - We purchased the clothing items from Booster donations. In the future, the Boosters will purchase clothing items instead of the District.

Conclusion - Response accepted.