

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

JUNE 30, 2010

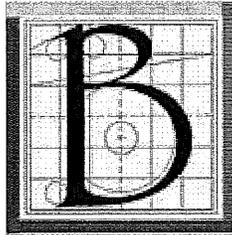
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Bettendorf Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Barry Anderson	President	2011
Jeannine Crockett	Vice President	2011
Paul Castro	Board Member	2011
Melinda Duncan Foreman	Board Member	2011
Betsy Justis	Board Member	2009
Scott Tinsman	Board Member	2009
Barb Ehrmann	Board Member	2009
Board of Education (After September 2009 Election)		
Barry Anderson	President	2011
Jeannine Crockett	Vice President	2011
Betsy Justis	Board Member	2013
Scott Tinsman	Board Member	2013
Pepper Trahan	Board Member	2013
Paul Castro	Board Member	2011
Melinda Duncan Foreman	Board Member	2011
School Officials		
Dr. Theron Schutte	Superintendent	2010
Maxine McEnany	Director of Financial and Business Services	2010
Colleen Skolrood	Board Secretary	2010
Ray Cassady	Board Treasurer	2010
Cameron Davidson	Attorney	2010
Don Hoskins	Attorney	2010



BETTENDORF
COMMUNITY
SCHOOL
DISTRICT

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

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, 2010, 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, 2010, 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 16, 2010 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.

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 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 six years ended June 30, 2009 (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 PC
NOLTE, CORNMAN & JOHNSON, P.C.

December 16, 2010

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$40,613,774 in fiscal 2009 to \$40,302,781 in fiscal 2010 due in part to the reduction of funding received from the state because of the September 25, 2009 ten percent across-the-board cut. General Fund expenditures increased from \$39,899,526 in fiscal 2009 to \$40,284,518 in fiscal 2010 due in part to increases in expenses across the entire instructional function. Increases in expenses for the instructional function are mainly attributable to increases in salaries and benefits received by District employees. The difference between fiscal 2010 revenues of \$40,302,781 and expenses of \$40,284,518 results in a net increase in fund balance of \$16,735. As a result, the District's General Fund balance increased from \$7,110,432 in fiscal 2009 to a balance of \$7,128,695 in fiscal 2010. This represents a 0.26% increase from the prior year.
- Low interest rates during the past fiscal years have resulted in interest earnings in the General Fund to decrease from \$325,506 in fiscal year 2008 to \$176,704 in fiscal year 2010.
- The District's General Fund solvency ratio decreased from 10.04% at June 30, 2009 to 9.17% at June 30, 2010.

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, as well as presenting the schedule of funding progress for the retiree health plan.

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.

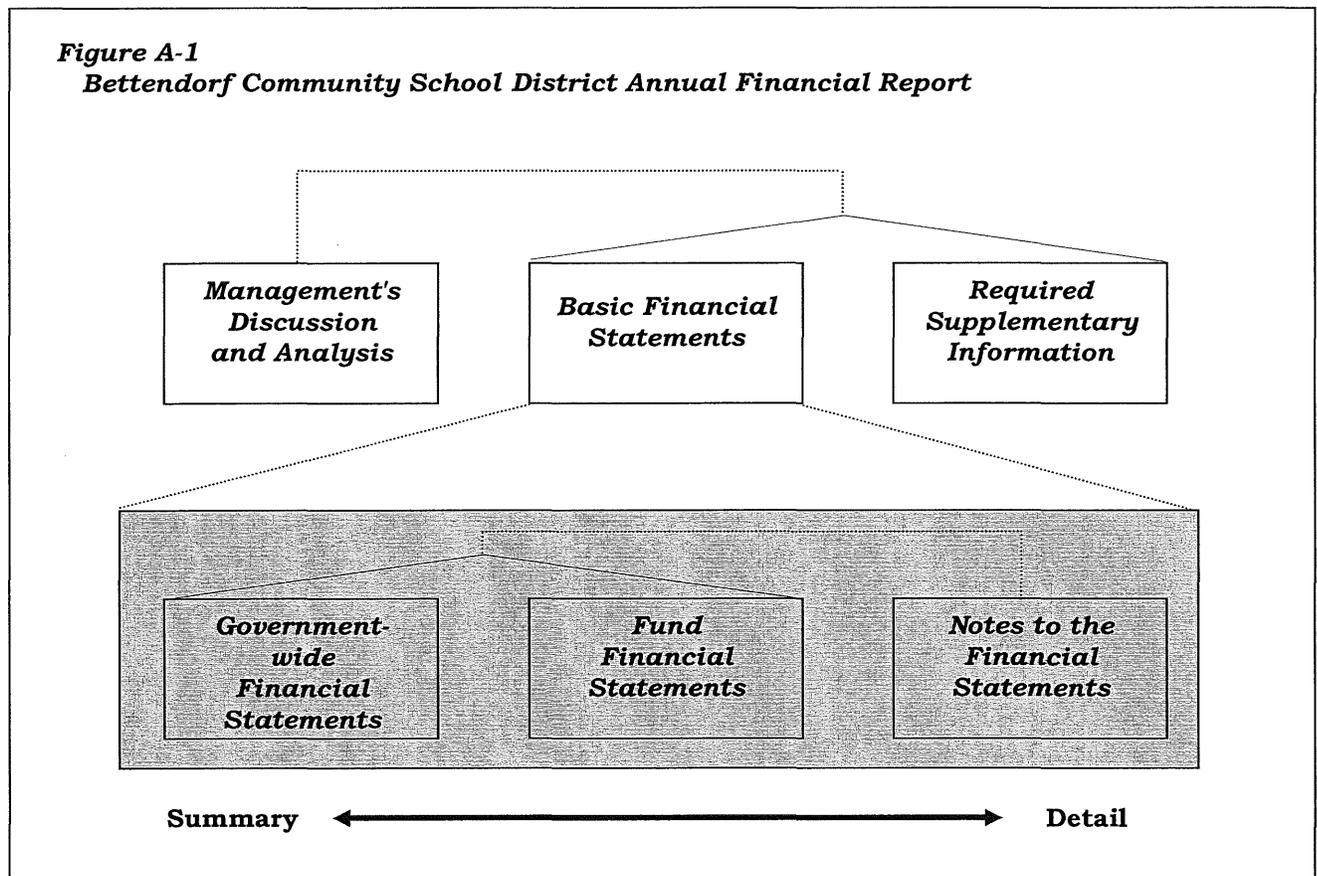


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, 2010 compared to June 30, 2009.

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,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 40,016,207	44,276,746	287,359	267,855	40,303,566	44,544,601	-9.52%
Capital assets	34,519,334	36,255,325	101,228	110,291	34,620,562	36,365,616	-4.80%
Total assets	74,535,541	80,532,071	388,587	378,146	74,924,128	80,910,217	-7.40%
Long-term obligations	789,840	10,116,701	315	331	790,155	10,117,032	-92.19%
Other liabilities	23,045,187	21,883,762	33,748	48,435	23,078,935	21,932,197	5.23%
Total liabilities	23,835,027	32,000,463	34,063	48,766	23,869,090	32,049,229	-25.52%
Net assets:							
Invested in capital assets, net of related debt	34,519,334	26,690,325	101,228	110,291	34,620,562	26,800,616	29.18%
Restricted	6,358,952	11,912,425	0	0	6,358,952	11,912,425	-46.62%
Unrestricted	9,822,228	9,928,858	253,296	219,089	10,075,524	10,147,947	-0.71%
Total net assets	\$ 50,700,514	48,531,608	354,524	329,380	51,055,038	48,860,988	4.49%

The District's combined net assets increased by 4.49%, or \$2,194,050, 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 decreased \$5,553,473, or 46.62% over the prior year. The decrease in restricted net assets is primarily the result of the decrease in Capital Projects Fund balance due to the District repaying \$7million of Revenue BANS principal dated October 2, 2006

that were issued to for District improvement projects. The District also repaid the remaining principal of the General Obligation Bonds dated August 1, 2005 of \$2.565 million which also lent to the decrease of Capital Projects Fund balance.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$72,423, or 0.71%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to June 30, 2009.

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,
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 4,857,463	4,566,004	933,385	1,058,966	5,790,848	5,624,970	2.95%
Operating grants and contributions and restricted interest	8,285,571	7,135,248	696,111	581,440	8,981,682	7,716,688	16.39%
Capital grants and contributions and restricted interest	35,900	0	0	0	35,900	0	100.00%
General revenues:							
Property tax	16,998,597	16,547,170	0	0	16,998,597	16,547,170	2.73%
Statewide sales, services and use tax	2,952,088	3,660,156	0	0	2,952,088	3,660,156	-19.35%
Unrestricted state grants	13,307,921	15,310,071	0	0	13,307,921	15,310,071	-13.08%
Other	849,392	704,026	16,061	7,776	865,453	711,802	21.59%
Total revenues	47,286,932	47,922,675	1,645,557	1,648,182	48,932,489	49,570,857	-1.29%
Program expenses:							
Governmental activities:							
Instructional	28,123,777	26,906,987	0	0	28,123,777	26,906,987	4.52%
Support services	12,343,965	12,603,531	42,678	45,056	12,386,643	12,648,587	-2.07%
Non-instructional programs	9,324	0	1,577,735	1,591,481	1,587,059	1,591,481	-0.28%
Other expenses	4,640,960	4,114,440	0	0	4,640,960	4,114,440	12.80%
Total expenses	45,118,026	43,624,958	1,620,413	1,636,537	46,738,439	45,261,495	3.26%
Changes in net assets	2,168,906	4,297,717	25,144	11,645	2,194,050	4,309,362	-49.09%
Beginning net assets	48,531,608	44,233,891	329,380	317,735	48,860,988	44,551,626	9.67%
Ending net assets	\$ 50,700,514	48,531,608	354,524	329,380	51,055,038	48,860,988	4.49%

In fiscal 2010, property tax, statewide sales, services and use tax and unrestricted state grants account for 70.33% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.02% of the revenue from business type activities.

The District's total revenues were approximately \$48.93 million of which \$47.29 million was for governmental activities and \$1.64 million was for business type activities.

As shown in FigureA-4, the District as a whole experienced a 1.29% decrease in revenues and a 3.26% increase in expenses. Property tax increased \$451,427 to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$47,286,932 and expenses were \$45,118,026.

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		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 28,123,777	26,906,987	4.52%	16,701,306	16,801,552	-0.60%
Support services	12,343,965	12,603,531	-2.06%	12,228,903	12,461,992	-1.87%
Non-instructional programs	9,324	0	100.00%	9,324	0	100.00%
Other expenses	4,640,960	4,114,440	12.80%	2,999,559	2,660,162	12.76%
Totals	\$ 45,118,026	43,624,958	3.42%	31,939,092	31,923,706	0.05%

- The cost financed by users of the District's programs was \$4,857,463.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$8,321,471.
- The net cost of governmental activities was financed with \$16,998,597 in property tax, \$2,952,088 in statewide sales, services and use tax, \$13,307,921 in unrestricted state grants, \$614,453 in interest income and \$234,939 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$1,645,557 and expenses were \$1,620,413. 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 \$13,243,301, which is less than last year's ending fund balances of \$18,899,698. The primary reason for the decrease in combined fund balances in fiscal 2010 is due to the decrease in fund balance of the Capital Projects Fund.

Governmental Fund Highlights

- The General Fund balance increased from \$7,110,432 to \$7,128,695, due to the District having reserves on hand at June 30, 2010 that we did not have on hand at June 30, 2009.
- The Capital Projects Fund balance decreased from \$8,873,897 in fiscal 2009 to \$2,450,327 in fiscal 2010. The decrease in fund balance was due to the District repaying its Capital Loan Notes and Bond Anticipation Notes in October 2009.

- The Special Revenue, Physical Plant and Equipment Levy fund balance increased from \$1,244,373 in fiscal 2009 to \$2,080,900 in fiscal 2010. The main contributing factor to the increase in fund balance was due to a reduction in fund expenditures as compared to fiscal 2009.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$329,380 at June 30, 2009 to \$354,524 at June 30, 2010, representing an increase of 7.63%. The increase in net assets was due to a decrease in fund expenditures during the fiscal year as compared to the year previous.

BUDGETARY HIGHLIGHTS

The District's revenues were \$687,031 less than budgeted revenues, a variance of 1.39%. The most significant variance resulted from the District receiving less in state and intermediate sources than originally anticipated. Monies from the American Recovery and Reinvestment Act helped to offset the decrease in state sources. The District manages or controls General Fund spending through its line-item budget.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area due to the timing of expenditures at year end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$34.62 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 decrease of 5.04% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$2,097,132.

The original cost of the District's capital assets was \$64.48 million. Governmental funds account for \$63.83 million with the remainder of \$0.65 million in the Proprietary, School Nutrition Fund.

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,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 1,017,415	1,017,415	0	0	1,017,415	1,017,415	0.00%
Buildings	31,695,362	33,833,998	0	0	31,695,362	33,833,998	-6.75%
Land improvements	47,385	51,982	0	0	47,385	51,982	-9.70%
Machinery and equipment	1,759,172	1,351,930	101,228	110,291	1,860,400	1,462,221	21.40%
Total	\$ 34,519,334	36,255,325	101,228	110,291	34,620,562	36,365,616	-5.04%

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$1,462,221 at June 30, 2009, compared to \$1,860,400 reported at June 30, 2010. This significant decrease resulted from the completion of construction projects at the middle school.

Long-Term Debt

At June 30, 2010, the District had \$764,488 in other long-term debt outstanding. This represents a decrease of 92.19% 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 Early Retirement payable from the General and Special Revenue - Management Funds of \$615,343 at June 30, 2010.

The District had total outstanding Compensated Absences payable from the General Fund of \$149,145 at June 30, 2010.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
General Obligation Bonds	\$ 0	2,565,000	0	0	0	2,565,000	-100.00%
Revenue Bans	0	7,000,000	0	0	0	7,000,000	-100.00%
Early Retirement	615,343	411,380	0	0	615,343	411,380	49.58%
Compensated Absences	149,145	113,652	0	0	149,145	113,652	31.23%
Net OPEB Liability	25,352	26,669	315	331	25,667	27,000	-4.94%
Totals	\$ 789,840	10,116,701	315	331	790,155	10,117,032	-92.19%

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:

- 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.
- 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.
- The District repaid 100% of outstanding bonds from the statewide sales, services and use 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 is self-funded for health insurance. The fund balance has increased from \$3,572,679 on June 30, 2009 to a fund balance of \$3,727,719 on June 30, 2010.
- The Board of Education implemented an early retirement plan during the year ended June 30, 2010. The plan would allowed 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, 2010 is \$615,343.

-
- The District is currently undertaking a building project at the high school for an auditorium, a commons area, a new office area, remodeling another office area and remodeling of the media center. There is also a possibility of a new athletic facility and district administration office. These projects are expected to be completed in the fall of 2012 at an estimated cost of \$11.5 million.

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, 2010

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 19,727,941	240,931	19,968,872
Receivables:			
Property tax:			
Delinquent	267,058	0	267,058
Succeeding year	17,869,641	0	17,869,641
Accounts	930,180	6,098	936,278
Due from other governments	1,221,387	6,879	1,228,266
Inventories	0	33,451	33,451
Capital assets, net of accumulated depreciation	34,519,334	101,228	34,620,562
Total Assets	74,535,541	388,587	74,924,128
Liabilities			
Accounts payable	895,593	76	895,669
Salaries and benefits payable	3,076,760	5,974	3,082,734
Incurred but not reported claims	594,707	0	594,707
Deferred revenue:			
Succeeding year property tax	17,869,641	0	17,869,641
Other	608,486	0	608,486
Unearned revenue	0	27,698	27,698
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	120,472	0	120,472
Compensated absences	149,145	0	149,145
Portion due after one year:			
Early retirement payable	494,871	0	494,871
Net OPEB liability	25,352	315	25,667
Total Liabilities	23,835,027	34,063	23,869,090
Net Assets			
Invested in capital assets, net of related debt	34,519,334	101,228	34,620,562
Restricted for:			
Debt service	2,824	0	2,824
Categorical funding	859,689	0	859,689
Management levy	586,992	0	586,992
Physical plant and equipment levy	2,080,900	0	2,080,900
Capital projects	2,450,327	0	2,450,327
Other special revenue purposes	378,220	0	378,220
Unrestricted	9,822,228	253,296	10,075,524
Total Net Assets	\$ 50,700,514	354,524	51,055,038

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 18,261,329	3,164,015	5,370,947	0	(9,726,367)	0	(9,726,367)
Special	5,215,725	638,308	1,249,093	0	(3,328,324)	0	(3,328,324)
Other	4,646,723	967,972	32,136	0	(3,646,615)	0	(3,646,615)
	<u>28,123,777</u>	<u>4,770,295</u>	<u>6,652,176</u>	<u>0</u>	<u>(16,701,306)</u>	<u>0</u>	<u>(16,701,306)</u>
Support services:							
Student	1,629,370	0	0	0	(1,629,370)	0	(1,629,370)
Instructional staff	607,235	0	0	0	(607,235)	0	(607,235)
Administration	5,315,807	0	0	0	(5,315,807)	0	(5,315,807)
Operation and maintenance of plant	4,180,378	0	0	0	(4,180,378)	0	(4,180,378)
Transportation	611,175	87,168	27,894	0	(496,113)	0	(496,113)
	<u>12,343,965</u>	<u>87,168</u>	<u>27,894</u>	<u>0</u>	<u>(12,228,903)</u>	<u>0</u>	<u>(12,228,903)</u>
Non-instructional programs:							
Food service operations	9,324	0	0	0	(9,324)	0	(9,324)
Other expenditures:							
Facilities acquisitions	1,248,335	0	0	35,900	(1,212,435)	0	(1,212,435)
Long-term debt interest	93,947	0	0	0	(93,947)	0	(93,947)
AEA flowthrough	1,605,501	0	1,605,501	0	0	0	0
Depreciation(unallocated)*	1,693,177	0	0	0	(1,693,177)	0	(1,693,177)
	<u>4,640,960</u>	<u>0</u>	<u>1,605,501</u>	<u>35,900</u>	<u>(2,999,559)</u>	<u>0</u>	<u>(2,999,559)</u>
Total governmental activities	45,118,026	4,857,463	8,285,571	35,900	(31,939,092)	0	(31,939,092)
Business Type activities:							
Support services:							
Administration	41,186	0	0	0	0	(41,186)	(41,186)
Operation and maintenance of plant	1,492	0	0	0	0	(1,492)	(1,492)
	<u>42,678</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(42,678)</u>	<u>(42,678)</u>
Non-instructional programs:							
Food service operations	1,577,735	933,385	696,111	0	0	51,761	51,761
Total business type activities	1,620,413	933,385	696,111	0	0	9,083	9,083
Total	<u>\$ 46,738,439</u>	<u>5,790,848</u>	<u>8,981,682</u>	<u>35,900</u>	<u>(31,939,092)</u>	<u>9,083</u>	<u>(31,930,009)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 14,906,828	0	14,906,828	
Capital outlay				2,091,769	0	2,091,769	
Statewide sales, service and use tax				2,952,088	0	2,952,088	
Unrestricted state grants				13,307,921	0	13,307,921	
Unrestricted investment earnings				614,453	6,541	620,994	
Other general revenues				234,939	9,520	244,459	
Total general revenues				<u>34,107,998</u>	<u>16,061</u>	<u>34,124,059</u>	
Changes in net assets				2,168,906	25,144	2,194,050	
Net assets beginning of year				48,531,608	329,380	48,860,988	
Net assets end of year				<u>\$ 50,700,514</u>	<u>354,524</u>	<u>51,055,038</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, 2010

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
Assets:						
Cash and pooled investments	\$ 10,373,172	1,628,449	1,945,446	2,824	1,547,195	15,497,086
Receivables:						
Property tax						
Delinquent	224,009	35,859	0	0	7,190	267,058
Succeeding year	15,240,732	2,145,570	0	0	483,339	17,869,641
Interfund	0	0	0	0	41,731	41,731
Accounts	324,541	512,937	0	0	1,131	838,609
Due from other governments	704,693	11,810	504,881	0	3	1,221,387
Total assets	\$ 26,867,147	4,334,625	2,450,327	2,824	2,080,589	35,735,512
Liabilities and fund balances:						
Liabilities:						
Interfund payable	\$ 41,731	0	0	0	0	41,731
Accounts payable	770,743	108,155	0	0	16,695	895,593
Salaries and benefits payable	3,076,760	0	0	0	0	3,076,760
Deferred revenue:						
Succeeding year property tax	15,240,732	2,145,570	0	0	483,339	17,869,641
Other	608,486	0	0	0	0	608,486
Total liabilities	19,738,452	2,253,725	0	0	500,034	22,492,211
Fund balances:						
Reserved for:						
Debt service	0	0	0	2,824	0	2,824
Categorical funding	859,689	0	0	0	0	859,689
Unreserved:						
Designated:						
Special purposes by the board	575,000	0	0	0	0	575,000
Cash flow	2,000,000	0	0	0	0	2,000,000
Undesignated	3,694,006	2,080,900	2,450,327	0	1,580,555	9,805,788
Total fund balances	7,128,695	2,080,900	2,450,327	2,824	1,580,555	13,243,301
Total liabilities and fund balances	\$ 26,867,147	4,334,625	2,450,327	2,824	2,080,589	35,735,512

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balances of governmental funds (page 20)	\$ 13,243,301
<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.	34,519,334
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	3,727,719
Long-term liabilities, 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.	<u>(789,840)</u>
Net assets of governmental activities (page 18)	<u><u>\$ 50,700,514</u></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, 2010

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:						
Local sources:						
Local tax	\$ 14,443,240	2,091,769	2,952,088	0	463,588	19,950,685
Tuition	3,478,559	0	0	0	0	3,478,559
Other	1,214,583	22,553	390,772	0	1,042,980	2,670,888
Intermediate sources	619	0	0	0	0	619
State sources	17,504,523	1,048	0	0	256	17,505,827
Federal sources	3,659,729	20,625	0	0	0	3,680,354
Total revenues	40,301,253	2,135,995	3,342,860	0	1,506,824	47,286,932
EXPENDITURES:						
Current:						
Instruction:						
Regular	17,866,932	0	0	0	230,711	18,097,643
Special	5,236,204	0	0	0	0	5,236,204
Other	3,994,650	0	0	0	1,021,366	5,016,016
	27,097,786	0	0	0	1,252,077	28,349,863
Support services:						
Student	1,618,486	0	0	0	14,438	1,632,924
Instructional staff	610,742	0	0	0	2,785	613,527
Administration	5,215,716	0	0	0	75,438	5,291,154
Operation and maintenance of plant	3,432,627	529,211	0	0	213,172	4,175,010
Transportation	703,660	0	0	0	21,645	725,305
	11,581,231	529,211	0	0	327,478	12,437,920
Non-instructional programs:						
Food service operations	0	0	0	0	14,866	14,866
Other expenditures:						
Facilities acquisitions	0	770,257	28,110	0	0	798,367
Long-term debt:						
Principal	0	0	0	9,565,000	0	9,565,000
Interest and fiscal charges	0	0	0	173,340	0	173,340
AEA flowthrough	1,605,501	0	0	0	0	1,605,501
	1,605,501	770,257	28,110	9,738,340	0	12,142,208
Total expenditures	40,284,518	1,299,468	28,110	9,738,340	1,594,421	52,944,857
Excess (deficiency) of revenues over (under) expenditures	16,735	836,527	3,314,750	(9,738,340)	(87,597)	(5,657,925)
Other financing sources (uses):						
Transfers in	0	0	0	9,738,320	0	9,738,320
Transfers out	0	0	(9,738,320)	0	0	(9,738,320)
Sale of equipment	1,528	0	0	0	0	1,528
Total other financing sources	1,528	0	(9,738,320)	9,738,320	0	1,528
Net change in fund balances	18,263	836,527	(6,423,570)	(20)	(87,597)	(5,656,397)
Fund balances beginning of year	7,110,432	1,244,373	8,873,897	2,844	1,668,152	18,899,698
Fund balances end of year	\$ 7,128,695	2,080,900	2,450,327	2,824	1,580,555	13,243,301

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, 2010

Net change in fund balances - total governmental funds (page 22) \$ (5,656,397)

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	\$ 886,126	
Loss on disposal of capital assets	(551,340)	
Depreciation expense	(2,070,777)	(1,735,991)

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. 9,565,000

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 155,040

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. 79,393

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	\$ (203,963)	
Compensated absences	(35,493)	
Other postemployment benefits	1,317	(238,139)

Changes in net assets of governmental activities (page 19) \$ 2,168,906

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 240,931	4,230,855
Accounts receivable	6,098	91,571
Due from other governments	6,879	0
Inventories	33,451	0
Total current assets	<u>287,359</u>	<u>4,322,426</u>
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	101,228	0
Total non-current assets	<u>101,228</u>	<u>0</u>
TOTAL ASSETS	<u>388,587</u>	<u>4,322,426</u>
LIABILITIES		
Current liabilities:		
Accounts payable	76	0
Salaries and benefits payable	5,974	0
Net OPEB liability	315	0
Incurred but not reported claims	0	594,707
Unearned revenue	27,698	0
TOTAL LIABILITIES	<u>34,063</u>	<u>594,707</u>
NET ASSETS		
Invested in capital assets	101,228	0
Unrestricted	253,296	3,727,719
TOTAL NET ASSETS	<u>\$ 354,524</u>	<u>3,727,719</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, 2010

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 933,385	4,401,722
Miscellaneous	9,520	0
TOTAL OPERATING REVENUES	<u>942,905</u>	<u>4,401,722</u>
OPERATING EXPENSES:		
Support services:		
Administration services:		
Salaries	34,110	0
Benefits	4,931	0
Services	2,145	67,626
	<u>41,186</u>	<u>67,626</u>
Operation and maintenance of plant:		
Services	1,492	0
Total support services	<u>42,678</u>	<u>67,626</u>
Non-instructional programs:		
Food service operations:		
Salaries	504,576	0
Benefits	128,527	0
Services	1,888	0
Supplies	916,369	0
Depreciation	26,375	0
	<u>1,577,735</u>	<u>0</u>
Other enterprise operations:		
Benefits	0	4,209,394
Total non-instructional programs	<u>1,577,735</u>	<u>4,209,394</u>
TOTAL OPERATING EXPENSES	<u>1,620,413</u>	<u>4,277,020</u>
OPERATING INCOME (LOSS)	<u>(677,508)</u>	<u>124,702</u>
NON-OPERATING REVENUES:		
State sources	15,922	0
Federal sources	680,189	0
Interest income	6,541	30,338
TOTAL NON-OPERATING REVENUES	<u>702,652</u>	<u>30,338</u>
Changes in net assets	25,144	155,040
Net assets beginning of year	<u>329,380</u>	<u>3,572,679</u>
Net assets end of year	<u>\$ 354,524</u>	<u>3,727,719</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 937,855	0
Cash received from miscellaneous operating activities	9,520	4,401,722
Cash payments to employees for services	(671,838)	0
Cash payments to suppliers for goods or services	(837,526)	(4,252,495)
Net cash provided by(used in) operating activities	(561,989)	149,227
Cash flows from non-capital financing activities:		
Repayments to the General Fund	(20,000)	0
State grants received	15,922	0
Federal grants received	573,271	0
Net cash provided by non-capital financing activities	569,193	0
Cash flows from capital activities:		
Acquisition of assets	(17,312)	0
Cash flows from investing activities:		
Interest on investment	6,541	30,338
Net increase(decrease) in cash and cash equivalents	(3,567)	179,565
Cash and cash equivalents at beginning of year	244,498	4,051,290
Cash and cash equivalents at end of year	\$ 240,931	4,230,855
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (677,508)	124,702
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	106,695	0
Depreciation	26,375	0
Increase in inventories	(12,771)	0
(Increase)Decrease in accounts receivable	9,923	(34,616)
Increase in incurred but not reported claims	0	59,141
Decrease in accounts payable	(9,556)	0
Increase in salaries and benefits payable	322	0
Decrease in unearned revenues	(5,453)	0
Decrease in other postemployment benefits	(16)	0
Net cash provided by(used in) operating activities	\$ (561,989)	149,227

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$106,695.

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2010

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 16,350
Liabilities	<u>0</u>
Net Assets	
Unrestricted	<u>\$ 16,350</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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 and intangibles, 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
Intangibles	200,000
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
Intangibles	5-10 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, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, District expenditures in the non-instructional programs function exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 258,786

At June 30, 2010, the District had investments in the IPASeducation as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 5,085,400

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, 2010 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Management Levy	General	\$ 41,731

The General Fund is repaying the Management Levy Fund for expenditures paid from the wrong fund during the 2009-10 school year. The interfund loans between these funds have been subsequently repaid.

(4) Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 9,738,320</u>

The transfer from the Capital Projects Fund to the Debt Service Fund was for principal and interest payments on the District's revenue BAN and general obligation bond indebtedness.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,017,415	0	0	1,017,415
Total capital assets not being depreciated	<u>1,017,415</u>	<u>0</u>	<u>0</u>	<u>1,017,415</u>
Capital assets being depreciated:				
Buildings	56,828,343	99,844	756,224	56,171,963
Land improvements	184,544	0	0	184,544
Machinery and equipment	5,935,583	786,282	264,818	6,457,047
Total capital assets being depreciated	<u>62,948,470</u>	<u>886,126</u>	<u>1,021,042</u>	<u>62,813,554</u>
Less accumulated depreciation for:				
Buildings	22,994,345	1,688,580	206,324	24,476,601
Land improvements	132,562	4,597	0	137,159
Machinery and equipment	4,583,653	377,600	263,378	4,697,875
Total accumulated depreciation	<u>27,710,560</u>	<u>2,070,777</u>	<u>469,702</u>	<u>29,311,635</u>
Total capital assets being depreciated, net	<u>35,237,910</u>	<u>(1,184,651)</u>	<u>551,340</u>	<u>33,501,919</u>
Governmental activities capital assets, net	<u>\$ 36,255,325</u>	<u>(1,184,651)</u>	<u>551,340</u>	<u>34,519,334</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 636,397	17,312	0	653,709
Less accumulated depreciation	526,106	26,375	0	552,481
Business type activities capital assets, net	<u>\$ 110,291</u>	<u>(9,063)</u>	<u>0</u>	<u>101,228</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 104,491
Special		495
Other		50,676
Support services:		
Student		4,405
Administration		45,133
Operation and maintenance of plant		22,035
Transportation		150,345
		<u>377,580</u>
Unallocated depreciation		<u>1,693,177</u>
		<u>\$ 2,070,757</u>
Business type activities:		
Food services		<u>\$ 26,375</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 2,565,000	0	2,565,000	0	0
Revenue BANS	7,000,000	0	7,000,000	0	0
Early Retirement	411,380	292,755	88,792	615,343	120,472
Compensated Absences	113,652	149,145	113,652	149,145	149,145
Net OPEB Liability	26,669	0	1,317	25,352	0
Total	<u>\$ 10,116,701</u>	<u>441,900</u>	<u>9,768,761</u>	<u>789,840</u>	<u>269,617</u>
	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB Liability	\$ 331	0	16	315	0

During the year ended June 30, 2010, the District paid off the remaining two years of the General Obligation bond indebtedness as well as the Revenue BAN indebtedness. For the current year, principal of \$7,000,000 and interest of \$144,250 was paid on the Revenue BANS dated October 2, 2006. Principal of \$2,565,000 and interest of \$29,070 was paid on the District's General Obligation Bonds dated August 1, 2005. Total local option sales, services and use tax revenues were \$2,952,088.

Early Retirement

The District offered a voluntary early retirement plan to its employees who retired June 30, 2005, 2006, 2007 or 2010. 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 retirees of the 2005, 2006 or 2007 years) and \$15 per day (for retirees of the 2010 year) for unused sick leave paid into an HRA. A liability has been recorded in the Statement of Net Assets for government-wide activities for this early retirement benefits. Early retirement benefits paid during the year ended June 30, 2010, totaled \$88,792.

(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 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$1,633,481, \$1,541,307 and \$1,364,059 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 \$3,727,719 at June 30, 2010. The incurred but not recorded and unpaid claims liability of \$594,707 reported in the plan at June 30, 2010 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)

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, 2010, 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	1,215
Adjustment to annual required contribution	(1,548)
Annual OPEB cost (expense)	<u>386,667</u>
Contributions made	(388,000)
Increase in net OPEB obligation	<u>(1,333)</u>
Net OPEB obligation - beginning of year	<u>27,000</u>
Net OPEB obligation - end of year	<u>\$ 25,667</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, 2010.

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, 2010 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/10	\$ 386,667	100.34%	\$ 25,667

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, 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 \$24.975 million, and the ratio of the UAAL to the covered payroll was 14.6%. As of June 30, 2010, 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 \$1,605,501 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2010, expenditures in the non-instructional function exceeded the amounts budgeted.

(12) Contingencies

As of June 30, 2010, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time; however, management does not believe they will be material to the basic financial statements.

(13) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

Project	Amount
Home school assistance program	\$ 12,083
Limited english proficiency	10,015
Talented and gifted	76,175
Dropout prevention	390,222
Educator quality, basic salary	11,163
Educator quality, professional development	38,108
Beginning administrator mentoring	4
Market factor incentives	12,407
Beginning teacher mentoring	28,755
Four-year-old state preschool	159,610
Non-public textbook services	5,501
Model core curriculum	115,646
Total	<u>\$ 859,689</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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 26,100,132	949,446	27,049,578	26,000,736	26,000,736	1,048,842
Intermediate sources	619	0	619	100,000	100,000	(99,381)
State sources	17,505,827	15,922	17,521,749	21,673,784	21,673,784	(4,152,035)
Federal sources	3,680,354	680,189	4,360,543	1,845,000	1,845,000	2,515,543
Total revenues	<u>47,286,932</u>	<u>1,645,557</u>	<u>48,932,489</u>	<u>49,619,520</u>	<u>49,619,520</u>	<u>(687,031)</u>
Expenditures/Expenses:						
Instruction	28,349,863	0	28,349,863	28,681,402	28,681,402	331,539
Support services	12,437,920	42,678	12,480,598	13,766,426	13,766,426	1,285,828
Non-instructional programs	14,866	1,577,735	1,592,601	1,536,322	1,536,322	(56,279)
Other expenditures	12,142,208	0	12,142,208	12,893,580	12,893,580	751,372
Total expenditures/expenses	<u>52,944,857</u>	<u>1,620,413</u>	<u>54,565,270</u>	<u>56,877,730</u>	<u>56,877,730</u>	<u>2,312,460</u>
Excess(Deficiency) of revenues (over)under expenditures/expenses	(5,657,925)	25,144	(5,632,781)	(7,258,210)	(7,258,210)	1,625,429
Other financing sources, net	1,528	0	1,528	10,000	10,000	(8,472)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(5,656,397)	25,144	(5,631,253)	(7,248,210)	(7,248,210)	1,616,957
Balance beginning of year	18,899,698	329,380	19,229,078	17,582,451	17,582,451	1,646,627
Balance end of year	<u>\$ 13,243,301</u>	<u>354,524</u>	<u>13,597,825</u>	<u>10,334,241</u>	<u>10,334,241</u>	<u>3,263,584</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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 ended June 30, 2010, expenditures in the non-instructional programs function exceeded the amount budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2009	July 1 ,2008	\$ -	\$ 3,646	\$ 3,646	0%	\$ 20,888	17.5%
2010	July 1 ,2008	\$ -	\$ 3,646	\$ 3,646	0%	\$ 24,975	14.6%

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, 2010

	Nonmajor Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 1,155,098	392,097	1,547,195
Receivables:			
Property tax			
Delinquent	7,190	0	7,190
Succeeding year	483,339	0	483,339
Interfund	41,731	0	41,731
Accounts	0	1,131	1,131
Due from other governments	3	0	3
Total assets	\$ 1,687,361	393,228	2,080,589
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 1,687	15,008	16,695
Deferred revenue:			
Succeeding year property tax	483,339	0	483,339
Total liabilities	485,026	15,008	500,034
Unreserved fund balances	1,202,335	378,220	1,580,555
Total liabilities and fund balances	\$ 1,687,361	393,228	2,080,589

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, 2010

	Nonmajor Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 463,588	0	463,588
Other	98,672	944,308	1,042,980
State sources	256	0	256
TOTAL REVENUES	562,516	944,308	1,506,824
EXPENDITURES:			
Current:			
Instruction:			
Regular	230,711	0	230,711
Other	2,400	1,018,966	1,021,366
	233,111	1,018,966	1,252,077
Support services:			
Student	14,438	0	14,438
Instructional staff	2,785	0	2,785
Administration	75,438	0	75,438
Operation and maintenance of plant	213,172	0	213,172
Transportation	21,645	0	21,645
	327,478	0	327,478
Non-instructional programs:			
Food service operations	14,866	0	14,866
TOTAL EXPENDITURES	575,455	1,018,966	1,594,421
Deficiency of revenues under expenditures	(12,939)	(74,658)	(87,597)
Fund balance beginning of year	1,215,274	452,878	1,668,152
Fund balance end of year	\$ 1,202,335	378,220	1,580,555

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 3,664	3,146	2,160	4,650
Outdoor Education	4,427	15,691	20,269	(151)
Sail/Tag Fundraiser	1,702	0	56	1,646
N.A. Fundraiser	971	0	0	971
N.A. Bookstore	4,083	0	0	4,083
N.A. Pop Fund	360	1,361	1,121	600
N.A. Shooting Stars	284	325	523	86
N.A. Student Services	686	179	465	400
For Student Needs	1,030	2,697	2,064	1,663
N.A. Student	376	0	0	376
Hoover Fundraiser	1,065	0	0	1,065
Hoover Bookstore	5,797	586	1,951	4,432
Hoover Pop Fund	4,549	1,001	1,536	4,014
Jefferson Fundraiser	14	0	0	14
Jefferson Bookstore	1,011	650	530	1,131
TJ Student Council	591	482	323	750
P.N. Bookstore	2,901	727	727	2,901
P.N. Pop Fund	523	235	210	548
M.T. Fundraiser	123	1,105	1,105	123
M.T. Bookstore	9,029	845	0	9,874
M.T. Bookstore - BD	488	0	0	488
G.W. Fundraiser	7,635	696	3,608	4,723
G.W. Bookstore	3,454	110	0	3,564
G.W. Pop Fund	2,202	667	175	2,694
G.W. Memorial	6	25	0	31
Vocal Music 1	2,167	20	216	1,971
Vocal Music 2	2,551	474	683	2,342
Instrumental Music	13,826	15,888	18,994	10,720
Orchestra	497	0	224	273
Co-Ed Athletics	102,383	146,292	160,773	87,902
Sports Uniforms	943	10,413	8,543	2,813
BMS Cheerleading	611	1,476	1,580	507
MS Nurse Vending	158	271	23	406
MS PE Lifetouch	1,804	0	1,804	0
Health Club	215	268	304	179
Yearbook/Photo Club	(185)	8,110	6,794	1,131
Reading Club	124	181	0	305
Library Club	5,649	2,058	1,944	5,763
Foreign Lang Club	590	0	0	590
Spec Ed Activities	8	0	0	8
HS Student Council	5,717	31,646	33,150	4,213
MS Student Council	7,374	5,177	5,651	6,900
Computer Club	1	0	0	1
Living Skills Club	511	0	30	481

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
School Paper	3,187	7,720	8,249	2,658
Art Club	175	0	0	175
German Club	3,252	22,563	19,027	6,788
Ceramics Club	61	0	0	61
MS Vending	2,776	1,767	2,567	1,976
6-House I	575	2,952	3,041	486
6-House II	871	758	685	944
6-House III	271	905	896	280
7-House I	229	350	386	193
7-House II	1,102	0	107	995
7-House III	420	0	141	279
8-House I	2,464	4,770	5,616	1,618
8-House II	2,283	3,305	3,486	2,102
8-House III	850	2,399	2,134	1,115
School Fundraising	19,462	7,901	12,029	15,334
Student Needs	2,804	2,500	3,333	1,971
BWCA	305	0	0	305
MS Parent Link	20	32,656	22,757	9,919
Drama	19,040	23,185	42,225	0
Debate	5,001	8,322	9,258	4,065
Mock Trial	82	0	0	82
Vocal Music	2,700	2,548	5,248	0
Musical	22,109	400	22,509	0
Show Choir	5,606	15,031	20,637	0
HS Boys Athletics	7,788	81,439	89,172	55
HS Girls Athletics	1,243	26,695	27,993	(55)
Golf Outing	5,780	17,873	14,973	8,680
Close Up	317	420	0	737
Amicus	796	88	419	465
Prof Business	715	19,829	20,454	90
BHS England Trip	7,077	3,600	0	10,677
Activity Tickets	4,961	43,966	43,700	5,227
BHS SIT	2,023	888	701	2,210
Step Team	567	0	0	567
Science Club	510	0	271	239
Scholastic Bowl	117	630	549	198
Yearbook-Beacon	21,584	58,174	52,995	26,763
Growl Newspaper	16,476	1,359	6,575	11,260
SADD	490	636	571	555
Cheerleaders	3,203	10,355	9,149	4,409
SAVE	455	0	230	225
Peer Educators	1,078	78	0	1,156
Functional Skills	427	604	0	1,031
Spanish Club	1,528	1,221	1,349	1,400

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Nat Honor Soc	100	403	318	185
French Club	(96)	1,910	1,225	589
TTAAA	31	0	31	0
Social Comm Club	420	0	88	332
Goldusters	3,013	18,151	10,427	10,737
Art Club	685	53	0	738
Key Club	(7)	97	0	90
Club Vending	4,270	1,836	4,501	1,605
Class of 2010	1,882	4,765	6,591	56
Class of 2011	1,309	4,252	2,144	3,417
Class of 2012	436	1,398	683	1,151
Class of 2013	0	1,715	626	1,089
BHS Fine Arts Trip	5,989	234,736	196,339	44,386
BHS New Tuxedos	1,306	0	0	1,306
BBOP	9,807	3,060	12,867	0
VBOD	3,940	0	3,940	0
Band Uniform Replacement	40,781	0	40,781	0
BHS Football Moms	0	2,027	0	2,027
BHS Mat Moms	0	700	0	700
Pr Club Vending	4,230	8,516	7,437	5,309
Pr Student Needs	87	0	0	87
Total	\$ 452,878	944,308	1,018,966	378,220

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 21,134	5,616	10,400	16,350
Accounts receivable	2,500	0	2,500	0
	<u>\$ 23,634</u>	<u>5,616</u>	<u>12,900</u>	<u>16,350</u>
LIABILITIES				
Due to other groups	\$ 23,634	5,616	12,900	16,350
	<u>\$ 23,634</u>	<u>5,616</u>	<u>12,900</u>	<u>16,350</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 SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 19,950,685	20,207,326	19,301,641	18,755,868	18,125,916	18,007,604	16,823,954
Tuition	3,478,559	3,291,369	2,946,370	2,666,548	2,588,528	2,399,022	2,046,563
Other	2,670,888	2,290,144	2,618,267	2,382,216	1,919,448	2,192,358	3,038,648
Intermediate sources	619	20,853	307,489	188,430	126,709	119,308	2,902
State sources	17,505,827	20,224,298	18,878,742	17,251,533	16,636,019	15,642,365	15,280,414
Federal sources	3,680,354	1,884,007	1,080,726	1,263,628	1,013,070	1,276,650	746,060
Total	\$ 47,286,932	47,917,997	45,133,235	42,508,223	40,409,690	39,637,307	37,938,541
Expenditures:							
Instruction:							
Regular	\$ 18,097,643	18,567,224	16,907,228	15,581,657	15,072,881	14,724,134	14,274,129
Special	5,236,204	5,165,763	4,901,873	4,487,457	4,572,032	4,734,324	5,716,290
Other	5,016,016	3,564,504	3,579,858	3,328,064	3,891,306	3,839,779	2,125,947
Support services:							
Student	1,632,924	1,573,698	1,468,740	1,385,866	512,669	675,195	779,098
Instructional staff	613,527	671,629	608,399	571,052	629,082	583,015	1,505,432
Administration	5,291,154	5,542,713	5,522,904	4,940,107	5,026,556	4,704,480	3,501,533
Operation and maintenance of plant	4,175,010	4,203,928	4,664,959	3,732,309	3,668,068	3,341,979	3,108,767
Transportation	725,305	804,037	717,449	832,408	637,396	676,443	626,091
Central support	0	0	0	0	0	0	170,495
Non-instructional programs	14,866	11,496	10,887	9,886	1,319	5,212	6,748
Other expenditures:							
Facilities acquisitions	798,367	2,964,203	4,236,963	7,902,878	1,779,691	4,755,728	3,767,811
Long-term debt:							
Principal	9,565,000	815,000	785,000	765,000	790,000	655,000	625,000
Interest and other charges	173,340	405,120	575,259	192,520	297,223	309,704	332,945
AEA flow-through	1,605,501	1,454,278	1,372,445	1,274,667	1,219,600	1,148,422	1,136,605
Total	\$ 52,944,857	45,743,593	45,351,964	45,003,871	38,097,823	40,153,415	37,676,891

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

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 10	\$ 99,232
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	580,957 *
			<u>680,189</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0821-G	293,083
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	37,417
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	61,792
			<u>392,292</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>11,056</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (CHARACTER EDUCATION)	84.215	FY 10	360
FUND FOR THE IMPROVEMENT OF EDUCATION (FIRE LIFE SAFETY GRANT)	84.215	FY 09	8,828
FUND FOR THE IMPROVEMENT OF EDUCATION (FIRE LIFE SAFETY GRANT)	84.215	FY 10	11,797
			<u>20,985</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 10	<u>276</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY 10	<u>1,008</u>
TITLE III - ENGLISH LANGUAGE ACQUISITION	84.365	FY 10	<u>4,435</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 10	<u>119,563</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 10	<u>28,308</u>
EDUCATION OF HOMELESS CHILDREN AND YOUTH, RECOVERY ACT	84.387	FY 10	<u>6,950</u>
STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>1,802,689</u>
DEPARTMENT OF DEFENSE:			
SCOTT COUNTY:			
FLOOD CONTROL PROJECTS	12.106	FY 10	<u>15,275</u>
DEPARTMENT OF EDUCATION:			
MISSISSIPPI BEND AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	214,837
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 09	85,604
			<u>300,441</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>30,068</u>
DEPARTMENT OF HUMAN SERVICES:			
IOWA DEPARTMENT OF HUMAN SERVICES:			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS			
	93.938	FY 10	<u>240</u>
TOTAL			<u>\$ 3,413,775</u>

* Includes \$106,695 of non-cash awards.

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 16, 2010. 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 deficiency in internal control 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 and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting 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, 2010 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, and 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 16, 2010

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 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, 2010. 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, 2010.

Internal Control Over Compliance

The management of Bettendorf Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Bettendorf Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

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.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson" with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

December 16, 2010

BETTENDORF COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over 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 - 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
 - Clustered
 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I - Grants to Local Educational Agencies, Recovery Act
 - Clustered
 - CFDA Number 84.027 - Special Education - Grants to States (Part B)
 - CFDA Number 84.391 - Special Education - Grants to States (Part B), Recovery Act
- (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.

INTERNAL CONTROL DEFICIENCIES:

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

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010 exceeded the amount budgeted in the non-instructional program area.

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

Response - The District will amend the certified budget as necessary in the future.

Conclusion - Response accepted.

IV-B-10 Questionable Disbursements - We noted during our audit that the District wrote checks to purchase gift cards that were given to students as reading incentive prizes. Giving gift cards to students as incentives do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will review procedures and make necessary adjustments to comply with the recommendation.

Conclusion - Response accepted.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. However, we noted during our audit that the District entered into contracts with new employees for fiscal year 2011. Due to conflicts in starting dates, the District modified contracts to allow certain employees the ability to work in June 2010 to compensate for the conflict. These employees subsequently submitted claims to the District for commuting mileage and lodging to work for the days worked in June 2010.

The District's Board Policy 401.15 does not allow for reimbursement of mileage for commuting to work. Lodging expenses should not be reimbursed by the District unless these types of expenses were part of the contract agreement between the employees and

the District. Additionally, the Internal Revenue Service Publication 15 identifies these types of reimbursements as additional compensation and should be included on the employees' W-2 as additional compensation and subject to applicable taxes.

Recommendation - The District should review expenditures for the days worked in June 2010 with the employees and determine the amount that needs to be reimbursed to the District. If the District does not seek reimbursement from the employees, the District should have the Board approve the reimbursements as additional compensation and include the amounts on the employees' W-2 forms.

Response - The District has reviewed these expenditures with employees and the District has been reimbursed.

Conclusion - Response accepted.

- IV-D-10 Business Transactions - No business transactions between the District and District officials were noted.
- IV-E-10 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-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-10 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	2,440,036
Statewide sales, services and use tax revenue	\$	2,952,088	
Interest earned on investments		390,772	3,342,860
			<hr/>
Total revenues			5,782,896
Expenditures/transfers out:			
Debt service for school infrastructure:			
General obligation debt	\$	2,594,070	
Revenue debt		3,188,826	5,782,896
			<hr/>
Ending balance		\$	<u>0</u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010 the District reduced the following levies:

	<hr/> Per \$1,000 of Taxable Valuation	<hr/> Property Tax Dollars
Debt service levy	\$ 2.05164	\$ 2,594,070

IV-M-10 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. Specific examples of questioned items and recommendations are as follows:

We noted during our audit purchases from the Student Activity Fund for smart boards, love seats for the teacher's lounge and instructional supplies. These types of expenditures do not appear to be cocurricular or extracurricular in nature.

Recommendation - The District should review the propriety of expenditures that are recorded in the Student Activity Fund. It would appear that some individual Student Activity Fund accounts appear more administratively maintained, rather than maintained by a club or organization. Therefore, these accounts need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - The District is reviewing and correcting procedures to comply with the recommendation.

Conclusion - Response accepted.

The High School Golf Outing and High School Spanish accounts award scholarships from proceeds of fundraising during the year.

Recommendation - When fundraising takes place the revenues should be recorded in the fund that may legally pay for the purpose of the fundraiser. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship fundraising should be placed and expended from the Private Purpose Trust Fund.

Response - The District is reviewing and correcting procedures to comply with the recommendation.

Conclusion - Response accepted.

Donations given to a school should be expended according to donor request. According to information contained on the website for Box Tops, the donation can be used for items such as books, computers or playground equipment. Donations received from Target are intended for instructional supplies for students. Currently, the District records Box Tops and Target donations in the Student Activity Fund.

Recommendation - The District should review the propriety of revenues that are recorded in the Student Activity Fund to ensure recording in the proper fund. The items listed for purchase with Box Tops donations appear more instructional in nature, therefore, the most logical place to record Box Tops donations would be the General Fund.

Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

Response - The District is reviewing and correcting procedures to comply with the recommendation.

Conclusion - Response accepted.

IV-N-10 Corrective Transfer - We noted during our audit that early retirement insurance benefits for a former employee were initially being paid from the Management Levy Fund. For fiscal years 2008, 2009 and 2010 the early retirement insurance benefits were recorded as paid from the General Fund instead of the Management Levy Fund.

Recommendation - Although it is not improper to pay early retirement benefits from the General Fund, for consistency with the way benefits were being recorded initially, the District should make a corrective transfer of \$13,350.11 from the Management Levy Fund to the General Fund.

Response - The District has completed the corrective transfer as requested by the auditors.

Conclusion - Response accepted.