

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

JUNE 30, 2012

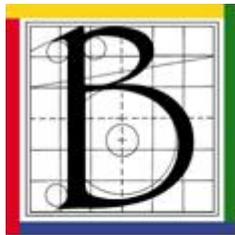
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Bettendorf Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2011 Election)</b>		
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
<b>(After September 2011 Election)</b>		
Barry Anderson	President	2015
Paul Castro	Vice President	2015
Betsy Justis	Board Member	2013
Scott Tinsman	Board Member	2013
Pepper Trahan	Board Member	2013
Jeannine Crockett	Board Member	2015
Ray Cassady	Board Member	2015
<b>School Officials</b>		
Dr. Theron Schutte	Superintendent	2012
Maxine McEnany	Director of Financial and Business Services	2012
Colleen Skolrood	Board Secretary	2012
Cameron Davidson	Attorney	2012
Ahlers Law Firm	Attorney	2012



BETTENDORF  
COMMUNITY  
SCHOOL  
DISTRICT

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Bettendorf Community School District, Bettendorf, Iowa, as of and for the year ended June 30, 2012, 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, 2012, 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 17, 2012 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions 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 the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

December 17, 2012

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$42,627,252 in fiscal 2011 to \$44,136,485 in fiscal 2012 due in large part to an increase in state source revenues and increase in property tax cash reserves. General Fund expenditures decreased from \$41,663,226 in fiscal 2011 to \$41,297,232 in fiscal 2012 due in part to decreases in special education tuition paid out, purchase of textbooks, purchase of equipment and AEA flowthrough. The difference between fiscal 2012 revenues of \$44,136,485 and expenses of \$41,297,590 results in a net increase in fund balance of \$2,839,253. As a result, the District's General Fund balance increased from \$8,092,721 in fiscal 2011 to a balance of \$10,931,974 in fiscal 2012. This represents a 35.08% 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 \$12,333 in fiscal year 2012.
- To compare the District's solvency ratio to the prior year:
  - The 9.81% solvency ratio at June 30, 2011 increased to 17.54% at June 30, 2012. Reasons for the increase are as follows:
  - The District's solvency ratio increase was due in part to \$2.5 to \$2.7 million that was committed in previous years for cash flow purposes that is no longer recorded as committed due to the implementation of GASB 54, which no longer allows the District to commit funds for cash flow purposes. Another reason for this significant increase is due to an increase in the cash reserve levy.

### **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.

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.

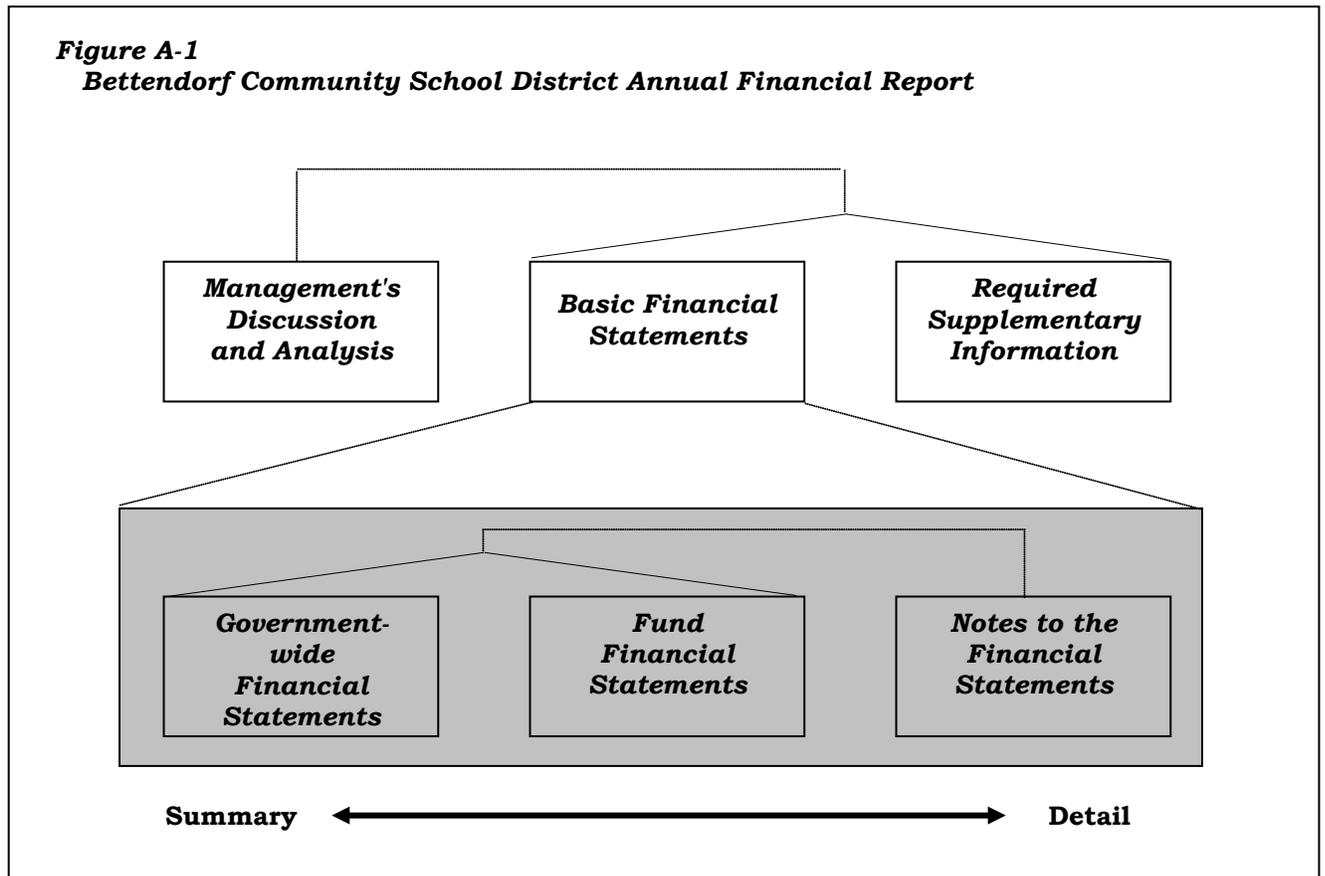


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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.

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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, 2012 compared to June 30, 2011.

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,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$ 46,957,023	46,214,629	530,886	372,188	47,487,909	46,586,817	1.93%
Capital assets	40,899,364	33,444,862	69,795	90,293	40,969,159	33,535,155	22.17%
Total assets	87,856,387	79,659,491	600,681	462,481	88,457,068	80,121,972	10.40%
Long-term obligations	471,481	773,068	796	959	472,277	774,027	-38.98%
Other liabilities	26,195,574	24,175,333	45,779	35,850	26,241,353	24,211,183	8.39%
Total liabilities	26,667,055	24,948,401	46,575	36,809	26,713,630	24,985,210	6.92%
Net assets:							
Invested in capital assets, net of related debt	40,899,364	33,444,862	69,795	90,293	40,969,159	33,535,155	22.17%
Restricted	7,570,799	11,483,574	0	0	7,570,799	11,483,574	-34.07%
Unrestricted	12,719,169	9,782,654	484,311	335,379	13,203,480	10,118,033	30.49%
Total net assets	\$ 61,189,332	54,711,090	554,106	425,672	61,743,438	55,136,762	11.98%

The District's combined net assets increased by 11.98%, or \$6,606,676, 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 represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$3,912,775, or 34.07% over the prior year. The decrease in

restricted net assets is primarily the result of the decrease in Capital Projects Fund balance. This decrease was the result of the District spending money on various renovation projects throughout the high school.

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 \$3,085,447, or 30.49%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to June 30, 2011.

Figure A-4  
Changes in Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program revenues:							
Charges for services	\$ 5,332,095	5,062,241	960,644	907,971	6,292,739	5,970,212	5.40%
Operating grants and contributions and restricted interest	4,560,164	7,633,440	829,288	721,947	5,389,452	8,355,387	-35.50%
Capital grants and contributions and restricted interest	0	0	0	4,258	0	4,258	-100.00%
General revenues:							
Property tax	18,568,536	17,830,742	0	0	18,568,536	17,830,742	4.14%
Statewide sales, services and use tax	3,408,578	3,266,328	0	0	3,408,578	3,266,328	4.36%
Unrestricted state grants	18,627,100	14,744,530	0	0	18,627,100	14,744,530	26.33%
Nonspecific program federal revenues	663,323	574,116	0	0	663,323	574,116	15.54%
Other	154,774	341,595	8,354	12,187	163,128	353,782	-53.89%
Gain on sale of capital assets	180,000	0	0	0	180,000	0	100.00%
Total revenues	51,494,570	49,452,992	1,798,286	1,646,363	53,292,856	51,099,355	4.29%
Program expenses:							
Governmental activities:							
Instructional	27,984,351	28,382,616	0	0	27,984,351	28,382,616	-1.40%
Support services	13,846,056	13,482,276	33,425	37,385	13,879,481	13,519,661	2.66%
Non-instructional programs	4,017	12,921	1,636,427	1,537,830	1,640,444	1,550,751	5.78%
Other expenses	3,181,904	3,564,603	0	0	3,181,904	3,564,603	-10.74%
Total expenses	45,016,328	45,442,416	1,669,852	1,575,215	46,686,180	47,017,631	-0.70%
Changes in net assets	6,478,242	4,010,576	128,434	71,148	6,606,676	4,081,724	61.86%
Net assets beginning of year	54,711,090	50,700,514	425,672	354,524	55,136,762	51,055,038	7.99%
Net assets end of year	\$ 61,189,332	54,711,090	554,106	425,672	61,743,438	55,136,762	11.98%

In fiscal 2012, property tax, statewide sales, services and use tax and unrestricted state grants account for 78.85% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.54% of the revenue from business type activities.

The District's total revenues were approximately \$53.29 million of which \$51.49 million was for governmental activities and \$1.80 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.29% increase in revenues and a 0.70% decrease in expenses. Property tax increased \$737,794 to fund increases in expenditures.

### Governmental Activities

Revenues for governmental activities were \$51,494,570 and expenses were \$45,016,328.

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		
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	\$ 27,984,351	28,382,616	-1.40%	19,889,564	17,456,881	13.94%
Support services	13,846,056	13,482,276	2.70%	13,550,031	13,363,429	1.40%
Non-instructional programs	4,017	12,921	-68.91%	4,017	12,921	-68.91%
Other expenses	3,181,904	3,564,603	-10.74%	1,680,457	1,913,504	-12.18%
Totals	\$ 45,016,328	45,442,416	-0.94%	35,124,069	32,746,735	7.26%

- The cost financed by users of the District's programs was \$5,332,095.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,560,164.
- The net cost of governmental activities was financed with \$18,568,536 in property tax, \$3,408,578 in statewide sales, services and use tax, \$18,627,100 in unrestricted state grants, \$663,323 in nonspecific program federal revenues, \$29,350 in interest income, \$125,424 in other general revenues and \$180,000 from the sale of a District building.

### Business Type Activities

Revenues of the District's business type activities were \$1,798,286 and expenses were \$1,669,852. 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 \$16,838,741, which is less than last year's ending fund balances of \$18,329,767. The primary reason for the decrease in combined fund balances in fiscal 2012 is due to the decrease in fund balance of the Capital Projects Fund.

## Governmental Fund Highlights

- The General Fund balance increased from \$8,092,721 to \$10,931,974 due a 3.57% increase in revenues and a decrease in expenditures of less than 1%. Revenues for the General Fund included an increase in cash reserves of \$1,720,685.
- The Capital Projects Fund balance decreased from \$8,688,882 in fiscal 2011 to \$4,426,337 in fiscal 2012. The decrease in fund balance was due to the ongoing construction projects at the high school and Herbert Hoover Elementary School.

## Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$425,672 at June 30, 2011 to \$554,106 at June 30, 2012, representing an increase of 30.17%. The increase in net assets was due to an increase in revenues to offset the increase in fund expenditures during the fiscal year.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$1,098,215 more than budgeted revenues, a variance of 2.1%. The most significant variance resulted from the District receiving more tuition in students 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 associated with construction projects and increased food costs. Despite amending their budget the District exceeded its budget in the non-instructional programs and other expenditures functional areas.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the District had invested \$40.97 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 18.15% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$2,101,035.

The original cost of the District's capital assets was \$74.63 million. Governmental funds account for \$74.04 million with the remainder of \$0.59 million in the Proprietary, School Nutrition Fund.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 1,017,415	1,017,415	0	0	1,017,415	1,017,415	0.00%
Construction in progress	10,064,666	619,213	0	0	10,064,666	619,213	1525.40%
Buildings	28,339,928	30,015,787	0	0	28,339,928	30,015,787	-5.58%
Land improvements	38,190	42,788	0	0	38,190	42,788	-10.75%
Machinery and equipment	1,439,165	1,749,659	69,795	90,293	1,508,960	1,839,952	-17.99%
Total	\$ 40,899,364	33,444,862	69,795	90,293	40,969,159	33,535,155	22.17%

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$619,213 at June 30, 2011, compared to \$10,064,666 reported at June 30, 2012. This significant increase resulted from the District continuing renovation projects on the high school and Herbert Hoover Elementary School.

### Long-Term Liabilities

At June 30, 2012, the District had \$472,277 in other long-term liabilities outstanding. This represents a decrease of 38.98% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had total outstanding Early Retirement payable from the General and Special Revenue - Management Funds of \$202,417 at June 30, 2012.

The District had total outstanding Compensated Absences payable from the General Fund of \$208,857 at June 30, 2012.

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,
	2012	2011	2012	2011	2012	2011	2011-2012
Early Retirement	\$ 202,417	549,266	0	0	202,417	549,266	-63.15%
Compensated Absences	208,857	151,761	0	0	208,857	151,761	37.62%
Net OPEB Liability	60,207	72,041	796	959	61,003	73,000	-16.43%
Totals	\$ 471,481	773,068	796	959	472,277	774,027	-38.98%

### 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 increased from \$3,709,529 on June 30, 2011 to a fund balance of \$3,922,708 on June 30, 2012.
- The Board of Education implemented an early retirement plan during the year ended June 30, 2012. 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 \$2,700 per year paid into a Health Reimbursement Arrangement (HRA) for five years and \$42.50 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, 2012 is \$202,417.

- 
- 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. The cost of these projects incurred and paid as of June 30, 2012 is \$10,064,666. These projects, which have been board improved at \$18,730,024 are expected to be completed by March 2013.

## **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, 3311 18<sup>th</sup> Street, Bettendorf, Iowa, 52722.

BASIC FINANCIAL STATEMENTS

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 24,441,607	492,804	24,934,411
Receivables:			
Property tax:			
Delinquent	159,404	0	159,404
Succeeding year	19,368,323	0	19,368,323
Accounts	231,765	744	232,509
Due from other governments	2,755,924	2,118	2,758,042
Inventories	0	35,220	35,220
Capital assets, net of accumulated depreciation	40,899,364	69,795	40,969,159
<b>Total Assets</b>	<b>87,856,387</b>	<b>600,681</b>	<b>88,457,068</b>
<b>Liabilities</b>			
Accounts payable	2,697,275	11,948	2,709,223
Salaries and benefits payable	3,540,048	761	3,540,809
Incurred but not reported claims	581,358	0	581,358
Deferred revenue:			
Succeeding year property tax	19,368,323	0	19,368,323
Other	8,570	0	8,570
Unearned revenue	0	33,070	33,070
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	194,316	0	194,316
Compensated absences	208,857	0	208,857
Portion due after one year:			
Early retirement payable	8,101	0	8,101
Net OPEB liability	60,207	796	61,003
<b>Total Liabilities</b>	<b>26,667,055</b>	<b>46,575</b>	<b>26,713,630</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	40,899,364	69,795	40,969,159
Restricted for:			
Debt service	2,824	0	2,824
Categorical funding	1,866,449	0	1,866,449
Management levy	942,886	0	942,886
Physical plant and equipment	206,116	0	206,116
School infrastructure	4,220,221	0	4,220,221
Student activities	332,303	0	332,303
Unrestricted	12,719,169	484,311	13,203,480
<b>Total Net Assets</b>	<b>\$ 61,189,332</b>	<b>554,106</b>	<b>61,743,438</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 18,027,545	3,598,355	582,683	(13,846,507)	0	(13,846,507)
Special	5,108,113	596,082	985,523	(3,526,508)	0	(3,526,508)
Other	4,848,693	1,045,620	1,286,524	(2,516,549)	0	(2,516,549)
	<u>27,984,351</u>	<u>5,240,057</u>	<u>2,854,730</u>	<u>(19,889,564)</u>	<u>0</u>	<u>(19,889,564)</u>
Support services:						
Student	1,730,696	0	62,011	(1,668,685)	0	(1,668,685)
Instructional staff	720,812	0	58,551	(662,261)	0	(662,261)
Administration	6,510,514	0	9,126	(6,501,388)	0	(6,501,388)
Operation and maintenance of plant	4,009,054	0	0	(4,009,054)	0	(4,009,054)
Transportation	874,980	92,038	74,299	(708,643)	0	(708,643)
	<u>13,846,056</u>	<u>92,038</u>	<u>203,987</u>	<u>(13,550,031)</u>	<u>0</u>	<u>(13,550,031)</u>
Non-instructional programs:						
Food service operations	4,017	0	0	(4,017)	0	(4,017)
Other expenditures:						
AEA flowthrough	1,501,447	0	1,501,447	0	0	0
Depreciation(unallocated)*	1,680,457	0	0	(1,680,457)	0	(1,680,457)
	<u>3,181,904</u>	<u>0</u>	<u>1,501,447</u>	<u>(1,680,457)</u>	<u>0</u>	<u>(1,680,457)</u>
Total governmental activities	45,016,328	5,332,095	4,560,164	(35,124,069)	0	(35,124,069)
Business Type activities:						
Support services:						
Administration	20,322	0	0	0	(20,322)	(20,322)
Operation and maintenance of plant	13,103	0	0	0	(13,103)	(13,103)
	<u>33,425</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(33,425)</u>	<u>(33,425)</u>
Non-instructional programs:						
Food service operations	1,636,427	960,644	829,288	0	153,505	153,505
Total business type activities	1,669,852	960,644	829,288	0	120,080	120,080
Total	\$ 46,686,180	6,292,739	5,389,452	(35,124,069)	120,080	(35,003,989)
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 16,384,114	0	16,384,114
Capital outlay				2,184,422	0	2,184,422
Statewide sales, service and use tax				3,408,578	0	3,408,578
Unrestricted state grants				18,627,100	0	18,627,100
Nonspecific program federal revenues				663,323	0	663,323
Unrestricted investment earnings				29,350	0	29,350
Other general revenues				125,424	8,354	133,778
Gain on sale of capital assets				180,000	0	180,000
Total general revenues				<u>41,602,311</u>	<u>8,354</u>	<u>41,610,665</u>
Changes in net assets				6,478,242	128,434	6,606,676
Net assets beginning of year				54,711,090	425,672	55,136,762
Net assets end of year				<u>\$ 61,189,332</u>	<u>554,106</u>	<u>61,743,438</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, 2012

	General	Capital Projects	Nonmajor Governmental Funds	Total
<b>Assets:</b>				
Cash and pooled investments	\$ 12,951,764	5,520,739	1,503,375	19,975,878
Receivables:				
Property tax				
Delinquent	136,043	19,045	4,316	159,404
Succeeding year	16,571,207	2,271,368	525,748	19,368,323
Due from other governments	2,215,961	539,963	0	2,755,924
Accounts	153,547	18,300	4,848	176,695
<b>Total assets</b>	<b>\$ 32,028,522</b>	<b>8,369,415</b>	<b>2,038,287</b>	<b>42,436,224</b>
<b>Liabilities and fund balances:</b>				
Liabilities:				
Accounts payable	\$ 979,880	1,671,710	28,952	2,680,542
Salaries and benefits payable	3,536,891	0	3,157	3,540,048
Deferred revenue:				
Succeeding year property tax	16,571,207	2,271,368	525,748	19,368,323
Other	8,570	0	0	8,570
<b>Total liabilities</b>	<b>21,096,548</b>	<b>3,943,078</b>	<b>557,857</b>	<b>25,597,483</b>
<b>Fund balances:</b>				
Restricted for:				
Categorical funding	1,866,449	0	0	1,866,449
School infrastructure	0	4,220,221	0	4,220,221
Physical plant and equipment	0	206,116	0	206,116
Management levy purposes	0	0	1,145,303	1,145,303
Student activities	0	0	332,303	332,303
Debt service	0	0	2,824	2,824
Committed for:				
Future equipment purchases	397,275	0	0	397,275
Future construction costs	1,187,981	0	0	1,187,981
Unassigned	7,480,269	0	0	13,773,055
<b>Total fund balances</b>	<b>10,931,974</b>	<b>4,426,337</b>	<b>1,480,430</b>	<b>16,838,741</b>
<b>Total liabilities and fund balances</b>	<b>\$ 32,028,522</b>	<b>8,369,415</b>	<b>2,038,287</b>	<b>42,436,224</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2012

<b>Total fund balances of governmental funds(page 20)</b>	\$	16,838,741
 <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.		40,899,364
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		3,922,708
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.		(471,481)
		<hr style="width: 100%;"/>
<b>Net assets of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>61,189,332</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 15,880,268	5,593,000	503,846	21,977,114
Tuition	3,804,224	0	0	3,804,224
Other	851,637	15,244	1,065,839	1,932,720
Intermediate sources	576	0	0	576
State sources	21,309,681	981	240	21,310,902
Federal sources	2,289,034	0	0	2,289,034
Total revenues	<u>44,135,420</u>	<u>5,609,225</u>	<u>1,569,925</u>	<u>51,314,570</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	17,955,140	149,862	261,811	18,366,813
Special	5,142,445	0	0	5,142,445
Other	3,757,082	0	1,098,646	4,855,728
	<u>26,854,667</u>	<u>149,862</u>	<u>1,360,457</u>	<u>28,364,986</u>
Support services:				
Student	1,730,315	0	12,659	1,742,974
Instructional staff	741,375	0	11,813	753,188
Administration	6,381,049	0	65,298	6,446,347
Operation and maintenance of plant	3,348,054	61,837	161,061	3,570,952
Transportation	740,325	0	14,714	755,039
	<u>12,941,118</u>	<u>61,837</u>	<u>265,545</u>	<u>13,268,500</u>
Non-instructional programs:				
Food service operations	0	0	11,657	11,657
Other expenditures:				
AEA flowthrough	1,501,447	0	0	1,501,447
Facilities acquisitions	0	9,840,071	0	9,840,071
Total expenditures	<u>41,297,232</u>	<u>10,051,770</u>	<u>1,637,659</u>	<u>52,986,661</u>
Excess(deficiency) of revenues over(under) expenditures	2,838,188	(4,442,545)	(67,734)	(1,672,091)
Other financing sources:				
Sale of equipment	1,065	0	0	1,065
Sale of real property	0	180,000	0	180,000
Total other financing sources	<u>1,065</u>	<u>180,000</u>	<u>0</u>	<u>181,065</u>
Net change in fund balances	2,839,253	(4,262,545)	(67,734)	(1,491,026)
Fund balances beginning of year	8,092,721	8,688,882	1,548,164	18,329,767
Fund balances end of year	<u>\$ 10,931,974</u>	<u>4,426,337</u>	<u>1,480,430</u>	<u>16,838,741</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, 2012

Net change in fund balances - total governmental funds(page 22) \$ (1,491,026)

*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, depreciation expense and loss on disposal in the year are as follows:

Capital outlays	\$ 9,556,900	
Depreciation expense	(2,085,370)	
Loss on disposal of capital assets	<u>(17,028)</u>	7,454,502

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 213,179

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	346,849	
Compensated absences	(57,096)	
Other postemployment benefits	<u>11,834</u>	<u>301,587</u>

Changes in net assets of governmental activities(page 19) \$ 6,478,242

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 492,804	4,465,729
Accounts receivable	744	55,070
Due from other governments	2,118	0
Inventories	35,220	0
Total current assets	<u>530,886</u>	<u>4,520,799</u>
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	69,795	0
Total non-current assets	<u>69,795</u>	<u>0</u>
TOTAL ASSETS	<u>600,681</u>	<u>4,520,799</u>
LIABILITIES		
Current liabilities:		
Accounts payable	11,948	16,733
Salaries and benefits payable	761	0
Net OPEB liability	796	0
Incurred but not reported claims	0	581,358
Unearned revenue	33,070	0
TOTAL LIABILITIES	<u>46,575</u>	<u>598,091</u>
NET ASSETS		
Invested in capital assets	69,795	0
Unrestricted	484,311	3,922,708
TOTAL NET ASSETS	<u>\$ 554,106</u>	<u>3,922,708</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 960,644	4,471,121
Miscellaneous	8,354	0
TOTAL OPERATING REVENUES	<u>968,998</u>	<u>4,471,121</u>
OPERATING EXPENSES:		
Support services:		
Student Services:		
Services	0	23,040
Supplies	0	1,600
	<u>0</u>	<u>24,640</u>
Administration services:		
Salaries	16,948	0
Benefits	2,711	0
Services	663	180,860
	<u>20,322</u>	<u>180,860</u>
Operation and maintenance of plant:		
Services	8,811	0
Supplies	4,292	0
	<u>13,103</u>	<u>0</u>
Total support services	<u>33,425</u>	<u>205,500</u>
Non-instructional programs:		
Food service operations:		
Salaries	505,206	0
Benefits	128,503	0
Services	18,027	0
Supplies	964,193	0
Depreciation	15,665	0
	<u>1,631,594</u>	<u>0</u>
Other enterprise operations:		
Benefits	0	4,064,602
Total non-instructional programs	<u>1,631,594</u>	<u>4,064,602</u>
TOTAL OPERATING EXPENSES	<u>1,665,019</u>	<u>4,270,102</u>
OPERATING INCOME (LOSS)	<u>(696,021)</u>	<u>201,019</u>
NON-OPERATING REVENUES (EXPENSES):		
State sources	16,285	0
Federal sources	813,003	0
Interest income	0	12,160
Loss on sale of capital assets	(4,833)	0
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>824,455</u>	<u>12,160</u>
Changes in net assets	128,434	213,179
Net assets beginning of year	<u>425,672</u>	<u>3,709,529</u>
Net assets end of year	<u>\$ 554,106</u>	<u>3,922,708</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 961,945	0
Cash received from miscellaneous operating activities	8,354	4,416,051
Cash payments to employees for services	(657,122)	0
Cash payments to suppliers for goods or services	(886,119)	(4,285,305)
Net cash provided by(used in) operating activities	(572,942)	130,746
Cash flows from non-capital financing activities:		
Repayments from the General Fund	4,425	6,786
State grants received	16,285	0
Federal grants received	711,446	0
Net cash provided by non-capital financing activities	732,156	6,786
Cash flows from investing activities:		
Interest on investment	0	12,160
Net increase in cash and cash equivalents	159,214	149,692
Cash and cash equivalents at beginning of year	333,590	4,316,037
Cash and cash equivalents at end of year	\$ 492,804	4,465,729
Reconciliation of operating loss to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (696,021)	201,019
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	103,508	0
Depreciation	15,665	0
Increase in inventories	(5,352)	0
Increase in accounts receivable	(508)	(55,070)
Increase in incurred but not reported claims	0	3,114
Increase(Decrease) in accounts payable	11,711	(18,317)
Decrease in salaries and benefits payable	(3,591)	0
Increase in unearned revenues	1,809	0
Decrease in other postemployment benefits	(163)	0
Net cash provided by(used in) operating activities	\$ (572,942)	130,746

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$103,508.

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2012

	Agency
<b>Assets</b>	
Cash and pooled investments	\$ 18,306
Accounts receivable	351
<b>Total Assets</b>	18,657
<b>Liabilities</b>	
Due to other groups	18,657
	\$ 18,657

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

**(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, 2010 assessed property valuations; is for the tax

accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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, 2012. 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, 2012 the District amended its budget one

time to reflect additional expenditures associated with the construction project at the high school and increased food costs.

During the year ended June 30, 2012 expenditures in the non-instructional programs and other expenditures functional areas exceeded the budgeted amounts.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations portfolio which are valued at an amortized cost of \$608,463 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 Standard & Poor's Financial Services.

**(3) Capital Assets**

Capital assets activity for the year ended June 30, 2012 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	619,213	9,445,453	0	10,064,666
Total capital assets not being depreciated	1,636,628	9,445,453	0	11,082,081
Capital assets being depreciated:				
Buildings	56,179,670	0	164,020	56,015,650
Land improvements	184,544	0	0	184,544
Machinery and equipment	6,698,531	111,447	49,995	6,759,983
Total capital assets being depreciated	63,062,745	111,447	214,015	62,960,177
Less accumulated depreciation for:				
Buildings	26,163,883	1,675,859	164,020	27,675,722
Land improvements	141,756	4,598	0	146,354
Machinery and equipment	4,948,872	404,913	32,967	5,320,818
Total accumulated depreciation	31,254,511	2,085,370	196,987	33,142,894
Total capital assets being depreciated, net	31,808,234	(1,973,923)	17,028	29,817,283
Governmental activities capital assets, net	\$ 33,444,862	7,471,530	17,028	40,899,364

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 660,674	0	72,811	587,863
Less accumulated depreciation	570,381	15,665	67,978	518,068
Business type activities capital assets, net	\$ 90,293	(15,665)	4,833	69,795

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 117,162
Special			831
Other			6,944
Support services:			
Student			5,140
Administration			86,530
Operation and maintenance of plant			26,794
Transportation			161,512
			404,913
Unallocated depreciation			1,680,457
Total governmental activities depreciation expense			\$ 2,085,370
Business type activities:			
Food services			\$ 15,665

#### (4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Early Retirement	549,266	186,214	533,063	202,417	194,316
Compensated Absences	151,761	208,857	151,761	208,857	208,857
Net OPEB Liability	72,041	0	11,834	60,207	0
Total	\$ 773,068	395,071	696,658	471,481	403,173
Business type activities:					
Net OPEB Liability	\$ 959	0	163	796	0

#### Early Retirement

The District offered a voluntary early retirement plan for the year ended June 30, 2012. 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 \$42.50 per day for unused sick leave and unused personal days paid into a Health Reimbursement Arrangement. 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, 2012, totaled \$533,063.

**(5) 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 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$2,010,700, \$1,681,936 and \$1,633,481 respectively, equal to the required contributions for each year.

**(6) 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 \$3,922,708 at June 30, 2012. The incurred but not recorded and unpaid claims liability of \$581,358 reported in the plan at June 30, 2012 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.

**(7) 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, 2012, 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	3,285
Adjustment to annual required contribution	(4,282)
Annual OPEB cost (expense)	<u>501,003</u>
Contributions made	<u>(513,000)</u>
Increase in net OPEB obligation	<u>(11,997)</u>
Net OPEB obligation - beginning of year	<u>73,000</u>
Net OPEB obligation - end of year	<u><u>\$ 61,003</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2012.

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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 386,667	100.34	%\$ 25,667
2011	501,333	90.56	73,000
2012	501,003	102.39	61,003

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$4.432 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 \$25.383 million, and the ratio of the UAAL to the covered payroll was 17.5%. As of June 30, 2012, 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.

**(8) 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 \$1,501,447 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Contingencies**

As of June 30, 2012, 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.

**(10) Categorical Funding**

The District's restricted balance for categorical funding at June 30, 2012 is comprised of the following programs:

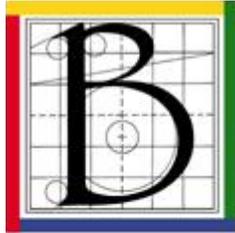
<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 11,657
Talented and gifted	105,074
Dropout prevention	1,306,172
Educator quality, basic salary	65,067
Market factor incentives	2,060
Beginning teacher mentoring	42,110
Four-year-old state preschool	328,151
Non-public textbook services	6,158
Total	<u>\$ 1,866,449</u>

**(11) Construction Commitments**

The District has entered into various contracts totaling \$15,972,494 for various renovation projects at the high school. As of June 30, 2012, costs of \$9,116,864 had been incurred against the contracts. The balance remaining at June 30, 2012 of \$6,855,630 will be paid as work on the projects progresses.

**(12) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2012, expenditures in the non-instructional programs and other expenditures functional areas exceeded the certified budget.



BETTENDORF  
COMMUNITY  
SCHOOL  
DISTRICT

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, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 27,714,058	968,998	28,683,056	27,947,176	27,947,176	735,880
Intermediate sources	576	0	576	4,000	4,000	(3,424)
State sources	21,310,902	16,285	21,327,187	21,866,465	21,866,465	(539,278)
Federal sources	2,289,034	813,003	3,102,037	2,197,000	2,197,000	905,037
Total revenues	<u>51,314,570</u>	<u>1,798,286</u>	<u>53,112,856</u>	<u>52,014,641</u>	<u>52,014,641</u>	<u>1,098,215</u>
<b>Expenditures/Expenses:</b>						
Instruction	28,364,986	0	28,364,986	29,415,008	29,169,445	804,459
Support services	13,268,500	33,425	13,301,925	13,508,661	15,700,893	2,398,968
Non-instructional programs	11,657	1,636,427	1,648,084	1,519,506	1,625,367	(22,717)
Other expenditures	11,341,518	0	11,341,518	10,666,064	10,666,064	(675,454)
Total expenditures/expenses	<u>52,986,661</u>	<u>1,669,852</u>	<u>54,656,513</u>	<u>55,109,239</u>	<u>57,161,769</u>	<u>2,505,256</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,672,091)	128,434	(1,543,657)	(3,094,598)	(5,147,128)	3,603,471
Other financing sources, net	<u>181,065</u>	<u>0</u>	<u>181,065</u>	<u>2,000</u>	<u>2,000</u>	<u>179,065</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(1,491,026)	128,434	(1,362,592)	(3,092,598)	(5,145,128)	3,782,536
Balance beginning of year	<u>18,329,767</u>	<u>425,672</u>	<u>18,755,439</u>	<u>16,627,509</u>	<u>16,627,509</u>	<u>2,127,930</u>
Balance end of year	<u>\$ 16,838,741</u>	<u>554,106</u>	<u>17,392,847</u>	<u>13,534,911</u>	<u>11,482,381</u>	<u>5,910,466</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2012

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$2,052,530.

During the year ended June 30, 2012, the expenditures in the non-instructional programs and other expenditures functional areas exceeded the certified budget.

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 Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
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%
2012	July 1, 2010	\$ -	\$ 4,432	\$ 4,432	0%	\$ 25,383	17.5%

See Note 7 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2012

	Special Revenue Funds				Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	
<b>Assets</b>					
Cash and pooled investments	\$ 1,147,673	352,878	1,500,551	2,824	1,503,375
Receivables:					
Property tax					
Delinquent	4,316	0	4,316	0	4,316
Succeeding year	525,748	0	525,748	0	525,748
Accounts	0	4,848	4,848	0	4,848
<b>Total assets</b>	<b>\$ 1,677,737</b>	<b>357,726</b>	<b>2,035,463</b>	<b>2,824</b>	<b>2,038,287</b>
<b>Liabilities and fund balances</b>					
Liabilities:					
Accounts payable	\$ 6,686	22,266	28,952	0	28,952
Salaries and benefits payable	0	3,157	3,157	0	3,157
Deferred revenue:					
Succeeding year property tax	525,748	0	525,748	0	525,748
<b>Total liabilities</b>	<b>532,434</b>	<b>25,423</b>	<b>557,857</b>	<b>0</b>	<b>557,857</b>
Fund Balances:					
Restricted for:					
Management levy purposes	1,145,303	0	1,145,303	0	1,145,303
Student activities	0	332,303	332,303	0	332,303
Debt service	0	0	0	2,824	2,824
<b>Total fund balance</b>	<b>1,145,303</b>	<b>332,303</b>	<b>1,477,606</b>	<b>2,824</b>	<b>1,480,430</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,677,737</b>	<b>357,726</b>	<b>2,035,463</b>	<b>2,824</b>	<b>2,038,287</b>

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, 2012

	Special Revenue Funds				Total
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 503,846	0	503,846	0	503,846
Other	31,537	1,034,302	1,065,839	0	1,065,839
State sources	240	0	240	0	240
TOTAL REVENUES	535,623	1,034,302	1,569,925	0	1,569,925
EXPENDITURES:					
Current:					
Instruction:					
Regular	261,811	0	261,811	0	261,811
Other	2,400	1,096,246	1,098,646	0	1,098,646
	264,211	1,096,246	1,360,457	0	1,360,457
Support services:					
Student	12,659	0	12,659	0	12,659
Instructional staff	11,813	0	11,813	0	11,813
Administration	65,298	0	65,298	0	65,298
Operation and maintenance of plant	161,061	0	161,061	0	161,061
Transportation	14,714	0	14,714	0	14,714
	265,545	0	265,545	0	265,545
Non-instructional programs:					
Food service operations	11,657	0	11,657	0	11,657
TOTAL EXPENDITURES	541,413	1,096,246	1,637,659	0	1,637,659
Deficiency of revenues under expenditures	(5,790)	(61,944)	(67,734)	0	(67,734)
Fund balance beginning of year	1,151,093	394,247	1,545,340	2,824	1,548,164
Fund balance end of year	\$ 1,145,303	332,303	1,477,606	2,824	1,480,430

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 5,261,142	259,597	5,520,739
Receivables:			
Property tax:			
Delinquent	0	19,045	19,045
Succeeding year	0	2,271,368	2,271,368
Accounts	0	18,300	18,300
Due from other governments	539,963	0	539,963
TOTAL ASSETS	<u>\$ 5,801,105</u>	<u>2,568,310</u>	<u>8,369,415</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,580,884	90,826	1,671,710
Deferred revenue:			
Succeeding year property tax	0	2,271,368	2,271,368
Total liabilities	<u>1,580,884</u>	<u>2,362,194</u>	<u>3,943,078</u>
Fund balances:			
Restricted for:			
School infrastructure	4,220,221	0	4,220,221
Physical plant and equipment	0	206,116	206,116
Total fund balances	<u>4,220,221</u>	<u>206,116</u>	<u>4,426,337</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,801,105</u>	<u>2,568,310</u>	<u>8,369,415</u>

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, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUE:			
Local sources:			
Local tax	\$ 3,408,578	2,184,422	5,593,000
Other	12,244	3,000	15,244
State sources	0	981	981
TOTAL REVENUE	<u>3,420,822</u>	<u>2,188,403</u>	<u>5,609,225</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	0	149,862	149,862
Support services:			
Operation and maintenance of plant	0	61,837	61,837
Facilities acquisitions	4,889,879	4,950,192	9,840,071
TOTAL EXPENDITURES	<u>4,889,879</u>	<u>5,161,891</u>	<u>10,051,770</u>
Deficiency of revenues under expenditures	(1,469,057)	(2,973,488)	(4,442,545)
OTHER FINANCING SOURCES:			
Sale of real property	0	180,000	180,000
Net change in fund balances	(1,469,057)	(2,793,488)	(4,262,545)
Fund Balances beginning of year	<u>5,689,278</u>	<u>2,999,604</u>	<u>8,688,882</u>
Fund Balances end of year	<u>\$ 4,220,221</u>	<u>206,116</u>	<u>4,426,337</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, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 3,953	0	1,214	2,739
Sail/Tag Fundraiser	1,610	0	115	1,495
N.A. Fundraiser	971	0	156	815
N.A. Bookstore	4,083	0	0	4,083
N.A. Pop Fund	672	0	219	453
N.A. Shooting Stars	38	360	398	0
N.A. Student Services	75	0	75	0
For Student Needs	1,493	578	769	1,302
N.A. Student	376	0	0	376
Hoover Fundraiser	1,065	1,820	841	2,044
Hoover Bookstore	1,562	0	1,158	404
Hoover Pop Fund	3,859	1,363	1,567	3,655
Jefferson Fundraiser	14	0	0	14
Jefferson Bookstore	1,618	659	738	1,539
TJ Student Council	838	808	384	1,262
P.N. Bookstore	2,901	0	0	2,901
P.N. Pop Fund	746	128	141	733
M.T. Fundraiser	123	0	0	123
M.T. Bookstore	8,068	7,781	15,522	327
M.T. Bookstore - BD	488	0	0	488
G.W. Fundraiser	3,198	622	550	3,270
G.W. Bookstore	3,640	0	0	3,640
G.W. Pop Fund	1,837	418	1,102	1,153
G.W. Memorial	31	0	0	31
Vocal Music 1	1,971	225	545	1,651
Vocal Music 2	1,760	863	1,582	1,041
Instrumental Music	6,208	18,342	22,080	2,470
Orchestra	192	0	67	125
Co-Ed Athletics	123,904	146,724	198,087	72,541
Sports Uniforms	4,253	9,787	13,217	823
BMS Cheerleading	605	2,235	2,100	740
MS Nurse Vending	589	55	0	644
Health Club	72	0	0	72
Yearbook/Photo Club	2,137	9,531	10,297	1,371
Reading Club	526	0	0	526
Library Club	7,499	2,459	1,681	8,277
Foreign Lang Club	590	0	0	590
Spec Ed Activities	8	0	0	8
HS Student Council	11,361	41,255	26,048	26,568
MS Student Council	5,811	0	5,811	0
Computer Club	1	0	0	1
Living Skills Club	481	0	96	385

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
School Paper	2,581	154	692	2,043
Art Club	175	0	0	175
German Club	5,821	49,198	49,788	5,231
Ceramics Club	61	0	0	61
MS Vending	2,037	1,752	1,293	2,496
6-House I	413	2,662	2,797	278
6-House II	1,331	660	549	1,442
6-House III	538	1,812	1,890	460
7-House I	194	240	175	259
7-House II	1,198	440	242	1,396
7-House III	220	220	199	241
8-House I	1,914	5,264	4,252	2,926
8-House II	2,476	4,280	3,119	3,637
8-House III	1,370	3,342	3,553	1,159
School Fundraising	9,502	11,170	13,807	6,865
Student Needs	1,615	174	376	1,413
BWCA	305	0	0	305
MS Parent Link	17,266	21,628	23,374	15,520
After Prom	0	14,852	10,256	4,596
SPED Rec League	0	3,403	766	2,637
Drama	0	23,869	23,869	0
Debate	34	11,937	11,971	0
Mock Trial	82	0	0	82
Vocal Music	0	765	765	0
Show Choir	0	18,001	17,801	200
HS Boys Athletics	0	107,282	102,867	4,415
HS Girls Athletics	0	33,082	33,082	0
Golf Outing	4,493	11,592	11,908	4,177
Close Up	568	0	568	0
Amicus	328	553	478	403
Prof Business	882	36,925	35,373	2,434
BHS England Trip	10,189	4,200	0	14,389
Activity Tickets	5,760	47,797	51,945	1,612
BHS SIT	2,222	926	402	2,746
Science Club	0	1,897	1,312	585
Scholastic Bowl	324	0	91	233
Yearbook-Beacon	17,144	54,379	41,570	29,953
Growl Newspaper	8,681	1,795	1,844	8,632
SADD	375	0	0	375
Cheerleaders	3,559	15,686	16,866	2,379
SAVE	125	0	0	125
Peer Educators	1,244	0	321	923
Functional Skills	1,181	54	0	1,235
Spanish Club	1,519	261	582	1,198

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Nat Honor Soc	300	530	41	789
French Club	293	871	909	255
Social Comm Club	204	0	173	31
Goldusters	3,961	14,405	11,497	6,869
Art Club	603	109	0	712
Key Club	57	0	54	3
Club Vending	1,368	1,971	1,368	1,971
Class of 2011	0	0	0	0
Class of 2012	3,344	5,234	6,580	1,998
Class of 2013	2,287	4,307	2,781	3,813
Class of 2014	448	525	108	865
Class of 2015	0	411	0	411
BHS Fine Arts Trip	53,230	227,007	267,654	12,583
BHS New Tuxedos	658	0	0	658
Raise the curtain	0	12,596	550	12,046
BHS Football Moms	1,982	9,056	8,454	2,584
BHS Mat Moms	680	11,577	10,822	1,435
Pr Club Vending	5,791	7,438	7,952	5,277
Pr Student Needs	87	0	0	87
<b>Total</b>	<b>\$ 394,247</b>	<b>1,034,302</b>	<b>1,096,246</b>	<b>332,303</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ 44,140	10,406	36,240	18,306
Accounts receivable	0	351	0	351
	<u>\$ 44,140</u>	<u>10,757</u>	<u>36,240</u>	<u>18,657</u>
<b>LIABILITIES</b>				
Due to other groups	\$ 16,350	10,757	8,450	18,657
	<u>\$ 16,350</u>	<u>10,757</u>	<u>8,450</u>	<u>18,657</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 NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 21,977,114	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	3,804,224	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	1,932,720	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	576	513	619	20,853	307,489	188,430	126,709	119,308	2,902
State sources	21,310,902	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	2,289,034	2,874,300	3,680,354	1,884,007	1,080,726	1,263,628	1,013,070	1,276,650	746,060
<b>Total</b>	<b>\$ 51,314,570</b>	<b>49,439,823</b>	<b>47,286,932</b>	<b>47,917,997</b>	<b>45,133,235</b>	<b>42,508,223</b>	<b>40,409,690</b>	<b>39,637,307</b>	<b>37,938,541</b>
Expenditures:									
Instruction:									
Regular	\$ 18,366,813	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	5,142,445	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	4,855,728	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	1,742,974	1,684,351	1,632,924	1,573,698	1,468,740	1,385,866	512,669	675,195	779,098
Instructional staff	753,188	673,503	613,527	671,629	608,399	571,052	629,082	583,015	1,505,432
Administration	6,446,347	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	3,570,952	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	755,039	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	0	170,495
Non-instructional programs	11,657	12,218	14,866	11,496	10,887	9,886	1,319	5,212	6,748
Other expenditures:									
Facilities acquisitions	9,840,071	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	0	9,565,000	815,000	785,000	765,000	790,000	655,000	625,000
Interest and fiscal charges	0	0	173,340	405,120	575,259	192,520	297,223	309,704	332,945
AEA flow-through	1,501,447	1,651,099	1,605,501	1,454,278	1,372,445	1,274,667	1,219,600	1,148,422	1,136,605
<b>Total</b>	<b>\$ 52,986,661</b>	<b>44,366,526</b>	<b>52,944,857</b>	<b>45,743,593</b>	<b>45,351,964</b>	<b>45,003,871</b>	<b>38,097,823</b>	<b>40,153,415</b>	<b>37,676,891</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
HEAD START	93.600	FY 12	\$ 56,474
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 12	\$ 141,221
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 12	671,782 *
			<u>813,003</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0621-G	282,586
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0621-GC	32,848
			<u>315,434</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS	84.184	FY 11	2,876
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS	84.184	FY 12	7,049
			<u>9,925</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY 12	347
TITLE III - ENGLISH LANGUAGE ACQUISITION	84.365	FY 12	5,126
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 12	94,025
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 12	28,223
EDUCATION OF HOMELESS CHILDREN AND YOUTH, RECOVERY ACT	84.387	FY 11	9,183
EDUCATION JOBS FUND	84.410	FY 11	637,003
EDUCATION JOBS FUND	84.410	FY 12	11,895
			<u>648,898</u>
DEPARTMENT OF EDUCATION:			
MISSISSIPPI BEND AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 12	212,010
SPECIAL EDUCATION - GRANTS TO STATES(PART B - HIGH COST CLAIM)	84.027	FY 12	15,307
			<u>227,317</u> **
SPECIAL EDUCATION - GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 10	51,266 **
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 12	22,592
TOTAL			<u>\$ 2,281,813</u>

\* Includes \$103,508 of non-cash awards.

\*\* The total for the Special Education Cluster is \$278,583

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bettendorf Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 17, 2012. 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

The management of Bettendorf Community School District is responsible for establishing and maintaining effective internal controls 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-12 & II-B-12 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, 2012 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 17, 2012

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

Independent Auditor's Report on Compliance with Requirements 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, 2012. 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, 2012.

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.

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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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson P.C." The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

December 17, 2012

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

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:
  - Individual Program:
    - CFDA 84.410 - Education Jobs Fund
    - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
  - Clustered Programs:
    - Nutrition Cluster
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Bettendorf Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Personal Credit Card Usage - We noted that the District has District credit cards which are assigned to individuals as well as 4 credit cards which may be checked out for use by employees. We noted however, that reimbursements to employees for expenses paid appeared to include high amounts charged on their personal credit cards. Although, the expenses paid as reimbursements appeared to be appropriate the amounts of charges reimbursed appeared to be excessive. We noted at least one individual who received reimbursements in excess of \$6,000.

Recommendation - The District should review their procedures and make changes as necessary. It may be unreasonable for the District to expect that level of expenses incurred from an employee.

Response - We will issue a District credit card to this employee that will be used for District expenditures incurred by this employee.

Conclusion - Response accepted.

II-B-12 Payment of Invoices - We noted several instances of the District writing checks with copies of invoices used as supporting documentation.

Recommendation - The District should require employees submit original copies of invoices prior to the payment of bills as this allows the District to ensure that a single invoice is not paid multiple times.

Response - We have implemented the necessary procedures when this is possible.

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-12 Certified Budget - District expenditures for the year ended June 30, 2012 exceeded the certified amounts in the non-instructional programs and other expenditures functional areas.

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

Response - The budget overexpenditure was due to construction costs that occurred during the summer months. In the future the budget will be amended prior to expenditures exceeding the budget amounts.

Conclusion - Response accepted.

IV-B-12 Questionable Disbursements - 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-C-12 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-12 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-12 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The District's certified enrollment was overstated by 0.28.

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-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-12 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-12 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-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

However, funding for At Risk appears to lack documentation of the direct costs associated with the allocation. The District used costs from one elementary building to reclassify the costs.

Recommendation - This school has a high free and reduced student base and therefore the expenses were coded from this building. However, the categorical funding expenses should be identifiable to the allocation and should be direct costs associated with a program. The District needs to document the costs claimed with regard to the at risk program.

Response - The District understands that at-risk money is required to be spent on direct costs and in the future the direct costs will be identified prior to reclassifying costs.

Conclusion - Response accepted.

IV-L-12 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, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	5,689,278
Revenues:			
Sales tax revenues	\$	3,408,578	
Other local revenues		12,244	3,420,822
			<u>9,110,100</u>
Expenditures:			
School infrastructure construction			<u>4,889,879</u>
Ending balance		\$	<u><u>4,220,221</u></u>

For the year ended June 30, 2012, 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-12 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 Chapter 298.4 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 \$12,945 from the General Fund to the Management Levy Fund and make additional payments to this employee from the General Fund.

Response - The corrective transfer will be completed as required.

Conclusion - Response accepted.