

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

JUNE 30, 2011

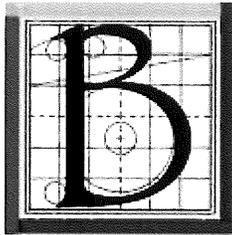
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Bettendorf Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
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	2011
Maxine McEnany	Director of Financial and Business Services	2011
Colleen Skolrood	Board Secretary	2011
Ray Cassady	Board Treasurer	2011
Cameron Davidson	Attorney	2011
Don Hoskins	Attorney	2011



BETTENDORF
COMMUNITY
SCHOOL
DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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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, 2011, 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.

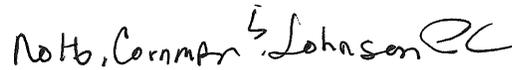
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2011, and the respective changes in financial position and cash flows, where applicable, 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 21, 2011 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 15 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 seven years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

December 21, 2011

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$40,302,781 in fiscal 2010 to \$42,627,252 in fiscal 2011 due in large part to an increase in state source revenues. General Fund expenditures increased from \$40,284,518 in fiscal 2010 to \$41,663,226 in fiscal 2011 due in part to increases in expenses in the support services function. Increases in expenses for the support services function are mainly attributable to increases in salaries and benefits received by District employees. The difference between fiscal 2011 revenues of \$42,627,252 and expenses of \$41,663,226 results in a net increase in fund balance of \$964,026. As a result, the District's General Fund balance increased from \$7,128,695 in fiscal 2010 to a balance of \$8,092,721 in fiscal 2011. This represents a 13.52% 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 \$70,331 in fiscal year 2011.
- To compare the District's solvency ratio to the prior year:
 - The 15.85% solvency ratio at June 30, 2010 decreased to 9.81% at June 30, 2011. Reasons for the decrease are as follows:
 - The District is spending the following amounts which were committed for the construction project out of our General Fund: \$321,462 for furniture and equipment, \$865,003 and \$160,810 for the architect fees on the two projects, \$688,762 on the Construction Manager for the project. These amounts plus \$100,000 for fees on contingency and other equipment total \$2,135,997 that is committed for the project. This amounts to a 5% reduction in the solvency ratio. The District is planning on going to the School Budget Review Committee for an increased spending authority for this project. The plan to make up the cash is through our budget process over the next few years of cash reserve.
 - That still leaves 1.04% reduction in solvency ratio unaccounted for (15.85% - 14.81%). 1.04% solvency ratio is approximately \$441,000 in unassigned fund balance. Our reserves have gone down due to no new money, low allowable growth, and increased costs.

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.

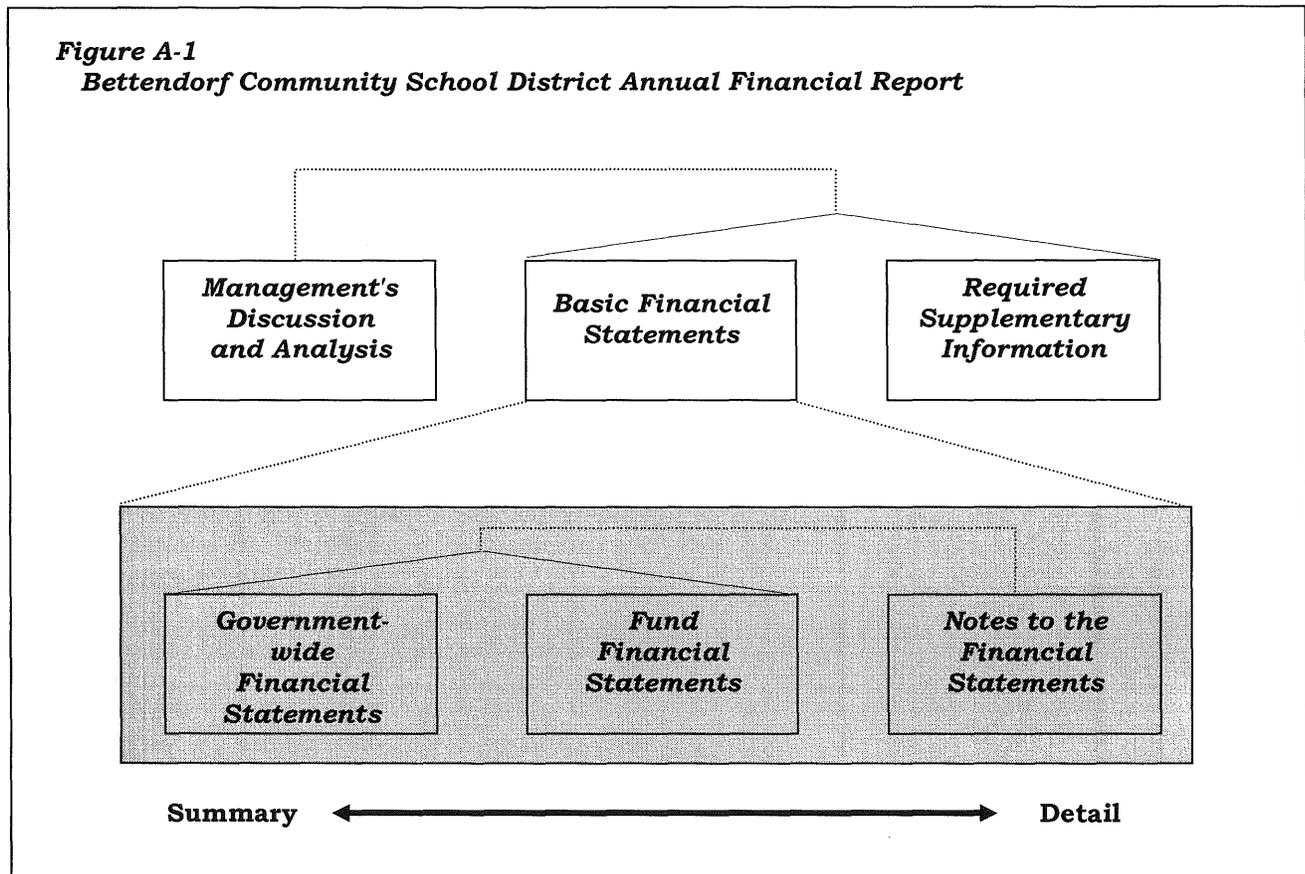


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, 2011 compared to June 30, 2010.

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,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 46,214,629	40,016,207	372,188	287,359	46,586,817	40,303,566	15.59%
Capital assets	33,444,862	34,519,334	90,293	101,228	33,535,155	34,620,562	-3.14%
Total assets	79,659,491	74,535,541	462,481	388,587	80,121,972	74,924,128	6.94%
Long-term obligations	773,068	789,840	959	315	774,027	790,155	-2.04%
Other liabilities	24,175,333	23,045,187	35,850	33,748	24,211,183	23,078,935	4.91%
Total liabilities	24,948,401	23,835,027	36,809	34,063	24,985,210	23,869,090	4.68%
Net assets:							
Invested in capital assets, net of related debt	33,444,862	34,519,334	90,293	101,228	33,535,155	34,620,562	-3.14%
Restricted	11,483,574	6,358,952	0	0	11,483,574	6,358,952	80.59%
Unrestricted	9,782,654	9,822,228	335,379	253,296	10,118,033	10,075,524	0.42%
Total net assets	\$ 54,711,090	50,700,514	425,672	354,524	55,136,762	51,055,038	7.99%

The District's combined net assets increased by 7.99%, or \$4,081,724, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$5,124,622, or 80.59% over the prior year. The increase in restricted net assets is primarily the result of the increase in Capital Projects Fund balance. This increase was the result of the District receiving \$3,266,328 in statewide sales, services

and use tax revenue and only spending \$38,508 in expenditures. The District will use this money for future school improvement projects.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$42,509, or 0.42%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to June 30, 2010.

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,
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 5,062,241	4,857,463	907,971	933,385	5,970,212	5,790,848	3.10%
Operating grants and contributions and restricted interest	7,633,440	8,285,571	721,947	696,111	8,355,387	8,981,682	-6.97%
Capital grants and contributions and restricted interest	0	35,900	4,258	0	4,258	35,900	-88.14%
General revenues:							
Property tax	17,830,742	16,998,597	0	0	17,830,742	16,998,597	4.90%
Statewide sales, services and use tax	3,266,328	2,952,088	0	0	3,266,328	2,952,088	10.64%
Unrestricted state grants	14,744,530	13,307,921	0	0	14,744,530	13,307,921	10.80%
Nonspecific program federal revenues	574,116	0	0	0	574,116	0	100.00%
Other	341,595	849,392	12,187	16,061	353,782	865,453	-59.12%
Total revenues	49,452,992	47,286,932	1,646,363	1,645,557	51,099,355	48,932,489	4.43%
Program expenses:							
Governmental activities:							
Instructional	28,382,616	28,123,777	0	0	28,382,616	28,123,777	0.92%
Support services	13,482,276	12,343,965	37,385	42,678	13,519,661	12,386,643	9.15%
Non-instructional programs	12,921	9,324	1,537,830	1,577,735	1,550,751	1,587,059	-2.29%
Other expenses	3,564,603	4,640,960	0	0	3,564,603	4,640,960	-23.19%
Total expenses	45,442,416	45,118,026	1,575,215	1,620,413	47,017,631	46,738,439	0.60%
Changes in net assets	4,010,576	2,168,906	71,148	25,144	4,081,724	2,194,050	86.04%
Beginning net assets, as restated	50,700,514	48,531,608	354,524	329,380	51,055,038	48,860,988	4.49%
Ending net assets	\$ 54,711,090	50,700,514	425,672	354,524	55,136,762	51,055,038	7.99%

In fiscal 2011, property tax, statewide sales, services and use tax and unrestricted state grants account for 72.48% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.00% of the revenue from business type activities.

The District's total revenues were approximately \$51.10 million of which \$49.45 million was for governmental activities and \$1.65 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.43% increase in revenues and a 0.60% increase in expenses. Property tax increased \$832,145 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 \$49,452,992 and expenses were \$45,442,416.

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		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 28,382,616	28,123,777	0.92%	17,456,881	16,701,306	4.52%
Support services	13,482,276	12,343,965	9.22%	13,363,429	12,228,903	9.28%
Non-instructional programs	12,921	9,324	38.58%	12,921	9,324	38.58%
Other expenses	3,564,603	4,640,960	-23.19%	1,913,504	2,999,559	-36.21%
Totals	\$ 45,442,416	45,118,026	0.72%	32,746,735	31,939,092	2.53%

- The cost financed by users of the District's programs was \$5,062,241.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$7,633,440.
- The net cost of governmental activities was financed with \$17,830,742 in property tax, \$3,266,328 in statewide sales, services and use tax, \$14,744,530 in unrestricted state grants, \$574,116 in nonspecific program federal revenues, \$92,440 in interest income and \$249,155 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$1,646,363 and expenses were \$1,575,215. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$18,329,767, which is more than last year's ending fund balances of \$13,243,301. The primary reason for the increase in combined fund balances in fiscal 2011 is due to the increase in fund balance of the Capital Projects Fund.

Governmental Fund Highlights

- The General Fund balance increased from \$7,128,695 to \$8,092,721 due to the District having reserves on hand at June 30, 2011 that we did not have on hand at June 30, 2010.
- The Capital Projects Fund balance increased from \$4,531,227 in fiscal 2010 to \$8,688,882 in fiscal 2011. The increase in fund balance was due to the District's statewide sales, services and use tax revenues not yet being spent on school improvements

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$354,524 at June 30, 2010 to \$425,672 at June 30, 2011, representing an increase of 20.07%. 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 \$6,057 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving less in state and intermediate sources than originally anticipated. The District manages or controls General Fund spending through its line-item budget. The District amended its budget one time to reflect additional expenditures related to technology equipment and construction projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$33.54 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 3.24% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$2,178,081.

The original cost of the District's capital assets was \$65.36 million. Governmental funds account for \$64.70 million with the remainder of \$0.66 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,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 1,017,415	1,017,415	0	0	1,017,415	1,017,415	0.00%
Construction in progress	619,213	0	0	0	619,213	0	100.00%
Buildings	30,015,787	31,695,362	0	0	30,015,787	31,695,362	-5.60%
Land improvements	42,788	47,385	0	0	42,788	47,385	-10.74%
Machinery and equipment	1,749,659	1,759,172	90,293	101,228	1,839,952	1,860,400	-1.11%
Total	\$ 33,444,862	34,519,334	90,293	101,228	33,535,155	34,620,562	-3.24%

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2010, compared to \$619,213 reported at June 30, 2011. This significant increase resulted from the District beginning a renovation on the high school.

Long-Term Liabilities

At June 30, 2011, the District had \$774,027 in other long-term liabilities outstanding. This represents a decrease of 2.04% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding Early Retirement payable from the General and Special Revenue - Management Funds of \$549,266 at June 30, 2011.

The District had total outstanding Compensated Absences payable from the General Fund of \$151,761 at June 30, 2011.

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,
	2011	2010	2011	2010	2011	2010	2010-11
Early Retirement	\$ 549,266	615,343	0	0	549,266	615,343	-10.74%
Compensated Absences	151,761	149,145	0	0	151,761	149,145	1.75%
Net OPEB Liability	72,041	25,352	959	315	73,000	25,667	184.41%
Totals	\$ 773,068	789,840	959	315	774,027	790,155	-2.04%

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 is self-funded for health insurance. The fund balance has decreased from \$3,727,719 on June 30, 2010 to a fund balance of \$3,709,529 on June 30, 2011.
- The Board of Education implemented an early retirement plan during the year ended June 30, 2011. The plan would allow people who are at least 55 years of age and who have been full-time with the District for at least 15 years to retire with a benefit of \$2,400 per year paid into a Health Reimbursement Arrangement (HRA) until eligible for Medicare or death and \$15 per day for unused sick leave to be paid into an HRA. The amount due for early retirement for the current retirement program at June 30, 2011 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, remodeling of the media center and a new District administration office. The District is also building onto Hoover elementary a multi-purpose room, three kindergarten rooms and one preschool room. These projects are expected to be completed between the summer of 2012 and February 2013 at an estimated cost of \$20 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.

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BASIC FINANCIAL STATEMENTS

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 25,717,814	333,590	26,051,404
Receivables:			
Property tax:			
Delinquent	213,436	0	213,436
Succeeding year	18,588,991	0	18,588,991
Accounts	925,296	236	925,532
Due from other governments	769,092	4,069	773,161
Due from other funds	0	4,425	4,425
Inventories	0	29,868	29,868
Capital assets, net of accumulated depreciation	33,444,862	90,293	33,535,155
Total Assets	79,659,491	462,481	80,121,972
Liabilities			
Due to other funds	4,425	0	4,425
Accounts payable	738,000	237	738,237
Salaries and benefits payable	3,542,245	4,352	3,546,597
Incurred but not reported claims	578,244	0	578,244
Deferred revenue:			
Succeeding year property tax	18,588,991	0	18,588,991
Other	723,428	0	723,428
Unearned revenue	0	31,261	31,261
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	172,020	0	172,020
Compensated absences	151,761	0	151,761
Portion due after one year:			
Early retirement payable	377,246	0	377,246
Net OPEB liability	72,041	959	73,000
Total Liabilities	24,948,401	36,809	24,985,210
Net Assets			
Invested in capital assets, net of related debt	33,444,862	90,293	33,535,155
Restricted for:			
Debt service	2,824	0	2,824
Categorical funding	1,795,794	0	1,795,794
Management levy	601,827	0	601,827
Physical plant and equipment	2,999,604	0	2,999,604
School infrastructure	5,689,278	0	5,689,278
Student activities	394,247	0	394,247
Unrestricted	9,782,654	335,379	10,118,033
Total Net Assets	\$ 54,711,090	425,672	55,136,762

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Charges for Expenses	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	\$ 18,138,218	3,517,797	3,295,381	0	(11,325,040)	0	(11,325,040)
Special	5,459,643	563,972	1,913,328	0	(2,982,343)	0	(2,982,343)
Other	4,784,755	893,055	742,202	0	(3,149,498)	0	(3,149,498)
	<u>28,382,616</u>	<u>4,974,824</u>	<u>5,950,911</u>	<u>0</u>	<u>(17,456,881)</u>	<u>0</u>	<u>(17,456,881)</u>
Support services:							
Student	1,686,911	0	0	0	(1,686,911)	0	(1,686,911)
Instructional staff	679,369	0	0	0	(679,369)	0	(679,369)
Administration	6,701,424	0	0	0	(6,701,424)	0	(6,701,424)
Operation and maintenance of plant	3,630,693	0	0	0	(3,630,693)	0	(3,630,693)
Transportation	783,879	87,417	31,430	0	(665,032)	0	(665,032)
	<u>13,482,276</u>	<u>87,417</u>	<u>31,430</u>	<u>0</u>	<u>(13,363,429)</u>	<u>0</u>	<u>(13,363,429)</u>
Non-instructional programs:							
Food service operations	12,921	0	0	0	(12,921)	0	(12,921)
Other expenditures:							
Facilities acquisitions	221,625	0	0	0	(221,625)	0	(221,625)
AEA flowthrough	1,651,099	0	1,651,099	0	0	0	0
Depreciation(unallocated)*	1,691,879	0	0	0	(1,691,879)	0	(1,691,879)
	<u>3,564,603</u>	<u>0</u>	<u>1,651,099</u>	<u>0</u>	<u>(1,913,504)</u>	<u>0</u>	<u>(1,913,504)</u>
Total governmental activities	45,442,416	5,062,241	7,633,440	0	(32,746,735)	0	(32,746,735)
Business Type activities:							
Support services:							
Administration	31,039	0	0	0	0	(31,039)	(31,039)
Operation and maintenance of plant	6,346	0	0	0	0	(6,346)	(6,346)
	<u>37,385</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(37,385)</u>	<u>(37,385)</u>
Non-instructional programs:							
Food service operations	1,537,830	907,971	721,947	4,258	0	96,346	96,346
Total business type activities	1,575,215	907,971	721,947	4,258	0	58,961	58,961
Total	\$ 47,017,631	5,970,212	8,355,387	4,258	(32,746,735)	58,961	(32,687,774)
General Revenues:							
Property tax levied for:							
General purposes				\$ 15,689,473	0	15,689,473	
Capital outlay				2,141,269	0	2,141,269	
Statewide sales, service and use tax				3,266,328	0	3,266,328	
Unrestricted state grants				14,744,530	0	14,744,530	
Nonspecific program federal revenues				574,116	0	574,116	
Unrestricted investment earnings				92,440	1,764	94,204	
Other general revenues				249,155	10,423	259,578	
Total general revenues				<u>36,757,311</u>	<u>12,187</u>	<u>36,769,498</u>	
Changes in net assets				4,010,576	71,148	4,081,724	
Net assets beginning of year				50,700,514	354,524	51,055,038	
Net assets end of year				<u>\$ 54,711,090</u>	<u>425,672</u>	<u>55,136,762</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, 2011

	General	Capital Projects	Nonmajor Governmental Funds	Total
Assets:				
Cash and pooled investments	\$ 11,717,227	8,147,622	1,536,928	21,401,777
Receivables:				
Property tax				
Delinquent	182,572	25,074	5,790	213,436
Succeeding year	15,897,723	2,186,869	504,399	18,588,991
Due from other governments	246,985	522,107	0	769,092
Due from other funds	0	0	108	108
Accounts	916,319	0	8,977	925,296
Total assets	\$ 28,960,826	10,881,672	2,056,202	41,898,700
Liabilities and fund balances:				
Liabilities:				
Due to other funds	\$ 11,319	0	0	11,319
Accounts payable	693,449	5,921	3,580	702,950
Salaries and benefits payable	3,542,186	0	59	3,542,245
Deferred revenue:				
Succeeding year property tax	15,897,723	2,186,869	504,399	18,588,991
Other	723,428	0	0	723,428
Total liabilities	20,868,105	2,192,790	508,038	23,568,933
Fund balances:				
Restricted for:				
Categorical funding	1,795,794	0	0	1,795,794
School infrastructure	0	5,689,278	0	5,689,278
Physical plant and equipment	0	2,999,604	0	2,999,604
Debt service	0	0	2,824	2,824
Management levy purposes	0	0	1,151,093	1,151,093
Student activities	0	0	394,247	394,247
Committed for:				
Future equipment purchases	500,000	0	0	500,000
Future construction costs	2,500,000	0	0	2,500,000
Unassigned	3,296,927	0	0	13,781,603
Total fund balances	8,092,721	8,688,882	1,548,164	18,329,767
Total liabilities and fund balances	\$ 28,960,826	10,881,672	2,056,202	41,898,700

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds (page 20)	\$ 18,329,767
<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.	33,444,862
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	3,709,529
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>(773,068)</u>
Net assets of governmental activities (page 18)	<u><u>\$ 54,711,090</u></u>

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 15,207,198	5,407,597	482,275	21,097,070
Tuition	3,704,732	0	0	3,704,732
Other	891,660	20,619	914,008	1,826,287
Intermediate sources	513	0	0	513
State sources	19,935,680	997	244	19,936,921
Federal sources	2,874,300	0	0	2,874,300
Total revenues	<u>42,614,083</u>	<u>5,429,213</u>	<u>1,396,527</u>	<u>49,439,823</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	17,734,105	3,908	296,562	18,034,575
Special	5,450,548	0	0	5,450,548
Other	3,871,615	0	854,130	4,725,745
	<u>27,056,268</u>	<u>3,908</u>	<u>1,150,692</u>	<u>28,210,868</u>
Support services:				
Student	1,667,490	0	16,861	1,684,351
Instructional staff	670,819	0	2,684	673,503
Administration	6,631,480	5,588	84,808	6,721,876
Operation and maintenance of plant	3,340,997	228,315	151,185	3,720,497
Transportation	645,073	185,202	13,294	843,569
	<u>12,955,859</u>	<u>419,105</u>	<u>268,832</u>	<u>13,643,796</u>
Non-instructional programs:				
Food service operations	0	0	12,218	12,218
Other expenditures:				
Facilities acquisitions	0	848,545	0	848,545
AEA flowthrough	1,651,099	0	0	1,651,099
	<u>1,651,099</u>	<u>848,545</u>	<u>0</u>	<u>2,499,644</u>
Total expenditures	<u>41,663,226</u>	<u>1,271,558</u>	<u>1,431,742</u>	<u>44,366,526</u>
Excess(deficiency) of revenues over(under) expenditures	950,857	4,157,655	(35,215)	5,073,297
Other financing sources:				
Proceeds from sale of equipment	13,169	0	0	13,169
Total other financing sources	<u>13,169</u>	<u>0</u>	<u>0</u>	<u>13,169</u>
Net change in fund balances	964,026	4,157,655	(35,215)	5,086,466
Fund balances beginning of year, as restated	7,128,695	4,531,227	1,583,379	13,243,301
Fund balances end of year	<u>\$ 8,092,721</u>	<u>8,688,882</u>	<u>1,548,164</u>	<u>18,329,767</u>

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, 2011

Net change in fund balances - total governmental funds(page 22) \$ 5,086,466

*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 and depreciation expense in the year are as follows:

Capital outlays	\$ 1,085,709	
Depreciation expense	<u>(2,160,181)</u>	(1,074,472)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. (18,190)

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	\$ 66,077	
Compensated absences	(2,616)	
Other postemployment benefits	<u>(46,689)</u>	16,772

Changes in net assets of governmental activities(page 19) \$ 4,010,576

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 333,590	4,316,037
Accounts receivable	236	0
Due from other governments	4,069	0
Due from other funds	4,425	6,786
Inventories	29,868	0
Total current assets	<u>372,188</u>	<u>4,322,823</u>
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	90,293	0
Total non-current assets	<u>90,293</u>	<u>0</u>
TOTAL ASSETS	<u>462,481</u>	<u>4,322,823</u>
LIABILITIES		
Current liabilities:		
Accounts payable	237	35,050
Salaries and benefits payable	4,352	0
Net OPEB liability	959	0
Incurred but not reported claims	0	578,244
Unearned revenue	31,261	0
TOTAL LIABILITIES	<u>36,809</u>	<u>613,294</u>
NET ASSETS		
Invested in capital assets	90,293	0
Unrestricted	335,379	3,709,529
TOTAL NET ASSETS	<u>\$ 425,672</u>	<u>3,709,529</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, 2011

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 907,971	4,456,266
Miscellaneous	10,423	0
TOTAL OPERATING REVENUES	<u>918,394</u>	<u>4,456,266</u>
OPERATING EXPENSES:		
Support services:		
Student Services:		
Services	0	8,824
Supplies	0	4,425
	<u>0</u>	<u>13,249</u>
Administration services:		
Salaries	25,625	0
Benefits	3,719	0
Services	1,695	57,316
	<u>31,039</u>	<u>57,316</u>
Operation and maintenance of plant:		
Services	6,346	0
Total support services	<u>37,385</u>	<u>70,565</u>
Non-instructional programs:		
Food service operations:		
Salaries	501,550	0
Benefits	135,684	0
Services	2,443	0
Supplies	880,253	0
Depreciation	17,900	0
	<u>1,537,830</u>	<u>0</u>
Other enterprise operations:		
Benefits	0	4,418,917
Total non-instructional programs	<u>1,537,830</u>	<u>4,418,917</u>
TOTAL OPERATING EXPENSES	<u>1,575,215</u>	<u>4,489,482</u>
OPERATING LOSS	<u>(656,821)</u>	<u>(33,216)</u>
NON-OPERATING REVENUES:		
State sources	15,056	0
Federal sources	711,149	0
Interest income	1,764	15,026
TOTAL NON-OPERATING REVENUES	<u>727,969</u>	<u>15,026</u>
Changes in net assets	71,148	(18,190)
Net assets beginning of year	<u>354,524</u>	<u>3,727,719</u>
Net assets end of year	<u>\$ 425,672</u>	<u>3,709,529</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 917,396	0
Cash received from miscellaneous operating activities	10,423	4,547,837
Cash payments to employees for services	(667,556)	0
Cash payments to suppliers for goods or services	(789,252)	(4,470,895)
Net cash provided by(used in) operating activities	<u>(528,989)</u>	<u>76,942</u>
Cash flows from non-capital financing activities:		
Borrowings from the General Fund	(4,425)	(6,786)
State grants received	15,056	0
Federal grants received	616,218	0
Net cash provided by(used in) non-capital financing activities	<u>626,849</u>	<u>(6,786)</u>
Cash flows from capital activities:		
Acquisition of assets	(6,965)	0
Cash flows from investing activities:		
Interest on investment	1,764	15,026
Net increase in cash and cash equivalents	92,659	85,182
Cash and cash equivalents at beginning of year	240,931	4,230,855
Cash and cash equivalents at end of year	<u>\$ 333,590</u>	<u>4,316,037</u>
Reconciliation of operating loss to net cash provided by(used in) operating activities:		
Operating loss	\$ (656,821)	(33,216)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	97,741	0
Depreciation	17,900	0
Decrease in inventories	3,583	0
Decrease in accounts receivable	5,862	91,571
Decrease in incurred but not reported claims	0	(16,463)
Increase in accounts payable	161	35,050
Decrease in salaries and benefits payable	(1,622)	0
Increase in unearned revenues	3,563	0
Increase in other postemployment benefits	644	0
Net cash provided by(used in) operating activities	<u>\$ (528,989)</u>	<u>76,942</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
During the year ended June 30, 2011, the District received Federal commodities valued at \$97,741.		
SEE NOTES TO FINANCIAL STATEMENTS.		

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 44,140
Liabilities	
Due to other groups	44,140
	<u>\$ 44,140</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(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. Combining schedules are also included for the Capital Project Fund accounts.

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

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply

the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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, 2011. 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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

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, 2011 the District amended its budget one time to reflect additional expenditures associated with the purchase of technology equipment and the construction project.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations portfolio which are valued at an amortized cost of \$723,567 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.

(3) **Due From and Due to Other Funds**

The detail of interfund receivable and payable balances for the year ended June 30, 2011 are as follows:

Receivable Fund	Payable Fund	Amount
Internal Service	General	\$ 6,786
Enterprise, School Nutrition	General	4,425
General	Special Revenue, Student Activity	108
Total		<u>\$ 11,319</u>

The General Fund is repaying the Enterprise, School Nutrition Fund for interest deposited into the wrong fund and for salaries and benefits paid from the School Nutrition Fund

The General Fund is repaying the Internal Service for interest deposited into the General Fund.

The Special Revenue, Student Activity Fund is repaying the General Fund for officiating salaries paid from the General Fund.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 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
Construction in progress	0	619,213	0	619,213
Total capital assets not being depreciated	<u>1,017,415</u>	<u>0</u>	<u>0</u>	<u>1,636,628</u>
Capital assets being depreciated:				
Buildings	56,171,963	7,707	0	56,179,670
Land improvements	184,544	0	0	184,544
Machinery and equipment	6,457,047	458,789	217,305	6,698,531
Total capital assets being depreciated	<u>62,813,554</u>	<u>466,496</u>	<u>217,305</u>	<u>63,062,745</u>
Less accumulated depreciation for:				
Buildings	24,476,601	1,687,282	0	26,163,883
Land improvements	137,159	4,597	0	141,756
Machinery and equipment	4,697,875	468,302	217,305	4,948,872
Total accumulated depreciation	<u>29,311,635</u>	<u>2,160,181</u>	<u>217,305</u>	<u>31,254,511</u>
Total capital assets being depreciated, net	<u>33,501,919</u>	<u>(1,693,685)</u>	<u>0</u>	<u>31,808,234</u>
Governmental activities capital assets, net	<u>\$ 34,519,334</u>	<u>(1,693,685)</u>	<u>0</u>	<u>33,444,862</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 653,709	6,965	0	660,674
Less accumulated depreciation	552,481	17,900	0	570,381
Business type activities capital assets, net	<u>\$ 101,228</u>	<u>(10,935)</u>	<u>0</u>	<u>90,293</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 135,825
Special		495
Other		55,687
Support services:		
Student		4,520
Administration		63,192
Operation and maintenance of plant		46,150
Transportation		162,433
		<u>468,302</u>
Unallocated depreciation		<u>1,691,879</u>
Total governmental activities depreciation expense		<u>\$ 2,160,181</u>
Business type activities:		
Food services		<u>\$ 17,900</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Early Retirement	615,343	128,580	194,657	549,266	172,020
Compensated Absences	149,145	151,761	149,145	151,761	151,761
Net OPEB Liability	25,352	46,689	0	72,041	0
Total	\$ 789,840	327,030	343,802	773,068	323,781
	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB Liability	\$ 315	644	0	959	0

Early Retirement

The District offered a voluntary early retirement plan to its employees who retired June 30, 2005, 2006, 2007, 2010 or 2011. 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 or 2011 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, 2011, totaled \$194,657.

(6) 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 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$1,681,936, \$1,633,481, and \$1,541,307 respectively, equal to the required contributions for each year.

(7) 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 \$3,709,529 at June 30, 2011. The incurred but not recorded and unpaid claims liability of \$578,244 reported in the plan at June 30, 2011 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.

(8) 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 412 active and 66 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 502,000
Interest on net OPEB obligation	1,000
Adjustment to annual required contribution	<u>(1,667)</u>
Annual OPEB cost (expense)	501,333
Contributions made	<u>(454,000)</u>
Increase in net OPEB obligation	47,333
Net OPEB obligation - beginning of year	<u>25,667</u>
Net OPEB obligation - end of year	<u>\$ 73,000</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, 2011.

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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 387,000	93.02	% \$ 27,000
2010	386,667	100.34	25,667
2011	501,333	90.56	73,000

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$3.646 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.432 million. The covered payroll (annual payroll of active employees covered by the plan) was \$25.005 million, and the ratio of the UAAL to the covered payroll was 17.7%. As of June 30, 2011, 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, 2010 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, 2009 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2009.

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.

(9) 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 \$1,651,099 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Contingencies

As of June 30, 2011, 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.

(11) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2011 are broken out by the following projects:

Project	Amount
Home school assistance program	\$ 11,657
Talented and gifted	89,550
Dropout prevention	1,333,503
Educator quality, basic salary	53,143
Educator quality, professional development	11,702
Market factor incentives	3,497
Beginning teacher mentoring	32,556
Four-year-old state preschool	135,483
Non-public textbook services	5,128
Model core curriculum	119,575
Total	<u>\$ 1,795,794</u>

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassification is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010 as previously reported	\$ 2,450,327	\$ 2,080,900
Change in fund type classification per implementation of GASB Statement No. 54	<u>2,080,900</u>	<u>(2,080,900)</u>
Balance July 1, 2010 as restated	<u>\$ 4,531,227</u>	<u>\$ 0</u>

(13) Construction Commitments

The District has entered into various contracts for various projects within the District. As of June 30, 2011, costs of \$619,213 had been incurred against the contracts. The balance remaining at June 30, 2011 will be paid as work on the projects progresses.

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, 2011

	Governmental		Proprietary		Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund	Fund	Total		Original	Final	
	Actual	Actual	Actual	Actual		Original	Final	
Revenues:								
Local sources	\$ 26,628,089	920,158	27,548,247	26,677,506	26,677,506	870,741		
Intermediate sources	513	0	513	10,000	10,000	(9,487)		
State sources	19,936,921	15,056	19,951,977	22,022,623	22,022,623	(2,070,646)		
Federal sources	2,874,300	711,149	3,585,449	2,370,000	2,370,000	1,215,449		
Total revenues	<u>49,439,823</u>	<u>1,646,363</u>	<u>51,086,186</u>	<u>51,080,129</u>	<u>51,080,129</u>	<u>6,057</u>		
Expenditures/Expenses:								
Instruction	28,210,868	0	28,210,868	28,425,112	29,169,445	958,577		
Support services	13,643,796	37,385	13,681,181	13,797,386	13,797,386	116,205		
Non-instructional programs	12,218	1,537,830	1,550,048	1,615,000	1,615,000	64,952		
Other expenditures	2,499,644	0	2,499,644	4,171,676	4,246,099	1,746,455		
Total expenditures/expenses	<u>44,366,526</u>	<u>1,575,215</u>	<u>45,941,741</u>	<u>48,009,174</u>	<u>48,827,930</u>	<u>2,886,189</u>		
Excess of revenues over expenditures/expenses	5,073,297	71,148	5,144,445	3,070,955	2,252,199	2,892,246		
Other financing sources, net	13,169	0	13,169	0	0	13,169		
Excess of revenues and other financing sources over expenditures/expenses	5,086,466	71,148	5,157,614	3,070,955	2,252,199	2,905,415		
Balance beginning of year	13,243,301	354,524	13,597,825	11,458,618	11,458,618	2,139,207		
Balance end of year	<u>\$ 18,329,767</u>	<u>425,672</u>	<u>18,755,439</u>	<u>14,529,573</u>	<u>13,710,817</u>	<u>5,044,622</u>		

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$818,756.

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)	UAAAL as a
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
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%
2011	July 1, 2010	\$ -	\$ 4,432	\$ 4,432	0%	\$ 25,005	17.7%

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, 2011

	Special Revenue Funds				Total
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Assets					
Cash and pooled investments	\$ 1,145,303	388,801	1,534,104	2,824	1,536,928
Receivables:					
Property tax					
Delinquent	5,790	0	5,790	0	5,790
Succeeding year	504,399	0	504,399	0	504,399
Due from other funds	0	108	108	0	108
Accounts	0	8,977	8,977	0	8,977
Total assets	\$ 1,655,492	397,886	2,053,378	2,824	2,056,202
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 0	3,580	3,580	0	3,580
Salaries and benefits payable	0	59	59	0	59
Deferred revenue:					
Succeeding year property tax	504,399	0	504,399	0	504,399
Total liabilities	504,399	3,639	508,038	0	508,038
Fund Balances:					
Restricted for:					
Management levy purposes	1,151,093	0	1,151,093	0	1,151,093
Student activities	0	394,247	394,247	0	394,247
Debt service	0	0	0	2,824	2,824
Total fund balance	1,151,093	394,247	1,545,340	2,824	1,548,164
Total liabilities and fund balances	\$ 1,655,492	397,886	2,053,378	2,824	2,056,202

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, 2011

	Special Revenue Funds				Total
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 482,275	0	482,275	0	482,275
Other	46,251	867,757	914,008	0	914,008
State sources	244	0	244	0	244
TOTAL REVENUES	528,770	867,757	1,396,527	0	1,396,527
EXPENDITURES:					
Current:					
Instruction:					
Regular	296,562	0	296,562	0	296,562
Other	2,400	851,730	854,130	0	854,130
	298,962	851,730	1,150,692	0	1,150,692
Support services:					
Student	16,861	0	16,861	0	16,861
Instructional staff	2,684	0	2,684	0	2,684
Administration	84,808	0	84,808	0	84,808
Operation and maintenance of plant	151,185	0	151,185	0	151,185
Transportation	13,294	0	13,294	0	13,294
	268,832	0	268,832	0	268,832
Non-instructional programs:					
Food service operations	12,218	0	12,218	0	12,218
TOTAL EXPENDITURES	580,012	851,730	1,431,742	0	1,431,742
Excess (Deficiency) of revenues over (under) expenditures	(51,242)	16,027	(35,215)	0	(35,215)
Fund balance beginning of year, as restated	1,202,335	378,220	1,580,555	2,824	1,583,379
Fund balance end of year	\$ 1,151,093	394,247	1,545,340	2,824	1,548,164

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 5,168,424	2,979,198	8,147,622
Receivables:			
Property tax:			
Delinquent	0	25,074	25,074
Succeeding year	0	2,186,869	2,186,869
Due from other governments	520,854	1,253	522,107
TOTAL ASSETS	\$ 5,689,278	5,192,394	10,881,672
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 0	5,921	5,921
Deferred revenue:			
Succeeding year property tax	0	2,186,869	2,186,869
Total liabilities	0	2,192,790	2,192,790
Fund balances:			
Restricted for:			
School infrastructure	5,689,278	0	5,689,278
Physical plant and equipment	0	2,999,604	2,999,604
Total fund balances	5,689,278	2,999,604	8,688,882
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,689,278	5,192,394	10,881,672

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUE:			
Local sources:			
Local tax	\$ 3,266,328	2,141,269	5,407,597
Other	11,131	9,488	20,619
State sources	0	997	997
TOTAL REVENUE	<u>3,277,459</u>	<u>2,151,754</u>	<u>5,429,213</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	0	3,908	3,908
Support services:			
Administration	0	5,588	5,588
Operation and maintenance of plant	0	228,315	228,315
Transportation	0	185,202	185,202
Other expenditures:			
Facilities acquisitions	38,508	810,037	848,545
TOTAL EXPENDITURES	<u>38,508</u>	<u>1,233,050</u>	<u>1,271,558</u>
Excess of revenues over expenditures	3,238,951	918,704	4,157,655
Fund Balances beginning of year, as restated	<u>2,450,327</u>	<u>2,080,900</u>	<u>4,531,227</u>
Fund Balances end of year	<u>\$ 5,689,278</u>	<u>2,999,604</u>	<u>8,688,882</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 4,650	1,527	2,224	3,953
Outdoor Education	(151)	0	(151)	0
Sail/Tag Fundraiser	1,646	0	36	1,610
N.A. Fundraiser	971	0	0	971
N.A. Bookstore	4,083	0	0	4,083
N.A. Pop Fund	600	1,292	1,220	672
N.A. Shooting Stars	86	360	408	38
N.A. Student Services	400	186	511	75
For Student Needs	1,663	1,027	1,197	1,493
N.A. Student	376	0	0	376
Hoover Fundraiser	1,065	0	0	1,065
Hoover Bookstore	4,432	702	3,572	1,562
Hoover Pop Fund	4,014	1,325	1,480	3,859
Jefferson Fundraiser	14	0	0	14
Jefferson Bookstore	1,131	2,319	1,832	1,618
TJ Student Council	750	576	488	838
P.N. Bookstore	2,901	1,402	1,402	2,901
P.N. Pop Fund	548	407	209	746
M.T. Fundraiser	123	0	0	123
M.T. Bookstore	9,874	872	2,678	8,068
M.T. Bookstore - BD	488	0	0	488
G.W. Fundraiser	4,723	1,591	3,116	3,198
G.W. Bookstore	3,564	76	0	3,640
G.W. Pop Fund	2,694	468	1,325	1,837
G.W. Memorial	31	0	0	31
Vocal Music 1	1,971	0	0	1,971
Vocal Music 2	2,342	447	1,029	1,760
Instrumental Music	10,720	8,679	13,191	6,208
Orchestra	273	116	197	192
Co-Ed Athletics	87,902	158,254	122,252	123,904
Sports Uniforms	2,813	11,894	10,454	4,253
BMS Cheerleading	507	2,180	2,082	605
MS Nurse Vending	406	183	0	589
MS PE Lifetouch	0	0	0	0
Health Club	179	465	572	72
Yearbook/Photo Club	1,131	7,960	6,954	2,137
Reading Club	305	221	0	526
Library Club	5,763	3,386	1,650	7,499
Foreign Lang Club	590	0	0	590
Spec Ed Activities	8	0	0	8
HS Student Council	4,213	35,454	28,306	11,361
MS Student Council	6,900	3,178	4,267	5,811
Computer Club	1	0	0	1
Living Skills Club	481	0	0	481

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
School Paper	2,658	7,690	7,767	2,581
Art Club	175	0	0	175
German Club	6,788	2,140	3,107	5,821
Ceramics Club	61	0	0	61
MS Vending	1,976	1,570	1,509	2,037
6-House I	486	1,087	1,160	413
6-House II	944	903	516	1,331
6-House III	280	1,945	1,687	538
7-House I	193	180	179	194
7-House II	995	450	247	1,198
7-House III	279	420	479	220
8-House I	1,618	4,646	4,350	1,914
8-House II	2,102	3,447	3,073	2,476
8-House III	1,115	3,271	3,016	1,370
School Fundraising	15,334	8,370	14,202	9,502
Student Needs	1,971	50	406	1,615
BWCA	305	0	0	305
MS Parent Link	9,919	21,152	13,805	17,266
Drama	0	30,283	30,283	0
Debate	4,065	4,209	8,240	34
Mock Trial	82	0	0	82
Vocal Music	0	15,872	15,872	0
Musical	0	1,803	1,803	0
Show Choir	0	14,528	14,528	0
HS Boys Athletics	55	125,571	125,626	0
HS Girls Athletics	(55)	32,894	32,839	0
Golf Outing	8,680	13,295	17,482	4,493
Close Up	737	0	169	568
Amicus	465	162	299	328
Prof Business	90	20,811	20,019	882
BHS England Trip	10,677	5,021	5,509	10,189
Activity Tickets	5,227	46,682	46,149	5,760
BHS SIT	2,210	834	822	2,222
Step Team	567	0	567	0
Science Club	239	325	564	0
Scholastic Bowl	198	40	(86)	324
Yearbook-Beacon	26,763	58,862	68,481	17,144
Growl Newspaper	11,260	1,440	4,019	8,681
SADD	555	0	180	375
Cheerleaders	4,409	28,617	29,467	3,559
SAVE	225	0	100	125
Peer Educators	1,156	0	(88)	1,244
Functional Skills	1,031	175	25	1,181
Spanish Club	1,400	192	73	1,519

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Nat Honor Soc	185	332	217	300
French Club	589	1,778	2,074	293
Social Comm Club	332	0	128	204
Goldusters	10,737	29,079	35,855	3,961
Art Club	738	248	383	603
Key Club	90	0	33	57
Club Vending	1,605	2,090	2,327	1,368
Class of 2010	56	0	56	0
Class of 2011	3,417	4,085	7,502	0
Class of 2012	1,151	5,874	3,681	3,344
Class of 2013	1,089	1,379	181	2,287
Class of 2014	0	792	344	448
BHS Fine Arts Trip	44,386	92,332	83,488	53,230
BHS New Tuxedos	1,306	0	648	658
BHS Football Moms	2,027	7,061	7,106	1,982
BHS Mat Moms	700	9,797	9,817	680
Pr Club Vending	5,309	7,426	6,944	5,791
Pr Student Needs	87	0	0	87
Total	\$ 378,220	867,757	851,730	394,247

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 16,350	31,320	3,530	44,140
	<u>\$ 16,350</u>	<u>31,320</u>	<u>3,530</u>	<u>44,140</u>
LIABILITIES				
Due to other groups	\$ 16,350	31,320	3,530	44,140
	<u>\$ 16,350</u>	<u>31,320</u>	<u>3,530</u>	<u>44,140</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 EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 21,097,070	19,950,685	20,207,326	19,301,641	18,755,868	18,125,916	18,007,604	16,823,954
Tuition	3,704,732	3,478,559	3,291,369	2,946,370	2,666,548	2,588,528	2,399,022	2,046,563
Other	1,826,287	2,670,888	2,290,144	2,618,267	2,382,216	1,919,448	2,192,358	3,038,648
Intermediate sources	513	619	20,853	307,489	188,430	126,709	119,308	2,902
State sources	19,936,921	17,505,827	20,224,298	18,878,742	17,251,533	16,636,019	15,642,365	15,280,414
Federal sources	2,874,300	3,680,354	1,884,007	1,080,726	1,263,628	1,013,070	1,276,650	746,060
Total	\$ 49,439,823	47,286,932	47,917,997	45,133,235	42,508,223	40,409,690	39,637,307	37,938,541
Expenditures:								
Instruction:								
Regular	\$ 18,034,575	18,097,643	18,567,224	16,907,228	15,581,657	15,072,881	14,724,134	14,274,129
Special	5,450,548	5,236,204	5,165,763	4,901,873	4,487,457	4,572,032	4,734,324	5,716,290
Other	4,725,745	5,016,016	3,564,504	3,579,858	3,328,064	3,891,306	3,839,779	2,125,947
Support services:								
Student	1,684,351	1,632,924	1,573,698	1,468,740	1,385,866	512,669	675,195	779,098
Instructional staff	673,503	613,527	671,629	608,399	571,052	629,082	583,015	1,505,432
Administration	6,721,876	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	3,720,497	4,175,010	4,203,928	4,664,959	3,732,309	3,668,068	3,341,979	3,108,767
Transportation	843,569	725,305	804,037	717,449	832,408	637,396	676,443	626,091
Central support	0	0	0	0	0	0	0	170,495
Non-instructional programs	12,218	14,866	11,496	10,887	9,886	1,319	5,212	6,748
Other expenditures:								
Facilities acquisitions	848,545	798,367	2,964,203	4,236,963	7,902,878	1,779,691	4,755,728	3,767,811
Long-term debt:								
Principal	0	9,565,000	815,000	785,000	765,000	790,000	655,000	625,000
Interest and other charges	0	173,340	405,120	575,259	192,520	297,223	309,704	332,945
AEA flow-through	1,651,099	1,605,501	1,454,278	1,372,445	1,274,667	1,219,600	1,148,422	1,136,605
Total	\$ 44,366,526	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, 2011

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 11	\$ 103,829
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	602,011 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 11	1,051
			706,891
SCHOOL LUNCH EQUIPMENT GRANTS STABILIZATION	10.579	FY 11	4,258
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0621-G	292,238
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0621-GC	46,181
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	13,042
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 11	112,859
			464,320
ADVANCED PLACEMENT PROGRAM	84.330	FY 11	1,368
TITLE III - ENGLISH LANGUAGE ACQUISITION	84.365	FY 11	4,509
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 11	117,839
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 11	18,898
EDUCATION OF HOMELESS CHILDREN AND YOUTH, RECOVERY ACT	84.387	FY 11	10,556
STATE FISCAL STABILIZATION FUND(SFSF)- EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	7,401
STATE FISCAL STABILIZATION FUND(SFSF)- EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	211,487
STATE FISCAL STABILIZATION FUND(SFSF)- GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	188,636
			407,524
EDUCATION JOBS FUND	84.410	FY 11	166,592
DEPARTMENT OF EDUCATION:			
MISSISSIPPI BEND AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 11	218,446
SPECIAL EDUCATION - GRANTS TO STATES(WRAP AROUND)	84.027	FY 11	1,114
SPECIAL EDUCATION - GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 10	447,601
			667,161
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	16,708
TOTAL			\$ 2,586,624

* Includes \$97,741 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)

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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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 21, 2011. 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 an 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

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 misstatements 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 on a timely basis.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 & II-B-11 to be significant deficiencies.

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, 2011 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 21, 2011

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Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and 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 could have a direct and material effect on each of Bettendorf Community School District's major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

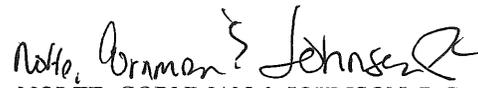
The management of Bettendorf Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Bettendorf Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bettendorf Community School District's internal control over compliance.

Members American Institute & Iowa Society of Certified Public Accountants

A deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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


NOLTE, CORNMAN & JOHNSON, P.C.

December 21, 2011

BETTENDORF COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs are as follows:
 - Clustered Programs:
 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I - Grants to Local Educational Agencies, Recovery Act

 - CFDA Number 84.394 - State Fiscal Stabilization Fund(SFSF) - Education State Grants, Recovery Act
 - CFDA Number 84.397 - State Fiscal Stabilization Fund(SFSF) - Government Services, Recovery Act

 - 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:

II-A-11 Unauthorized Bank Account - The District has policies and procedures established to document all transactions. In addition, the District annually, conducts training for Student Activity sponsors and coaching staff with regard to accounting processes. However, we noted during our audit, that a bank account was opened and maintained as Bettendorf High School Wrestling. This account did not appear to be authorized by the Board of Directors, nor were the transactions included in the accounting records.

The District did identify this account and has subsequently made the necessary transfer of funds as well as recording the transaction activity prior to June 30, 2011. This account was opened in February 2007 by the Bettendorf head wrestling coach. The transactions within this amount appeared to be related to wrestling, however, there were transactions which may not meet the public purpose of an Iowa School District. The District was reimbursed for any questioned costs by the employee.

The expenditures which may not meet public purpose included coaches clothing, camp registration fees, food costs as well as flowers. These types of expenditures, without adequate documentation to support the public purpose served, would be questioned. The District has policies in place to prohibit these types of expenses. Since the transactions were not conducted through the prescribed purchase order system these expenditures were not exposed to that transaction process. Furthermore, Chapter 291.6 of the Code of Iowa identifies the duties of the District Secretary to 'keep an accurate account of all expenses incurred by the corporation, and present the same to the board for audit and payment' pursuant to Chapter 279.29 of the Code of Iowa.

Recommendation - The unauthorized bank account allowed for the circumventing of the District's required accounting processes of approving and recording transactions. The District should revise their annual meetings with sponsors and coaches specifically with regard to opening accounts for District programs and the responsibility that each of them has in the overall internal control structure of the Bettendorf Community School District. The District should continue to educate, train and encourage the proper implementation of the internal controls.

Response - The District will continue to in-service staff and go over their responsibilities regarding fiscal procedures.

Conclusion - Response accepted.

II-B-11 Purchase Order Procedures - The District policy 401.10 requires the use of purchase orders in the purchasing process; however we noted several instances of purchase orders not being completed for items purchased using the District's credit card in the Operations Department.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who

approves purchase orders the insight to know if there is still available funding to make the purchase.

The District did not follow Board Policy 401.10. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will review its' procedures with the Operations Department.

Conclusion - Response accepted.

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-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.

IV-B-11 Questionable Disbursements - We noted during our audit that the District purchased gift cards that were given to students as reading incentive prizes as well as for Christmas donations to needy families. Giving gift cards to students as incentives or as donations does 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-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-11 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-11 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The District received funding for two students who were not enrolled in the District on the 2010 count date.

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

Response - We will contact the Iowa Department of Education and the Department of Management .

Conclusion - Response accepted.

IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-11 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-11 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-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-11 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	2,450,327
Revenues:			
Sales tax revenues	\$	3,266,328	
Other local revenues		11,131	3,277,459
			<u>5,727,786</u>
Expenditures:			
School infrastructure construction			<u>38,508</u>
Ending balance		\$	<u>5,689,278</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-11 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 a refrigerator 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.

IV-N-11 Corrective Transfer - We noted during our audit that early retirement insurance benefits for a former employee were being paid from the Management Levy Fund. However this employee was over the age of 65 at the time their benefits began. In accordance with 98.62(2) of the Code of Iowa, early retirement benefits are allowable from the Management Levy Fund if the employee is within the age range of 55 to 65 at the time of retirement.

Recommendation - The District should make a corrective transfer of \$7,657.50 from the General Fund to the Management Levy Fund and make additional payments to this employee from the General Fund.

Response - The District has made the required transfer.

Conclusion - Response accepted.

IV-O-11 DJ Service Contract - We noted during our audit that the District entered into a contract for DJ Services and the contract lacked the Board President's signature. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - This was a mere oversight and we will continue to have the board approve all contracts in the future.

Conclusion - Response accepted.