

Bettendorf Community School District
Bettendorf, Iowa

Financial Report
Year Ended June 30, 2014

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Bettendorf Community School District

Officials

Year Ended June 30, 2014

| Name | Title | Term Expires |
|---------------------------|--|---------------------|
| Board of Education | | |
| Scott Tinsman | President | 2017 |
| Betsy Justis | Vice President | 2017 |
| Barry Anderson | Board Member | 2015 |
| Ray Cassady | Board Member | 2015 |
| Paul Castro | Board Member | 2015 |
| Jeannine Crockett | Board Member | 2015 |
| Pepper Trahan | Board Member | 2017 |
| Tim Perkins | Treasurer | |
| Colleen Skolrood | Board Secretary | |
| School Officials | | |
| Dr. Theron Schutte | Superintendent | |
| Maxine McEnany | Director of Financial and Business Services | |
| Lane & Waterman | Attorney | |
| Ahlers Law Firm | Attorney | |

Independent Auditor's Report

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

Report on the Financial Statements

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, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As discussed in Note 12 to the basic financial statements, the District adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress, and budgetary comparison information, on pages 4–17 and 46-49 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 who considers it to be an essential part of 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 auditing standards generally accepted in the United States of America, 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The District's basic financial statements for the years ended June 30, 2013 through 2005, which are not presented herein, were audited by other auditors whose report thereon dated December 11, 2013, expressed unmodified opinions on the basic financial statements. Their report on the Schedule of Revenues by Source and Expenditures by Function for the years ended June 30, 2013 through 2005 stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements as a whole for the years ended June 30, 2013 through 2005 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2015 on our consideration of the District's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
May 12, 2015

Bettendorf Community School District

Management's Discussion and Analysis Year Ended June 30, 2014

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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow:

2014 FINANCIAL HIGHLIGHTS

- General Fund balance decreased from \$13,179,261 in 2013 to \$12,916,578 in 2014. General Fund revenues decreased from \$44,623,291 in 2013 to \$44,392,792 primarily due to a decrease in local taxes. General Fund expenditures increased from \$42,376,004 in 2013 to \$44,656,476 in 2014 primarily due to an increase in instruction expenditures largely due to an increase in preschool.
- The District's total net position, however, increased from \$69,090,510 to \$74,605,172 due to an increase in federal and state grants.
- The District completed several large capital projects in fiscal year 2014 increasing the value of the District's capital assets by \$7,233,000 net of current year depreciation.

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 Position 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 custodian for the benefit of those outside of the District.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year.
- Other supplementary information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefitting the District.

Bettendorf Community School District

**Management’s Discussion and Analysis
Year Ended June 30, 2014**

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

| Figure A-2 Major Features of the Government-Wide and Fund Financial Statements | | | | |
|---|--|--|---|--|
| Government-Wide Statements | | Fund Statements | | |
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Activities the District operates similar to private businesses: school nutrition and internal service fund | Instances in which the District administers resources on behalf of someone else, such as scholarship programs, reunion moneys and funds for District employee purchases of pop, etc. |
| Required financial statements | Statement of net position Statement of activities | Balance sheet Statement of revenues, expenditures and changes in fund balances | Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows | Statement of fiduciary net position Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during the 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 |

Bettendorf Community School District

Management's Discussion and Analysis Year Ended June 30, 2014

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 Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows and liabilities and deferred inflows – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional nonfinancial 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 taxes and state aid finance most of these activities.

Business-type activities: The District charges fees to help it cover the costs of certain services it provides. The District's 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. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between the two statements. The District's major governmental funds for 2013-14 were the

Bettendorf Community School District

Management's Discussion and Analysis Year Ended June 30, 2014

General Fund and the Capital Projects Fund. The nonmajor governmental funds include two Special Revenue Funds (the Management Fund and Student Activities Fund) and the Debt Service Fund. The required financial statements for 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 Fund, one type of proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses internal service funds, the other kind of proprietary fund, to report activities that provide supplies and services for other District programs and activities. The District currently has one internal service fund, which is used to account for the District's self-funded health and dental insurance plans.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in net position 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 Private Purpose Trust Fund. The Private Purpose Trust Fund accounts for outside donations for scholarships for individual students.

The District is responsible for ensuring 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 of the District include a statement of fiduciary net position and a statement of changes in fiduciary net position.

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

Bettendorf Community School District

Management's Discussion and Analysis Year Ended June 30, 2014

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net position as of June 30, 2014 compared to June 30, 2013.

Figure A-3 Condensed Statement of Net Position

| | Governmental Activities | | Business-Type Activities | | Total School District | | Total Percentage Change 2013-14 |
|----------------------------------|-------------------------|----------------------|--------------------------|-------------------|-----------------------|----------------------|--|
| | June 30, 2013 | June 30, 2014 | June 30, 2013 | June 30, 2014 | June 30, 2013 | June 30, 2014 | |
| Current and other assets | \$ 45,174,959 | \$ 45,397,744 | \$ 517,847 | \$ 403,262 | \$ 45,692,806 | \$ 45,801,006 | 0.2% |
| Capital assets | 48,830,103 | 56,063,976 | 64,161 | 63,320 | 48,894,264 | 56,127,296 | 14.8% |
| Total assets | 94,005,062 | 101,461,720 | 582,008 | 466,582 | 94,587,070 | 101,928,302 | 7.8% |
| Long-term liabilities | 746,258 | 1,700,549 | 775 | 1,471 | 747,033 | 1,702,020 | 127.8% |
| Other liabilities | 5,369,864 | 6,809,122 | 65,263 | 42,469 | 5,435,127 | 6,851,591 | 26.1% |
| Total liabilities | 6,116,122 | 8,509,671 | 66,038 | 43,940 | 6,182,160 | 8,553,611 | 38.4% |
| Deferred inflows of resources | 19,314,400 | 18,769,519 | - | - | 19,314,400 | 18,769,519 | |
| Net position: | | | | | | | |
| Net investment in capital assets | 48,457,111 | 55,403,449 | 64,161 | 63,320 | 48,521,272 | 55,466,769 | 14.3% |
| Restricted | 4,749,216 | 4,523,287 | - | - | 4,749,216 | 4,523,287 | -4.8% |
| Unrestricted | 15,368,213 | 14,255,794 | 451,809 | 359,322 | 15,820,022 | 14,615,116 | -7.6% |
| Total net position | \$ 68,574,540 | \$ 74,182,530 | \$ 515,970 | \$ 422,642 | \$ 69,090,510 | \$ 74,605,172 | 8.0% |

The District's combined net position as of June 30, 2014 grew by \$5,514,662 (8 percent) over the June 30, 2013 combined net position. Net position in the governmental activities grew by \$5,607,990 (8 percent). The net position of the District's business-type activities decreased by \$93,328 (18 percent).

The major factors for the increase in net position of the District were the construction projects at the High School, Middle School and other facility improvements which were significant additional assets for the District.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased by \$225,929 (4.8 percent) primarily due to the use of the physical plant and equipment levy.

Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) decreased by \$1,204,906 (7.6 percent).

Bettendorf Community School District

Management's Discussion and Analysis Year Ended June 30, 2014

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

| | Governmental Activities | | Business-Type Activities | | Total School District | | Total Percentage Change 2013-14 |
|--|-------------------------|---------------------|--------------------------|--------------------|-----------------------|---------------------|---------------------------------|
| | June 30, 2013 | June 30, 2014 | June 30, 2013 | June 30, 2014 | June 30, 2013 | June 30, 2014 | |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 5,548,508 | \$ 6,053,318 | \$ 922,855 | \$ 925,752 | \$ 6,471,363 | \$ 6,979,070 | 7.8% |
| Operating grants and contributions | 4,208,764 | 7,400,306 | 841,100 | 898,294 | 5,049,864 | 8,298,600 | 64.3% |
| Capital grants and contributions | - | - | - | - | - | - | 0.0% |
| General revenues: | | | | | | | |
| Property taxes | 19,326,170 | 18,967,569 | - | - | 19,326,170 | 18,967,569 | -1.9% |
| State foundation aid | 19,150,577 | 16,522,465 | - | - | 19,150,577 | 16,522,465 | -13.7% |
| Statewide sales and services tax | 3,560,006 | 3,698,487 | - | - | 3,560,006 | 3,698,487 | 3.9% |
| Other | 132,399 | 373,534 | 2,500 | 50 | 134,899 | 373,584 | 176.9% |
| Total revenues | 51,926,424 | 53,015,679 | 1,766,455 | 1,824,096 | 53,692,879 | 54,839,775 | 2.1% |
| Expenses: | | | | | | | |
| Instruction | 29,425,811 | 32,641,139 | - | - | 29,425,811 | 32,641,139 | 10.9% |
| Support services | 11,815,888 | 13,137,675 | 46,043 | 49,825 | 11,861,931 | 13,187,500 | 11.2% |
| Noninstructional | 7,832 | 18,310 | 1,758,553 | 1,873,019 | 1,766,385 | 1,891,329 | 7.1% |
| Other | 3,291,685 | 1,605,145 | - | - | 3,291,685 | 1,605,145 | -51.2% |
| Total expenses | 44,541,216 | 47,402,269 | 1,804,596 | 1,922,844 | 46,345,812 | 49,325,113 | 6.4% |
| Change in net position before transfers | 7,385,208 | 5,613,410 | (38,141) | (98,748) | 7,347,067 | 5,514,662 | -24.9% |
| Transfers | - | (5,420) | - | 5,420 | - | - | |
| Increase (decrease) in net position | \$ 7,385,208 | \$ 5,607,990 | \$ (38,141) | \$ (93,328) | \$ 7,347,067 | \$ 5,514,662 | -24.9% |

In 2013-14, local taxes (property taxes and statewide sales and services tax) and state foundation aid accounted for 81 percent of the revenue from governmental activities while charges for services and grants and contributions accounted for 99.9 percent of the revenue from business-type activities.

The District's expenses primarily relate to instructional and support services which account for 92.9 percent of the total expenses.

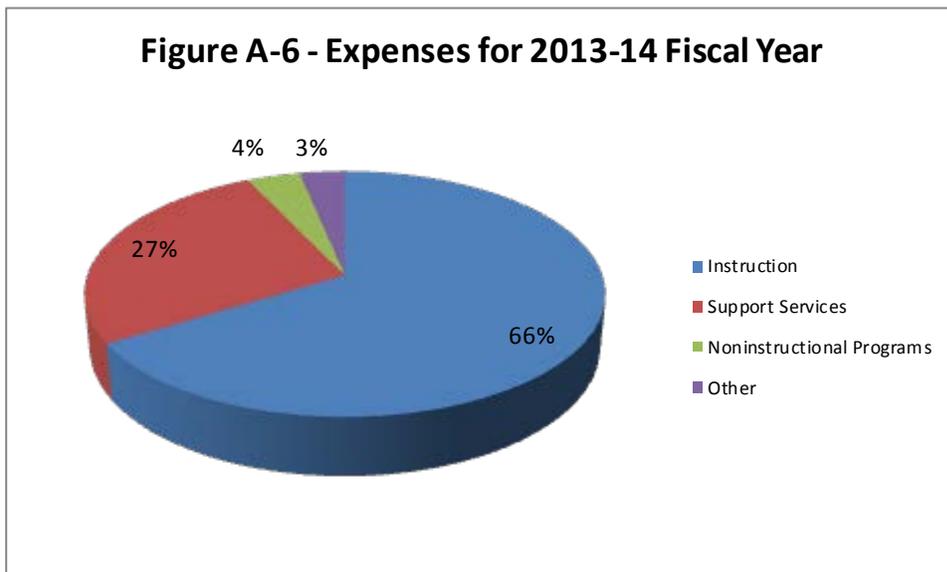
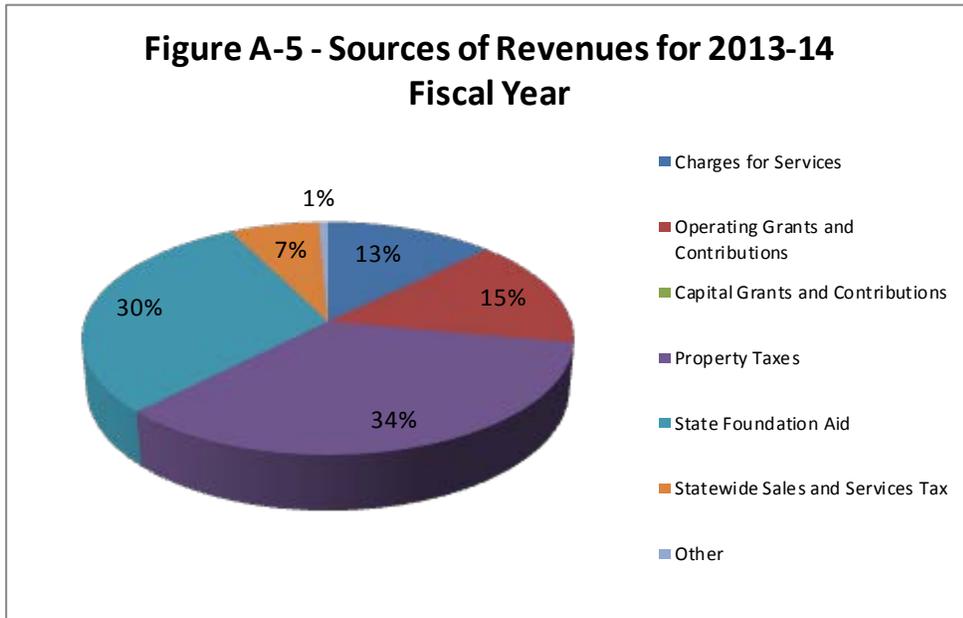
Total revenue for the District increased by \$1,146,896 (2.1 percent) in the fiscal year ended June 30, 2014. The most significant revenue category changes were due to an increase in operating grants and contributions.

Total District expenses increased by \$2,979,301 (6.4 percent), which was mainly attributable to an increase in expenses for regular instruction and operation and maintenance of plant services.

Bettendorf Community School District

**Management's Discussion and Analysis
Year Ended June 30, 2014**

Figures A-5 and A-6, which follow, show charts reflecting sources of revenue and distribution of expenses for the 2013-14 fiscal year.



Bettendorf Community School District

Management's Discussion and Analysis Year Ended June 30, 2014

Governmental Activities

Revenue for the District's governmental activities in 2013-14 increased by \$1,089,255 (2.1 percent) from the previous year, while total expenses increased by \$2,861,053 (6.4 percent). Governmental activities net position as of June 30, 2014 increased by \$5,607,990 over the June 30, 2013 balance.

Figure A-7 presents the total and net cost of the District's four major governmental activities: instruction, support services, noninstructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-7 Total and Net Cost of Governmental Activities

| | Total Cost of Services | | Percentage | Net Cost of Services | | Percentage |
|------------------|------------------------|----------------------|--------------|----------------------|----------------------|--------------|
| | June 30, 2013 | June 30, 2014 | Change | June 30, 2013 | June 30, 2014 | Change |
| Instruction | \$ 29,425,811 | \$ 32,641,139 | 10.93% | \$ 21,418,920 | \$ 21,825,021 | 1.9% |
| Support services | 11,815,888 | 13,137,675 | 11.19% | 11,612,494 | 12,105,940 | 4.2% |
| Noninstructional | 7,832 | 18,310 | 133.78% | 7,832 | 17,684 | 125.8% |
| Other | 3,291,685 | 1,605,145 | -51.24% | 1,744,698 | - | -100.0% |
| Total | \$ 44,541,216 | \$ 47,402,269 | 6.42% | \$ 34,783,944 | \$ 33,948,645 | -2.4% |

For the year ended June 30, 2013:

- The cost financed by the users of the District's programs was \$5,548,508.
- Federal and state governments and some local sources subsidized certain programs with grants and contributions totaling \$4,208,764.
- The net cost of governmental activities was financed with \$19,326,170 in property taxes, \$19,150,577 of unrestricted state grants, \$3,560,006 in statewide sales and services tax revenue, \$21,983 in investment earnings and \$110,416 in other taxes and miscellaneous revenues.

For the year ended June 30, 2014:

- The cost financed by the users of the District's programs was \$6,053,318.
- Federal and state governments and some local sources subsidized certain programs with grants and contributions totaling \$7,400,306.
- The net cost of governmental activities was financed with \$18,967,569 in property taxes, \$16,522,465 of unrestricted state grants, \$3,698,487 in statewide sales and services tax revenue, \$20,881 in investment earnings and \$352,653 in other taxes and miscellaneous revenues.

Bettendorf Community School District

Management's Discussion and Analysis Year Ended June 30, 2014

Business-Type Activities

The District's business-type activities include the School Nutrition Fund. Revenues of the District's business-type activities in 2013-14 were \$1,824,096; an increase of \$57,641 (3.3 percent) from 2012-13. The revenues of business-type activities were comprised of charges for service, federal and state reimbursements, and interest. Expenses were \$1,922,844; an increase of \$118,248 (6.6 percent) from 2012-13 primarily due to the cost of food service operations in the current year.

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 balances of \$16,017,186, which reflects a decrease of \$620,365 from last year's ending fund balances of \$16,637,551. The primary reason for the decrease is the expenditures for capital purposes in the Capital Projects Fund.

Governmental Fund Highlights

- The fund balance in the District's General Fund decreased by \$262,683 from \$13,179,261 as of June 30, 2013 to \$12,916,578 as of June 30, 2014. The General Fund experienced an increase in tuition, state grants and federal grants, offset by a decrease in local taxes.
- The fund balance in the Capital Projects Fund decreased by \$1,302,185. The statewide sales, service and use tax generated \$3,522,487 in revenue which is a slight decrease from \$3,560,006 generated in 2013. Local tax generated from the physical plant and equipment levy was \$2,324,181 compared to the prior year \$2,265,377 which represents a \$58,804 increase from the 2013. Total expenditures were \$7,153,003 in 2014 compared to \$8,626,313 in 2013.
- The fund balance in the Student Activities Fund decreased by \$6,624 during the fiscal year due to the variance of student activities from year-to-year.
- The fund balance in the Management Fund increased by \$951,127 during 2014 due to an increase in local taxes of \$968,445, however, local taxes decreased in the General Fund by \$1,055,636.

Bettendorf Community School District

Management's Discussion and Analysis Year Ended June 30, 2014

Proprietary Fund Highlights

The District's proprietary funds during the year were as follows:

- The net position of the Nutrition Fund decreased by \$93,328 (18 percent) during 2014 after a capital contribution of \$5,420 for nutrition equipment. The decrease is primarily due to increased food costs and increased salary and benefits.
- The net position of the Internal Service Fund decreased by \$248,298 (6 percent) during 2014. This was mainly due to an increase in claims experienced in the current year for health and dental insurance.

Budgetary Highlights

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

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 blended component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District uses the GAAP (Generally Accepted Accounting Principles) method of accounting for budgeting purposes. Over the course of the year, the District amended its certified budget one time.

Bettendorf Community School District's normal practice is to amend the certified budget one time during each fiscal year. Iowa law requires that actual spending in each functional area of the budget does not exceed the amount budgeted to be spent in that functional area at any time during the fiscal year. The District amended the budget in the current year increasing the other expenditure function by \$4,992,377 to account for capital projects.

It should also be noted that school districts have two levels of budgetary control. One form of budgetary control exists through the certified budget, which includes all funds of the District as noted above. This budget is certified with the County Auditor and the Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the unspent (maximum) authorized budget and pertains only to the General Fund of the District. The maximum authorized budget is the total spending authority in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the actual General Fund cash. It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

Bettendorf Community School District

**Management’s Discussion and Analysis
Year Ended June 30, 2014**

Capital Asset and Debt Administration

Capital Assets

By the end of the 2014 fiscal year, the District had invested \$56,127,296 (net of accumulated depreciation of \$38,474,509) in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment and administrative offices. (See Figure A-8). This amount represents a net increase of \$7,233,032 or 15 percent from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements). Total depreciation expense for the year was \$2,723,289.

Figure A-8 Capital Assets (Net of Depreciation)

| | Governmental Activities | | Business-Type Activities | | Total School District | | Total |
|--------------------------|-------------------------|----------------------|--------------------------|------------------|-----------------------|----------------------|--------------|
| | June 30, 2013 | June 30, 2014 | June 30, 2013 | June 30, 2014 | June 30, 2013 | June 30, 2014 | Percentage |
| | | | | | | | Change |
| | June 30, 2013 | June 30, 2014 | June 30, 2013 | June 30, 2014 | June 30, 2013 | June 30, 2014 | 2013-14 |
| Land | \$ 1,017,415 | \$ 1,095,812 | \$ - | \$ - | \$ 1,017,415 | \$ 1,095,812 | 7.7% |
| Buildings | 29,341,444 | 49,686,638 | - | - | 29,341,444 | 49,686,638 | 69.3% |
| Land improvements | 33,593 | 28,996 | - | - | 33,593 | 28,996 | -13.7% |
| Machinery and equipment | 1,781,898 | 1,678,205 | 64,161 | 63,320 | 1,846,059 | 1,741,525 | -5.7% |
| Construction in progress | 16,655,753 | 3,574,325 | - | - | 16,655,753 | 3,574,325 | -78.5% |
| Total | \$ 48,830,103 | \$ 56,063,976 | \$ 64,161 | \$ 63,320 | \$ 48,894,264 | \$ 56,127,296 | 14.8% |

Bettendorf Community School District

**Management’s Discussion and Analysis
Year Ended June 30, 2014**

Long-Term Liabilities

As of June 30, 2014, the District had \$660,527 in computer leases, \$622,061 in early retirement liabilities, \$276,646 in total compensated absence liabilities and \$147,100 in net OPEB liability for total outstanding long-term obligations of \$1,706,334 as reflected in Figure A-9 below.

Figure A-9 Outstanding Long-Term Obligations

| | Governmental Activities | | Business-Type Activities | | Total School District | | Total |
|---------------------------|-------------------------|---------------------|--------------------------|-----------------|-----------------------|---------------------|---------------|
| | June 30, 2013 | June 30, 2014 | June 30, 2013 | June 30, 2014 | June 30, 2013 | June 30, 2014 | Percentage |
| | | | | | | | Change |
| Computer leases | \$ 372,992 | \$ 660,527 | \$ - | \$ - | \$ 372,992 | \$ 660,527 | 100.0% |
| Early retirement benefits | 6,040 | 622,061 | - | - | 6,040 | 622,061 | 10199.0% |
| Compensated absences | 266,001 | 272,332 | - | 4,314 | 266,001 | 276,646 | 4.0% |
| Net OPEB liability | 101,225 | 145,629 | 775 | 1,471 | 102,000 | 147,100 | 44.2% |
| Total | \$ 746,258 | \$ 1,700,549 | \$ 775 | \$ 5,785 | \$ 747,033 | \$ 1,706,334 | 128.4% |

Payments of early retirement benefits usually come out of the District’s Management Fund. Payments of compensated absences are primarily made from the District’s General Fund.

Bettendorf Community School District

Management's Discussion and Analysis Year Ended June 30, 2014

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 District has experienced a decrease in students the past 3 years. The total decrease for the 3 years is 117 students. The next several years' projections are estimated to be a decrease each year of approximately 30 students per year.
- Housing growth in the City of Bettendorf is in the Pleasant Valley School District. Our tax base has shown only slight increases in the past several years.
- During the 2013/2014 school year, the District completed a High School building project which included a new 840 seat performing arts center, new High School office, a new student commons area, a new administration center, and a renovated High School office and a remodeled High School library. We remodeled classrooms at the Middle School and added on a new front entrance and remodeled the cafeteria. We put in artificial turf and a new concession stand, restrooms and a new ticket booth and plaza area at our High School football stadium. All projects are 100% paid for and the District does not have any debt at this time.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability 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 18th Street, Bettendorf, Iowa, 52722.

Bettendorf Community School District

Statement of Net Position

June 30, 2014

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Cash and pooled investments | \$ 22,213,712 | \$ 335,148 | \$ 22,548,860 |
| Receivables: | | | |
| Property tax: | | | |
| Current year | 245,256 | - | 245,256 |
| Succeeding year | 18,769,519 | - | 18,769,519 |
| Accounts | 219,204 | 1,931 | 221,135 |
| Due from other governments | 3,950,053 | 6,538 | 3,956,591 |
| Inventories | - | 59,645 | 59,645 |
| Capital assets: | | | |
| Nondepreciable | 4,670,137 | - | 4,670,137 |
| Depreciable, net | 51,393,839 | 63,320 | 51,457,159 |
| Total assets | 101,461,720 | 466,582 | 101,928,302 |
| Liabilities | | | |
| Accounts payable | 1,866,348 | 947 | 1,867,295 |
| Salaries and benefits payable | 3,986,728 | 7,221 | 3,993,949 |
| Due to other governments | 303,108 | - | 303,108 |
| Claims incurred but not reported | 628,469 | - | 628,469 |
| Unearned revenue | 24,469 | 34,301 | 58,770 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| Early retirement | 253,152 | - | 253,152 |
| Compensated absences | 272,332 | - | 272,332 |
| Computer leases | 516,776 | - | 516,776 |
| Portion due after one year: | | | |
| Early retirement | 368,909 | - | 368,909 |
| Computer leases | 143,751 | - | 143,751 |
| Net OPEB liability | 145,629 | 1,471 | 147,100 |
| Total liabilities | 8,509,671 | 43,940 | 8,553,611 |
| Deferred Inflows of Resources , unavailable revenue | 18,769,519 | - | 18,769,519 |
| Net Position | | | |
| Net investment in capital assets | 55,403,449 | 63,320 | 55,466,769 |
| Restricted for: | | | |
| Categorical funding | 1,246,679 | - | 1,246,679 |
| Management levy | 1,966,591 | - | 1,966,591 |
| Physical plant and equipment levy | 3,450 | - | 3,450 |
| School infrastructure | 998,228 | - | 998,228 |
| Debt service | 2,824 | - | 2,824 |
| Student activity purposes | 305,515 | - | 305,515 |
| Unrestricted | 14,255,794 | 359,322 | 14,615,116 |
| Total net position | \$ 74,182,530 | \$ 422,642 | \$ 74,605,172 |

See Notes to Financial Statements.

Bettendorf Community School District

**Statement of Activities
Year Ended June 30, 2014**

| Functions/Programs | Expenses |
|--|----------------------|
| Governmental activities: | |
| Instruction: | |
| Regular instruction | \$ 21,671,534 |
| Special instruction | 5,687,617 |
| Other | 5,281,988 |
| | <u>32,641,139</u> |
| Support services: | |
| Student services | 1,859,926 |
| Instructional staff services | 678,947 |
| Administration services | 5,836,863 |
| Operation and maintenance of plant services | 3,872,479 |
| Transportation services | 889,460 |
| | <u>13,137,675</u> |
| Noninstructional programs | <u>18,310</u> |
| Other expenditures: | |
| AEA flowthrough | 1,605,145 |
| | <u>1,605,145</u> |
| Total governmental activities | <u>47,402,269</u> |
| Business-type activities: | |
| Support services: | |
| Administration services | 27,677 |
| Operation and maintenance of plant services | 22,148 |
| | <u>49,825</u> |
| Noninstructional programs, food service operations | <u>1,873,019</u> |
| Total business-type activities | <u>1,922,844</u> |
| Total | <u>\$ 49,325,113</u> |
| General revenues: | |
| Property tax levied for: | |
| General purposes | |
| Capital outlay | |
| Other specific purposes | |
| Statewide sales and services tax | |
| Other taxes | |
| Unrestricted state grants | |
| Unrestricted investment earnings | |
| Other | |
| Total general revenues | |
| Transfers | |
| Total general revenues and transfers | |
| Change in net position | |
| Net position, beginning of year | |
| Net position, end of year | |

See Notes to Financial Statements.

| Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------|
| Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| \$ 3,342,152 | \$ 4,883,471 | \$ - | \$ (13,445,911) | \$ - | \$ (13,445,911) |
| 844,925 | 3,360 | - | (4,839,332) | - | (4,839,332) |
| 1,742,210 | - | - | (3,539,778) | - | (3,539,778) |
| 5,929,287 | 4,886,831 | - | (21,825,021) | - | (21,825,021) |
| - | 908,330 | - | (951,596) | - | (951,596) |
| - | - | - | (678,947) | - | (678,947) |
| - | - | - | (5,836,863) | - | (5,836,863) |
| - | - | - | (3,872,479) | - | (3,872,479) |
| 123,405 | - | - | (766,055) | - | (766,055) |
| 123,405 | 908,330 | - | (12,105,940) | - | (12,105,940) |
| 626 | - | - | (17,684) | - | (17,684) |
| - | 1,605,145 | - | - | - | - |
| - | 1,605,145 | - | - | - | - |
| 6,053,318 | 7,400,306 | - | (33,948,645) | - | (33,948,645) |
| - | - | - | - | (27,677) | (27,677) |
| - | - | - | - | (22,148) | (22,148) |
| - | - | - | - | (49,825) | (49,825) |
| 925,752 | 898,294 | - | - | (48,973) | (48,973) |
| 925,752 | 898,294 | - | - | (98,798) | (98,798) |
| \$ 6,979,070 | \$ 8,298,600 | \$ - | (33,948,645) | (98,798) | (34,047,443) |
| | | | 15,221,368 | - | 15,221,368 |
| | | | 2,282,333 | - | 2,282,333 |
| | | | 1,463,868 | - | 1,463,868 |
| | | | 3,698,487 | - | 3,698,487 |
| | | | 325,523 | - | 325,523 |
| | | | 16,522,465 | - | 16,522,465 |
| | | | 20,881 | 50 | 20,931 |
| | | | 27,130 | - | 27,130 |
| | | | 39,562,055 | 50 | 39,562,105 |
| | | | (5,420) | 5,420 | - |
| | | | 39,556,635 | 5,470 | 39,562,105 |
| | | | 5,607,990 | (93,328) | 5,514,662 |
| | | | 68,574,540 | 515,970 | 69,090,510 |
| | | | \$ 74,182,530 | \$ 422,642 | \$ 74,605,172 |

Bettendorf Community School District

**Balance Sheet
Governmental Funds
June 30, 2014**

| | General | Capital Projects | Nonmajor | Total |
|--|----------------------|---------------------|---------------------|----------------------|
| Assets | | | | |
| Cash and pooled investments | \$ 13,940,660 | \$ 1,593,573 | \$ 2,168,832 | \$ 17,703,065 |
| Receivables: | | | | |
| Property tax: | | | | |
| Current year | 197,347 | 28,808 | 19,101 | 245,256 |
| Succeeding year | 14,325,716 | 2,343,477 | 2,100,326 | 18,769,519 |
| Accounts | 101,892 | - | 117,312 | 219,204 |
| Due from other governments | 3,217,548 | 732,496 | 9 | 3,950,053 |
| Total assets | \$ 31,783,163 | \$ 4,698,354 | \$ 4,405,580 | \$ 40,887,097 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 218,652 | \$ 1,353,199 | \$ 27,532 | \$ 1,599,383 |
| Salaries and benefits payable | 3,997,432 | - | - | 3,997,432 |
| Due to other governments | 300,316 | - | 2,792 | 303,108 |
| Unearned revenue | 24,469 | - | - | 24,469 |
| Total liabilities | 4,540,869 | 1,353,199 | 30,324 | 5,924,392 |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenue: | | | | |
| Succeeding year property tax | 14,325,716 | 2,343,477 | 2,100,326 | 18,769,519 |
| Statewide sales and services tax | - | 176,000 | - | 176,000 |
| Total deferred inflows of resources | 14,325,716 | 2,519,477 | 2,100,326 | 18,945,519 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Categorical funding | 1,246,679 | - | - | 1,246,679 |
| Management levy | - | - | 1,966,591 | 1,966,591 |
| Physical plant and equipment levy | - | 3,450 | - | 3,450 |
| School infrastructure | - | 822,228 | - | 822,228 |
| Debt service | - | - | 2,824 | 2,824 |
| Student activity purposes | - | - | 305,515 | 305,515 |
| Unassigned | 11,669,899 | - | - | 11,669,899 |
| Total fund balances | 12,916,578 | 825,678 | 2,274,930 | 16,017,186 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 31,783,163 | \$ 4,698,354 | \$ 4,405,580 | \$ 40,887,097 |

See Notes to Financial Statements.

Bettendorf Community School District

**Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position
June 30, 2014**

| | |
|--|-----------------------------|
| Total fund balances of governmental funds | \$ 16,017,186 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 56,063,976 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds. | 176,000 |
| The Internal Service Fund is used to charge costs of the District's self-funded insurance plan to the governmental funds. The net position of the Internal Service Fund is therefore included under governmental activities. | 3,615,213 |
| Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | |
| Computer leases | (660,527) |
| Early retirement | (622,061) |
| Compensated absences | (261,628) |
| Net OPEB liability | (145,629) |
| Net position of governmental activities | <u><u>\$ 74,182,530</u></u> |

See Notes to Financial Statements.

Bettendorf Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2014

| | General | Capital Projects | Nonmajor | Total |
|--|-------------------|--------------------|------------------|-------------------|
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 15,480,522 | \$ 5,846,668 | \$ 1,493,080 | \$ 22,820,270 |
| Tuition | 4,184,888 | - | - | 4,184,888 |
| Other | 794,030 | 3,202 | 1,102,989 | 1,900,221 |
| Intermediate sources | 626 | - | - | 626 |
| State sources | 22,188,413 | 948 | - | 22,189,361 |
| Federal sources | 1,744,313 | - | - | 1,744,313 |
| Total revenues | 44,392,792 | 5,850,818 | 2,596,069 | 52,839,679 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 29,964,793 | - | 1,332,648 | 31,297,441 |
| Support services: | | | | |
| Student services | 1,802,290 | - | 21,036 | 1,823,326 |
| Instructional staff services | 660,787 | - | 4,800 | 665,587 |
| Administration services | 5,917,921 | 8,900 | 67,683 | 5,994,504 |
| Operation and maintenance of plant services | 3,908,826 | 225,302 | 175,112 | 4,309,240 |
| Transportation services | 796,714 | 134,518 | 31,977 | 963,209 |
| | 13,086,538 | 368,720 | 300,608 | 13,755,866 |
| Noninstructional programs | - | - | 18,310 | 18,310 |
| Other expenditures: | | | | |
| Facilities acquisition | - | 6,784,283 | - | 6,784,283 |
| AEA flowthrough | 1,605,145 | - | - | 1,605,145 |
| | 1,605,145 | 6,784,283 | - | 8,389,428 |
| Total expenditures | 44,656,476 | 7,153,003 | 1,651,566 | 53,461,045 |
| Excess (deficiency) of revenues under (over) expenditures | (263,684) | (1,302,185) | 944,503 | (621,366) |
| Other financing sources (uses): | | | | |
| Proceeds from sale of capital assets | 1,001 | - | - | 1,001 |
| Total other financing sources (uses) | 1,001 | - | - | 1,001 |
| Net change in fund balance | (262,683) | (1,302,185) | 944,503 | (620,365) |
| Fund balances, beginning of year | 13,179,261 | 2,127,863 | 1,330,427 | 16,637,551 |
| Fund balances, end of year | \$ 12,916,578 | \$ 825,678 | \$ 2,274,930 | \$ 16,017,186 |

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, 2014**

Net change in fund balances - total governmental funds \$ (620,365)

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 not reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

| | | | |
|--|----|-------------|-----------|
| Expenditures for capital assets | \$ | 9,951,133 | |
| Transfer of capital asset to enterprise fund | | (5,420) | |
| Depreciation expense | | (2,705,809) | |
| Proceeds from sale of capital assets | | (1,001) | |
| Loss on disposal of capital asset | | (5,030) | |
| | | 7,233,873 | 7,233,873 |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, change in unavailable revenues 176,000

The decrease in net position of the Internal Service Fund represents an undercharge to the governmental funds and is incorporated into the change in net position of governmental activities. (248,298)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayments of the principal of long-term debt consumes the current financial resources of governmental funds. The issuance of debt increases liabilities in the Statement of Net Position, while the repayment of long-term debt reduces long-term liabilities. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:

| | | | |
|--|--|-----------|-----------|
| Change in accrued interest on long-term debt | | 10,367 | |
| Issuance of computer leases | | (602,452) | |
| Repayment of principal on computer leases | | 314,917 | |
| | | (277,168) | (277,168) |

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, as follows:

| | | | |
|----------------------|--|-----------|-----------|
| Early retirement | | (616,021) | |
| Compensated absences | | 4,373 | |
| Net OPEB liability | | (44,404) | |
| | | (656,052) | (656,052) |

Change in net position of governmental activities \$ 5,607,990

See Notes to Financial Statements.

Bettendorf Community School District

Statement of Net Position

Proprietary Funds

June 30, 2014

| | Nonmajor Enterprise Fund | |
|---|-----------------------------|--------------------------|
| | School Nutrition | Internal Service Fund |
| Assets | | |
| Cash and cash equivalents | \$ 335,148 | \$ 4,510,647 |
| Accounts receivable | 1,931 | - |
| Due from other governments | 6,538 | - |
| Inventories | 59,645 | - |
| Capital assets, net of accumulated depreciation | 63,320 | - |
| Total assets | 466,582 | 4,510,647 |
| Liabilities | | |
| Accounts payable | 947 | 266,965 |
| Salaries and benefits payable | 7,221 | - |
| Claims incurred but not reported | - | 628,469 |
| Unearned revenue, other | 34,301 | - |
| Net OPEB liability | 1,471 | - |
| Total liabilities | 43,940 | 895,434 |
| Net Position | | |
| Net investment in capital assets | 63,320 | - |
| Unrestricted | 359,322 | 3,615,213 |
| Total net position | \$ 422,642 | \$ 3,615,213 |

See Notes to Financial Statements.

Bettendorf Community School District

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2014

| | Enterprise Fund | |
|--|---------------------|--------------------------|
| | School Nutrition | Internal Service Fund |
| Operating revenues: | | |
| Local sources, charges for services | \$ 925,752 | \$ 4,793,908 |
| Operating expenses: | | |
| Support services: | | |
| Student services, purchased services | - | 26,998 |
| Administration services: | | |
| Salaries | 22,663 | - |
| Benefits | 3,811 | - |
| Purchased services | 1,203 | 466,451 |
| Supplies | - | 56 |
| | 27,677 | 466,507 |
| Operation and maintenance of plant services: | | |
| Purchased services | 22,148 | - |
| Noninstructional programs: | | |
| Salaries | 573,732 | - |
| Benefits | 165,697 | 4,554,826 |
| Purchased services | 20,622 | - |
| Supplies | 1,095,373 | - |
| Depreciation | 17,480 | - |
| Other | 115 | - |
| | 1,873,019 | 4,554,826 |
| Total operating expenses | 1,922,844 | 5,048,331 |
| Operating (loss) | (997,092) | (254,423) |
| Nonoperating revenues (expenses): | | |
| Interest on investments | 50 | 6,125 |
| State sources | 14,497 | - |
| Federal sources | 883,797 | - |
| Total nonoperating revenues | 898,344 | 6,125 |
| (Loss) before capital contributions | (98,748) | (248,298) |
| Capital contributions | 5,420 | - |
| Change in net position | (93,328) | (248,298) |
| Net position, beginning of year | 515,970 | 3,863,511 |
| Net position, end of year | \$ 422,642 | \$ 3,615,213 |

See Notes to Financial Statements.

Bettendorf Community School District

Statement of Cash Flows Proprietary Funds Year Ended June 30, 2014

| | Enterprise Fund | |
|---|---------------------|--------------------------|
| | School Nutrition | Internal Service Fund |
| Cash flows from operating activities: | | |
| Cash received from sale of lunches and breakfasts | \$ 921,158 | \$ - |
| Cash received from miscellaneous operating activities | - | 4,808,913 |
| Cash payments to employees for services | (760,520) | - |
| Cash payments to suppliers for goods or services | (1,055,100) | (4,770,748) |
| Net cash provided by (used in) operating activities | (894,462) | 38,165 |
| Cash flows from noncapital financing activities: | | |
| Payments from other funds | - | 5,040 |
| State grants received | 14,497 | - |
| Federal grants received | 775,127 | - |
| Net cash provided by noncapital financing activities | 789,624 | 5,040 |
| Cash flows from capital related financing, purchase of capital assets | (11,219) | - |
| Cash flows from investing activities, interest on investments | 50 | 6,125 |
| Net increase (decrease) in cash and cash equivalents | (116,007) | 49,330 |
| Cash and cash equivalents, beginning of year | 451,155 | 4,461,317 |
| Cash and cash equivalents, end of year | \$ 335,148 | \$ 4,510,647 |
| Reconciliation of operating (loss) to net cash provided by (used in) operating activities: | | |
| Operating (loss) | \$ (997,092) | \$ (254,423) |
| Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 17,480 | - |
| Commodities used | 104,560 | - |
| (Increase) decrease in accounts receivable | (1,208) | 15,005 |
| Decrease in inventories | 3,896 | - |
| Increase (decrease) in accounts payable | (24,095) | 266,965 |
| Increase in salaries and benefits payable | 4,687 | - |
| Increase in net OPEB liability | 696 | - |
| Increase in claims incurred but not reported | - | 10,618 |
| (Decrease) in unearned revenue | (3,386) | - |
| Net cash provided by (used in) operating activities | \$ (894,462) | \$ 38,165 |
| Schedule of noncash items: | | |
| Capital financing activities, capital contribution from governmental activities | \$ 5,420 | \$ - |
| Noncapital financing activities, federal commodities | \$ 104,560 | \$ - |

See Notes to Financial Statements.

Bettendorf Community School District

Statement of Fiduciary Net Position

Private Purpose Trust Fund

June 30, 2014

| | Private Purpose Trust |
|-----------------------------|--------------------------|
| | Scholarship |
| Assets | |
| Cash and pooled investments | \$ 21,436 |
| Total assets | <u>\$ 21,436</u> |
| Net Position | |
| Restricted for scholarships | 21,436 |
| Total net position | <u>\$ 21,436</u> |

See Notes to Financial Statements.

Bettendorf Community School District

Statement of Changes in Fiduciary Net Position

Private Purpose Trust Fund

Year Ended June 30, 2014

| | Private Purpose Trust |
|---------------------------------|--------------------------|
| | <u>Scholarship</u> |
| Additions: | |
| Local sources: | |
| Gifts and contributions | \$ 5,847 |
| Interest on investments | <u>29</u> |
| Total additions | 5,876 |
| | |
| Deductions: | |
| Instruction, regular | <u>5,090</u> |
| | |
| Change in net position | 786 |
| | |
| Net position, beginning of year | <u>20,650</u> |
| Net position, end of year | <u><u>\$ 21,436</u></u> |

See Notes to Financial Statements.

Bettendorf Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

Bettendorf Community School District (the 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 through twelve. Oversight and 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 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.

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. 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 does 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 Assessor's Conference Board.

Basis of presentation:

District-wide financial statements: The Statement of Net Position 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 service.

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

Net investment in capital assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvements of those assets.

Bettendorf Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Restricted net position results when constraints placed on net position 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.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customer or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest 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 District-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 nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, 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 other governmental funds of the District are considered nonmajor and are as follows:

Special Revenue Funds: Are used to account for the revenue sources that are legally restricted to expenditures for specific purposes:

The Management Levy Fund accounts for tort liability insurance premiums, unemployment compensation insurance claims and early retirement incentive payments.

The Student Activity Fund accounts for money held by the District on behalf of the students who have raised these funds and are responsible for their disposition for co-curricular to extracurricular activities of the District.

Bettendorf Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Debt Service Fund: Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Revenue of the fund primarily consists of local property taxes.

The District's nonmajor proprietary funds are the Enterprise, School Nutrition Fund, used to account for the food service operations of the District and the Internal Service, Self-Funded Insurance Fund, used to account for the District's self-funded health and dental insurance plans.

The District also reported fiduciary funds. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income to be earned to be used to benefit individuals through scholarship awards.

Measurement focus and basis of accounting:

The District-wide financial statements and the 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 is both restricted and unrestricted net position 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.

Bettendorf Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguished operating revenues and expenses from nonoperating items. Operating revenues and expense 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.

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 which is valued at amortized cost and nonnegotiable 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, have maturity date no longer than three months.

Property tax receivable: Property tax in governmental funds is 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. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. 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 a deferred inflow of resources in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied. The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with 1½ percent per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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 governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Bettendorf Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Position. 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.

| Asset Class | Amount |
|---------------------------------|---------|
| Land | \$ 1 |
| 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 |
|-------------------------|------------------------|
| Buildings | 50 years |
| Land improvements | 20 years |
| Intangibles | 5 - 10 years |
| Machinery and equipment | 5 - 15 years |

Salaries and benefits payable: Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Unearned revenue: Proprietary funds defer revenue recognition in connection with resources that have been received but not earned. Unearned revenue in the governmental funds arises when assets are recognized before revenue recognition criteria have been satisfied. Unearned revenue consists primarily of school registration fees and meal revenues collected for the programs and services in the next school year.

Bettendorf Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Long-term liabilities: In the District-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 Position.

Compensated absences: District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Interfund activity: Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Fund equity: In the governmental fund financial statements fund balances are classified as follows:

Nonspendable: Balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

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.

Assigned: Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The authority to assign fund balances has been delegated to the Director of Financial And Business Services.

Unassigned: All amounts not included in other spendable classifications as well as any deficit fund balance of any other governmental fund is reported as unassigned.

Bettendorf Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

When an expenditure is incurred for purposes for which amounts in the committed, assigned, or unassigned fund balance classifications could be used, the District's policy is generally to first apply the expenditure to restricted fund balance and then to less restrictive classifications – committed, assigned and then unassigned fund balances.

Deferred outflows/inflows of resources: In addition to assets, the balance sheet and/or statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance or net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District does not have deferred outflows of resources as of June 30, 2014.

In addition to liabilities, the balance sheet and/or statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance or net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports unavailable revenue in the governmental funds balance sheet from the statewide sales and services tax and property tax. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. In the District's government-wide statements, only the succeeding year property tax revenue remains as a deferred inflow of resources under the full accrual basis of accounting and will become an inflow in the year for which levied.

Net position: In proprietary funds, fiduciary funds, and government-wide financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net position restricted by enabling legislation as of June 30, 2014 consists of \$1,246,679 for categorical funding, \$1,966,591 for management levy purposes, \$3,450 for physical plant and equipment levy, \$305,515 for student activities, and \$998,228 for school infrastructure.

Net position flow assumption: Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Bettendorf Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

Budgets and budgetary control:

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in the instruction and non-instructional program function areas exceeded the budgeted amount.

Note 2. Cash and Pooled Investments

The District's cash and pooled investments consisted of depository accounts at financial institutions including certificate of deposits. The District's deposits in banks as of June 30, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligation Portfolio which are valued at amortized costs of \$1,932,430 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust Act was rated AAA by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The governmental funds transferred \$5,420 of capital assets to the School Nutrition Fund, Enterprise Fund. The District did not have any other interfund transfers during the year ended June 30, 2014.

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

Bettendorf Community School District

Notes to Basic Financial Statements

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|----------------------|----------------------|------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,017,415 | \$ 78,397 | \$ - | \$ 1,095,812 |
| Construction in progress | 16,655,753 | 9,319,099 | 22,400,527 | 3,574,325 |
| Total capital assets not being depreciated | 17,673,168 | 9,397,496 | 22,400,527 | 4,670,137 |
| Capital assets being depreciated: | | | | |
| Buildings | 58,746,899 | 22,570,133 | - | 81,317,032 |
| Land improvements | 184,544 | - | - | 184,544 |
| Machinery and equipment | 7,534,116 | 378,611 | 97,870 | 7,814,857 |
| Total capital assets being depreciated | 66,465,559 | 22,948,744 | 97,870 | 89,316,433 |
| Less accumulated depreciation for: | | | | |
| Buildings | 29,405,455 | 2,224,939 | - | 31,630,394 |
| Land improvements | 150,951 | 4,597 | - | 155,548 |
| Machinery and equipment | 5,752,218 | 476,273 | 91,839 | 6,136,652 |
| Total accumulated depreciation | 35,308,624 | 2,705,809 | 91,839 | 37,922,594 |
| Total capital assets being depreciated, net | 31,156,935 | 20,242,935 | 6,031 | 51,393,839 |
| Governmental activities capital assets, net | \$ 48,830,103 | \$ 29,640,431 | \$ 22,406,558 | \$ 56,063,976 |
| Business-type activities: | | | | |
| Machinery and equipment | \$ 598,596 | \$ 16,639 | \$ - | \$ 615,235 |
| Less accumulated depreciation | 534,435 | 17,480 | - | 551,915 |
| Business-type activities capital assets, net | \$ 64,161 | \$ (841) | \$ - | \$ 63,320 |

Bettendorf Community School District

Notes to Basic Financial Statements

Note 4. Capital Assets (Continued)

Depreciation expense was charged by the District to the following functions:

| | | |
|---|--|----------------------------|
| Governmental activities: | | |
| Instruction | | \$ 2,342,055 |
| Support services: | | |
| Administration | | 173,585 |
| Transportation | | 169,919 |
| Operation and maintenance of plant services | | 20,250 |
| Total governmental activities depreciation expense | | <u><u>\$ 2,705,809</u></u> |
| Business-type activities, food service operations | | <u><u>\$ 17,480</u></u> |

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|---------------------------|---------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Governmental activities: | | | | | |
| Computer leases | \$ 372,992 | \$ 602,452 | \$ 314,917 | \$ 660,527 | \$ 516,776 |
| Early retirement benefits | 6,040 | 737,521 | 121,500 | 622,061 | 253,152 |
| Compensated absences | 266,001 | 272,332 | 266,001 | 272,332 | 272,332 |
| Net OPEB liability | 101,225 | 539,404 | 495,000 | 145,629 | - |
| Total | <u><u>\$ 746,258</u></u> | <u><u>\$ 2,151,709</u></u> | <u><u>\$ 1,197,418</u></u> | <u><u>\$ 1,700,549</u></u> | <u><u>\$ 1,042,260</u></u> |
| Business-type activities: | | | | | |
| Compensated absences | \$ - | \$ 4,314 | \$ - | 4,314 | \$ 4,314 |
| Net OPEB liability | 775 | 696 | - | 1,471 | - |
| | <u><u>\$ 775</u></u> | <u><u>\$ 5,010</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 5,785</u></u> | <u><u>\$ 4,314</u></u> |

Debt service on the computer leases is as follows:

| Year Ended June 30: | Interest Rate | Principal | Interest | Total |
|---------------------|---------------|-----------------------|----------------------|-----------------------|
| 2015 | 1.9-3.75% | \$ 516,776 | \$ 44,202 | \$ 560,978 |
| 2016 | 1.9 | 143,751 | 4,189 | 147,940 |
| | | <u><u>660,527</u></u> | <u><u>48,391</u></u> | <u><u>708,918</u></u> |

Bettendorf Community School District

Notes to Basic Financial Statements

Note 5. Long-Term Liabilities (Continued)

Early retirement: The District offered a voluntary early retirement plan to its certified, administrative and classified employees. Eligible employees must be at least age 55 and employees must have completed 15 years of consecutive full-time service to the District.

The District will deposit for eligible employees who elected to retire early under this program, a total of \$13,500 into a Health Reimbursement Arrangement (HRA) over a five year period. The money will be deposited in five equal installments of \$2,700 annually for a period of five years. In addition, an amount equivalent to the total of unused sick leave days at \$42.50 per day will be deposited into the HRA on a one-time basis.

As of June 30, 2014, the District had obligations to 41 participants with a total liability of \$622,061. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$121,500. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements. Early retirement obligations are generally liquidated by the Management Fund or the General Fund.

Note 6. Other Postemployment Benefits (OPEB)

Plan description: The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 369 active and 71 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a self-insured plan with stop-loss coverage provided by Wellmark and Delta Dental. 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.

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 (ARC) of the District, 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.

Bettendorf Community School District

Notes to Basic Financial Statements

Note 6. Other Postemployment Benefits (OPEB) (Continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

| | |
|--|--------------------------|
| Annual required contribution | \$ 535,000 |
| Interest on net OPEB obligation | 5,100 |
| Adjustment to annual required contribution | - |
| Annual OPEB cost | <u>540,100</u> |
| Contributions made | <u>495,000</u> |
| Increase in net OPEB obligation | 45,100 |
| Net OPEB obligation beginning of year | 102,000 |
| Net OPEB obligation end of year | <u><u>\$ 147,100</u></u> |

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, 2014 and the two preceding years are summarized as follows:

| Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------|---------------------|---|---------------------------|
| June 30, 2012 | \$ 501,003 | 102.4% | \$ 61,003 |
| June 30, 2013 | 535,997 | 92.4% | 102,000 |
| June 30, 2014 | 540,100 | 91.7% | 147,100 |

Funded status and funding progress: As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2014, the actuarial accrued liability was \$5,263,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,263,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$26,389,000 and the ratio of the UAAL to covered payroll was 19.9 percent. As of June 30, 2014, 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 health care 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 financial statements, presents 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.

Bettendorf Community School District

Notes to Basic Financial Statements

Note 6. Other Postemployment Benefits (OPEB) (Continued)

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 benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques 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 the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 10 percent. The ultimate medical trend rate is 5%. The medical trend rate is reduced by 0.5 percentage points each year until the ultimate medical trend rate is reached.

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 for the IPERS Actuarial Valuation Report as of June 30, 2012, and applying the termination factors used in IPERS Actuarial Report as of June 30, 2012.

The UAAL is being amortized as a level dollar of projected payroll expense on a closed basis over 30 years.

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95 percent of their annual covered salary and the District is required to contribute 8.93 percent of annual covered payroll for the year ended June 30, 2014. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$2,356,573, \$2,178,135, and \$2,010,700, respectively, equal to the required contributions for each year.

Note 8. Risk Management

The District has a self-funded health and dental insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125 percent 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. Settled claims have not exceeded the aggregate stop-loss coverage for the past three fiscal years.

Bettendorf Community School District

Notes to Basic Financial Statements

Note 8. Risk Management (Continued)

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 incurred but unpaid claims. Changes in the claims liability amounts for the years ended June 30, 2014 is as follows:

| Self-Insurance Liability | Beginning | Claims and Changes in Estimates | Claim Payments | Ending |
|--------------------------|------------|---------------------------------------|-------------------|------------|
| 2014 | \$ 617,851 | \$ 3,767,278 | \$ 3,756,660 | \$ 628,469 |

Bettendorf Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,605,145 for the year ended June 30, 2014 and is recorded in the General Fund.

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding as of June 30, 2014 is comprised of the following programs:

| Program | Amount |
|---|---------------------|
| Home school assistance | \$ 22,122 |
| Talented and gifted | 207,303 |
| Dropout and dropout prevention | 539,074 |
| Four-year-old state preschool | 369,848 |
| Beginning teacher mentoring and induction | 21,624 |
| Professional development | 45,595 |
| Early literacy implementation | 31,765 |
| Other | 9,348 |
| Total | \$ 1,246,679 |

Note 11. Commitments

The District has entered into various contracts totaling approximately \$6,891,000 for elementary, middle school and stadium renovation project. As of June 30, 2014, costs of \$3,579,000 had been incurred against the contracts. The balance of \$3,312,000 remaining as of June 30, 2014 will be paid as work on the projects progress.

Bettendorf Community School District

Notes to Basic Financial Statements

Note 12. Governmental Accounting Standards Board (GASB) Statements

The District adopted the following statements during the year ended June 30, 2014:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 66, *Technical Corrections – 2012*. This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting.

GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement revises existing guidance for the financial reports of most pension plans. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The implementation of the above statements did not have a material impact to the District's financial statements except for the adoption of GASB Statement No. 65. The adoption of GASB Statement No. 65 changed the presentation of the basic financial statements to a statement of net position format.

As of June 30, 2014, GASB had issued several statements not yet required to be implemented by the District. The Statements which might impact the District are as follows:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the District beginning with its year ending June 30, 2015. This Statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

Bettendorf Community School District

Notes to Basic Financial Statements

Note 12. Governmental Accounting Standards Board (GASB) (Continued)

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, is effective for the District beginning with its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68*, issued November 2013, will be effective upon the implementation of GASB Statement No. 68. Beginning with the year ending June 30, 2015. This Statement amends GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

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

Bettendorf Community School District

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Enterprise Fund
Required Supplementary Information
Year Ended June 30, 2014**

| | Governmental Funds - Actual | Enterprise Fund - Actual |
|---|--------------------------------|-----------------------------|
| Revenues: | | |
| Local sources | \$ 28,905,379 | \$ 925,802 |
| Intermediate sources | 626 | - |
| State sources | 22,189,361 | 14,497 |
| Federal sources | 1,744,313 | 883,797 |
| Total revenues | 52,839,679 | 1,824,096 |
| Expenditures/expenses: | | |
| Instruction | 31,297,441 | - |
| Support services | 13,755,866 | 49,825 |
| Noninstructional programs | 18,310 | 1,873,019 |
| Other expenditures | 8,389,428 | - |
| Total expenditures/expenses | 53,461,045 | 1,922,844 |
| Excess (deficiency) of revenues over (under) expenditures/expenses | (621,366) | (98,748) |
| Other financing sources (uses): | | |
| Capital contributions | - | 5,420 |
| Proceeds from sale of capital assets | 1,001 | - |
| Total other financing sources (uses) | 1,001 | 5,420 |
| Net change in fund balance | (620,365) | (93,328) |
| Balance, beginning of year | 16,637,551 | 515,970 |
| Balance, end of year | <u>\$ 16,017,186</u> | <u>\$ 422,642</u> |

See Note to Required Supplementary Information.

| Total Actual | Budgeted Amounts | | Final to Actual Variance |
|---------------|------------------|---------------|-----------------------------|
| | Original | Final | |
| \$ 29,831,181 | \$ 30,219,295 | \$ 30,219,295 | \$ (388,114) |
| 626 | 500 | 500 | 126 |
| 22,203,858 | 21,329,555 | 21,329,555 | 874,303 |
| 2,628,110 | 2,605,000 | 2,605,000 | 23,110 |
| 54,663,775 | 54,154,350 | 54,154,350 | 509,425 |
| 31,297,441 | 30,820,000 | 30,820,000 | (477,441) |
| 13,805,691 | 14,115,000 | 14,115,000 | 309,309 |
| 1,891,329 | 1,805,000 | 1,805,000 | (86,329) |
| 8,389,428 | 4,213,981 | 9,206,358 | 816,930 |
| 55,383,889 | 50,953,981 | 55,946,358 | 562,469 |
| (720,114) | 3,200,369 | (1,792,008) | 1,071,894 |
| 5,420 | - | - | 5,420 |
| 1,001 | 1,000 | 1,000 | 1 |
| 6,421 | 1,000 | 1,000 | 5,421 |
| (713,693) | 3,201,369 | (1,791,008) | 1,077,315 |
| 17,153,521 | 15,026,416 | 15,026,416 | - |
| \$ 16,439,828 | \$ 18,227,785 | \$ 13,235,408 | \$ 1,077,315 |

Bettendorf Community School District

Note to Required Supplementary Information

Note 1. Budgets and Budgetary Information

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 internal service, 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 accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes or expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. 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 \$4,992,377.

During the year ended June 30, 2014, expenditures exceeded the budget in the other function prior to amendment. In addition, expenditures exceeded the amended budget in the instruction function and non-instructional function at year-end.

Bettendorf Community School District

**Required Supplementary Information
 Schedule of Funding Progress for the Retiree Health Plan
 Year Ended June 30, 2014**

| Year Ended June 30: | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|---|
| 2009 | 7/1/2008 | \$ - | \$ 3,646 | \$ 3,646 | 0.00% | \$ 20,888 | 17.45% |
| 2010 | 7/1/2008 | - | 3,646 | 3,646 | 0.00% | 24,975 | 14.60% |
| 2011 | 7/1/2010 | - | 4,432 | 4,432 | 0.00% | 25,005 | 17.72% |
| 2012 | 7/1/2010 | - | 4,432 | 4,432 | 0.00% | 25,383 | 17.46% |
| 2013 | 7/1/2012 | - | 5,263 | 5,263 | 0.00% | 25,651 | 20.52% |
| 2014 | 7/1/2012 | - | 5,263 | 5,263 | 0.00% | 26,389 | 19.94% |

See Note 6 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.

Note: Amounts reported in thousands.

Bettendorf Community School District

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

| | Special Revenue | | | Total |
|---|---------------------|---------------------|-----------------|---------------------|
| | Management Levy | Student Activity | Debt Service | |
| Assets | | | | |
| Cash and pooled investments | \$ 1,950,273 | \$ 215,735 | \$ 2,824 | \$ 2,168,832 |
| Receivables: | | | | |
| Property tax: | | | | |
| Current year | 19,101 | - | - | 19,101 |
| Succeeding year | 2,100,326 | - | - | 2,100,326 |
| Accounts | - | 117,312 | - | 117,312 |
| Due from other governments | 9 | - | - | 9 |
| Total assets | \$ 4,069,709 | \$ 333,047 | \$ 2,824 | \$ 4,405,580 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 27,532 | \$ - | \$ 27,532 |
| Due to other governments | 2,792 | - | - | 2,792 |
| Total liabilities | 2,792 | 27,532 | - | 30,324 |
| Deferred inflows of resources, Unavailable revenue-succeeding year property tax | 2,100,326 | - | - | 2,100,326 |
| Fund balances: | | | | |
| Restricted | 1,966,591 | 305,515 | 2,824 | 2,274,930 |
| Total fund balances | 1,966,591 | 305,515 | 2,824 | 2,274,930 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 4,069,709 | \$ 333,047 | \$ 2,824 | \$ 4,405,580 |

Bettendorf Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2014

| | Special Revenue | | | Total |
|--|--------------------|---------------------|-----------------|------------------|
| | Management Levy | Student Activity | Debt Service | |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 1,493,080 | \$ - | \$ - | \$ 1,493,080 |
| Other | 19,612 | 1,083,377 | - | 1,102,989 |
| Total revenues | 1,512,692 | 1,083,377 | - | 2,596,069 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 242,647 | 1,090,001 | - | 1,332,648 |
| Support services: | | | | |
| Student services | 21,036 | - | - | 21,036 |
| Instructional staff services | 4,800 | - | - | 4,800 |
| Administration services | 67,683 | - | - | 67,683 |
| Operation and maintenance of plant services | 175,112 | - | - | 175,112 |
| Transportation services | 31,977 | - | - | 31,977 |
| Noninstructional programs | 18,310 | - | - | 18,310 |
| Total expenditures | 561,565 | 1,090,001 | - | 1,651,566 |
| Net change in fund balances | 951,127 | (6,624) | - | 944,503 |
| Fund balances, beginning of year | 1,015,464 | 312,139 | 2,824 | 1,330,427 |
| Fund balances, end of year | \$ 1,966,591 | \$ 305,515 | \$ 2,824 | \$ 2,274,930 |

Bettendorf Community School District

Schedule of Combining Balance Sheet

Capital Project Fund - By Account

June 30, 2014

| | Capital Projects Accounts | | |
|--|---|--|---------------------|
| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Total |
| Assets | | | |
| Cash and pooled investments | \$ 1,419,330 | \$ 174,243 | \$ 1,593,573 |
| Receivables: | | | |
| Property tax: | | | |
| Current year | - | 28,808 | 28,808 |
| Succeeding year | - | 2,343,477 | 2,343,477 |
| Due from other governments | 732,484 | 12 | 732,496 |
| Total assets | \$ 2,151,814 | \$ 2,546,540 | \$ 4,698,354 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | 1,153,586 | 199,613 | 1,353,199 |
| Total liabilities | 1,153,586 | 199,613 | 1,353,199 |
| Deferred Inflows of Resources: | | | |
| Unavailable revenue-succeeding year property tax | - | 2,343,477 | 2,343,477 |
| Unavailable revenue-statewide sales and services tax | 176,000 | - | 176,000 |
| Total deferred inflows of resources | 176,000 | 2,343,477 | 2,519,477 |
| Fund Balances: | | | |
| Restricted for: | | | |
| Physical plant and equipment | - | 3,450 | 3,450 |
| School infrastructure | 822,228 | - | 822,228 |
| Total fund balances | 822,228 | 3,450 | 825,678 |
| Total liabilities and fund balances | \$ 2,151,814 | \$ 2,546,540 | \$ 4,698,354 |

Bettendorf Community School District

Schedule of Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Capital Project Fund - By Account

Year Ended June 30, 2014

| | Capital Projects Accounts | | |
|---|---|--|--------------------|
| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Total |
| Revenues: | | | |
| Local sources: | | | |
| Local tax | \$ 3,522,487 | \$ 2,324,181 | \$ 5,846,668 |
| Other | 799 | 2,403 | 3,202 |
| State sources | - | 948 | 948 |
| Total revenues | 3,523,286 | 2,327,532 | 5,850,818 |
| Expenditures: | | | |
| Current: | | | |
| Support services: | | | |
| Administration services | - | 8,900 | 8,900 |
| Operation and maintenance of plant services | - | 225,302 | 225,302 |
| Transportation services | - | 134,518 | 134,518 |
| Other expenditures, facilities acquisition | 2,958,969 | 3,825,314 | 6,784,283 |
| Total expenditures | 2,958,969 | 4,194,034 | 7,153,003 |
| Net change in fund balance | 564,317 | (1,866,502) | (1,302,185) |
| Fund balance, beginning of year | 257,911 | 1,869,952 | 2,127,863 |
| Fund balance, end of year | \$ 822,228 | \$ 3,450 | \$ 825,678 |

Bettendorf Community School District

**Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year Ended June 30, 2014**

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|------------------------------|---------------------------------|------------|--------------|---------------------------|
| Interest | \$ 2,838 | \$ 200 | \$ - | \$ 3,038 |
| Sail/Tag fundraiser | 1,442 | - | - | 1,442 |
| N.A. fundraiser | 815 | - | - | 815 |
| N.A. bookstore | 4,083 | - | - | 4,083 |
| N.A. pop fund | 916 | 1,293 | 2,277 | (68) |
| N.A. shooting stars | 209 | 690 | 654 | 245 |
| Student needs | 948 | 754 | 976 | 726 |
| N.A. student | 376 | - | - | 376 |
| Hoover fundraiser | 1,253 | 1,230 | 659 | 1,824 |
| Hoover bookstore | - | - | 107 | (107) |
| Hoover pop fund | 3,458 | - | 3,458 | - |
| Jefferson fundraiser | 14 | - | - | 14 |
| Jefferson bookstore | 1,531 | 38 | 67 | 1,502 |
| TJ student council | 1,395 | 422 | 416 | 1,401 |
| P.N. bookstore | 2,901 | - | - | 2,901 |
| P.N. pop fund | 690 | - | 690 | - |
| M.T. fundraiser | 123 | - | - | 123 |
| N.T. bookstore | 550 | - | - | 550 |
| M.T. Bookstore - BD | 488 | - | - | 488 |
| G.W. Fundraiser | 5,183 | 1,423 | 250 | 6,356 |
| G.W. Bookstore | 3,640 | - | - | 3,640 |
| G.W. pop fund | 1,135 | - | 1,135 | - |
| G.W. Memorial | 31 | - | - | 31 |
| Vocal music 1 | 1,308 | 28 | 689 | 647 |
| Vocal music 2 | 603 | 599 | 1,021 | 181 |
| Instrumental music | 1,002 | 32,278 | 31,042 | 2,238 |
| Orchestra | 237 | 11 | 90 | 158 |
| Co-ed athletics | 41,517 | 66,396 | 55,254 | 52,659 |
| Sports uniforms | 1,250 | 9,063 | 8,784 | 1,529 |
| BMS cheerleading | 662 | - | - | 662 |
| MS nurse vending | 793 | - | 793 | - |
| Health club | 72 | 99 | - | 171 |
| Yearbook/photo club | 1,927 | 11,755 | 10,273 | 3,409 |
| Reading club | 532 | - | - | 532 |
| Library club | 7,757 | 6,652 | 5,564 | 8,845 |
| Foreign language club | 590 | - | - | 590 |
| Special education activities | 8 | - | - | 8 |
| HS student council | 36,475 | 41,941 | 41,033 | 37,383 |
| Computer club | 1 | - | - | 1 |
| Living skills club | 385 | - | - | 385 |
| School paper | 1,965 | 204 | 193 | 1,976 |
| Art club | 175 | - | - | 175 |
| German club | 3,819 | 19,237 | 21,208 | 1,848 |
| Ceramics club | 61 | - | - | 61 |
| MS vending | 875 | 453 | 1,070 | 258 |
| 6-House I | 9 | 539 | 398 | 150 |
| Subtotal | \$ 136,042 | \$ 195,305 | \$ 188,101 | \$ 143,246 |

(Continued)

Bettendorf Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts (Continued)
Year Ended June 30, 2014

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|------------------------|---------------------------------|------------|--------------|---------------------------|
| Subtotal forward | \$ 136,042 | \$ 195,305 | \$ 188,101 | \$ 143,246 |
| 6-House II | 960 | 290 | 1,095 | 155 |
| 6-House III | 450 | 744 | 1,087 | 107 |
| 6-House IV | - | 1,306 | 1,050 | 256 |
| 6-House V | - | 1,651 | 1,576 | 75 |
| 7-House I | 217 | 137 | - | 354 |
| 7-House II | 1,396 | - | 1,042 | 354 |
| 7-House III | 157 | 197 | 20 | 334 |
| 7-House IV | - | 354 | 20 | 334 |
| 7_House V | - | 354 | 59 | 295 |
| 8-House I | 3,362 | 2,418 | 4,594 | 1,186 |
| 8-House II | 2,443 | 3,287 | 4,223 | 1,507 |
| 8-House III | 1,174 | 3,306 | 3,058 | 1,422 |
| 8-House IV | - | 4,324 | 3,060 | 1,264 |
| School fundraising | 5,180 | 7,613 | 7,855 | 4,938 |
| Student needs | 853 | 200 | 374 | 679 |
| BWCA | 305 | - | - | 305 |
| MS parent link | 16,817 | 12,974 | 13,464 | 16,327 |
| After prom | 3,518 | 14,060 | 14,075 | 3,503 |
| SPED rec league | 2,484 | - | 545 | 1,939 |
| Drama | - | 23,424 | 23,424 | - |
| Debate | 2,357 | 16,644 | 17,205 | 1,796 |
| Mock Trial | 82 | - | - | 82 |
| Vocal music | - | 2,337 | 2,337 | - |
| Show choir | - | 29,250 | 29,069 | 181 |
| HS boys athletics | 6,466 | 204,878 | 202,468 | 8,876 |
| HS girls athletics | - | 111,012 | 111,012 | - |
| Golf outing | 5,105 | 12,741 | 12,819 | 5,027 |
| Amicus | 86 | 1,831 | 1,085 | 832 |
| Prof business | 2,950 | 31,773 | 26,991 | 7,732 |
| BHS England trip | 11,437 | 3,000 | - | 14,437 |
| Activity tickets | 2,569 | 43,515 | 39,966 | 6,118 |
| BHS SIT | 1,745 | 1,886 | 1,360 | 2,271 |
| Science club | 524 | 300 | 813 | 11 |
| Scholastic bowl | 243 | 31 | (67) | 341 |
| Yearbook-Beacon | 23,611 | 54,908 | 60,082 | 18,437 |
| Growl newspaper | 6,107 | 805 | 1,370 | 5,542 |
| SADD | 375 | - | - | 375 |
| Cheerleaders | 4,138 | 27,340 | 29,603 | 1,875 |
| SAVE | 130 | 87 | 217 | - |
| Peer educators | 812 | - | (71) | 883 |
| Functional skills | 1,977 | 72 | 273 | 1,776 |
| Spanish club | 1,287 | 73 | 417 | 943 |
| National honor society | 1,368 | 2,327 | 2,399 | 1,296 |
| French club | 75 | 1,701 | 1,776 | - |
| Social comm club | 31 | 5,325 | 5,314 | 42 |
| Subtotal | \$ 248,833 | \$ 823,780 | \$ 815,160 | \$ 257,453 |

(Continued)

Bettendorf Community School District

**Schedule of Changes in Special Revenue Fund, Student Activity Accounts (Continued)
Year Ended June 30, 2014**

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|----------------------------------|---------------------------------|---------------------|---------------------|---------------------------|
| Subtotal forward | \$ 248,833 | \$ 823,780 | \$ 815,160 | \$ 257,453 |
| Goldusters | 9,052 | 19,211 | 25,311 | 2,952 |
| Dusterettes | - | 422 | 184 | 238 |
| Art club | 755 | - | (109) | 864 |
| Key club | 89 | - | 56 | 33 |
| Club vending | 2,432 | 2,475 | 2,432 | 2,475 |
| Class of 2014 | 1,717 | 671 | 2,388 | - |
| Class of 2015 | 791 | 1,670 | (38) | 2,499 |
| Class of 2016 | 762 | - | (38) | 800 |
| Class of 2017 | - | 106 | (38) | 144 |
| Field turf | 7,771 | 800 | 2,298 | 6,273 |
| Metro fest | 2,000 | 8,912 | 6,662 | 4,250 |
| Winter guard | - | 9,583 | 9,583 | - |
| BHS fine arts | (866) | 51,743 | 36,658 | 14,219 |
| BHS fine arts trip | 1,034 | 116,416 | 117,450 | - |
| BHS new tuxedos | 658 | - | 658 | - |
| Raise the curtain | 31,713 | 5,100 | 36,276 | 537 |
| BHS football moms | 510 | 11,407 | 11,551 | 366 |
| BHS mat moms | - | 10,584 | 10,010 | 574 |
| Pr club vending | 4,801 | 6,896 | 6,251 | 5,446 |
| Pr student needs | 87 | - | - | 87 |
| Arts education | - | 1,205 | 341 | 864 |
| Backpack snack program | - | 7,565 | 4,800 | 2,765 |
| Water awareness for Sudan | - | 3,174 | - | 3,174 |
| Keurig | - | - | 498 | (498) |
| Jr. Diabetes Research fundraiser | - | 1,657 | 1,657 | - |
| Total | \$ 312,139 | \$ 1,083,377 | \$ 1,090,001 | \$ 305,515 |

Bettendorf Community School District

Private Purpose Trust Fund - Scholarship Accounts
Schedule of Combining Statement of Fiduciary Net Position
June 30, 2014

| | Tj Before The Bell | Class of 55 Donation | Student Needs | Spain Memorial | B.H.S. Memorial | G.W. PfiEFF Tutor | B.S.C.F Debate | Dollars For Doers |
|-----------------------------|-----------------------|-------------------------|------------------|-------------------|--------------------|----------------------|-------------------|----------------------|
| Assets | | | | | | | | |
| Cash and pooled investments | \$ 345 | \$ 318 | \$ 3,001 | \$ 916 | \$ 1,014 | \$ 163 | \$ 8,233 | \$ 82 |
| Net position | | | | | | | | |
| Restricted for scholarships | \$ 345 | \$ 318 | \$ 3,001 | \$ 916 | \$ 1,014 | \$ 163 | \$ 8,233 | \$ 82 |

| GW Sign Tutoring | Koufer Memorial | Funk Memorial | Tj Trust Fund | Thiessen Scholarship | Phillips Scholarship | Stansbury Scholarship | IGHSAU Scholarship | Total |
|---------------------|--------------------|------------------|------------------|-------------------------|-------------------------|--------------------------|-----------------------|-----------|
| \$ 2,661 | \$ 26 | \$ 14 | \$ 1,356 | \$ 2,092 | \$ 251 | \$ 714 | \$ 250 | \$ 21,436 |
| \$ 2,661 | \$ 26 | \$ 14 | \$ 1,356 | \$ 2,092 | \$ 251 | \$ 714 | \$ 250 | \$ 21,436 |

Bettendorf Community School District

Private Purpose Trust Fund - Scholarship Accounts

Schedule of Combining Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2014

| | Tj Before The Bell | Class of 55 Donation | Student Needs | Spain Memorial | B.H.S. Memorial | G.W. PfiEFF Tutor | B.S.C.F Debate | Dollars For Doers |
|--------------------------------|-----------------------|-------------------------|------------------|-------------------|--------------------|----------------------|-------------------|----------------------|
| Additions: | | | | | | | | |
| Local sources: | | | | | | | | |
| Gifts and contributions | - | - | 1,424 | - | 400 | - | - | - |
| Interest income | - | 1 | 4 | 1 | 1 | - | 11 | - |
| | - | 1 | 1,428 | 1 | 401 | - | 11 | - |
| Deductions: | | | | | | | | |
| Instruction, Regular: | | | | | | | | |
| Scholarships awarded | - | - | 1,390 | - | 400 | - | - | - |
| Change in net postion | - | 1 | 38 | 1 | 1 | - | 11 | - |
| Net position beginning of year | 345 | 317 | 2,963 | 915 | 1,013 | 163 | 8,222 | 82 |
| Net position end of year | 345 | 318 | 3,001 | 916 | 1,014 | 163 | 8,233 | 82 |

| GW Sign Tutoring | Koufer Memorial | Funk Memorial | Tj Trust Fund | Thiessen Scholarship | Phillips Scholarship | Stansbury Scholarship | IGHSAU Scholarship | Golf Outing Scholars | Total |
|---------------------|--------------------|------------------|------------------|-------------------------|-------------------------|--------------------------|-----------------------|-------------------------|--------|
| - | - | - | - | 2,773 | - | - | 250 | 1,000 | 5,847 |
| 4 | - | - | 2 | 3 | 1 | 1 | - | - | 29 |
| 4 | - | - | 2 | 2,776 | 1 | 1 | 250 | 1,000 | 5,876 |
| - | - | - | - | 2,300 | - | - | - | 1,000 | 5,090 |
| 4 | - | - | 2 | 476 | 1 | 1 | 250 | - | 786 |
| 2,657 | 26 | 14 | 1,354 | 1,616 | 250 | 713 | - | - | 20,650 |
| 2,661 | 26 | 14 | 1,356 | 2,092 | 251 | 714 | 250 | - | 21,436 |

Bettendorf Community School District

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds - Modified Accrual Basis

Last Ten Years

| | Years Ended June 30: | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2014 | 2013 | 2012 | 2011 |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 22,820,270 | \$ 22,886,176 | \$ 21,977,114 | \$ 21,097,070 |
| Tuition | 4,184,888 | 4,082,291 | 3,804,224 | 3,704,732 |
| Other | 1,900,221 | 1,737,113 | 1,932,720 | 1,826,287 |
| Intermediate sources | 626 | 200 | 576 | 513 |
| State sources | 22,189,361 | 21,598,101 | 21,310,902 | 19,936,921 |
| Federal sources | 1,744,313 | 1,622,543 | 2,289,034 | 2,874,300 |
| Total revenues | \$ 52,839,679 | \$ 51,926,424 | \$ 51,314,570 | \$ 49,439,823 |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular | \$ 20,327,836 | \$ 19,685,330 | \$ 18,366,813 | \$ 18,034,575 |
| Special | 5,687,617 | 5,349,062 | 5,142,445 | 5,450,548 |
| Other | 5,281,988 | 4,579,520 | 4,855,728 | 4,725,745 |
| Support services: | | | | |
| Student services | 1,823,326 | 1,795,943 | 1,742,974 | 1,684,351 |
| Instructional staff services | 665,587 | 616,969 | 753,188 | 673,503 |
| Administration services | 5,994,504 | 6,215,174 | 6,446,347 | 6,721,876 |
| Operation and maintenance of plant services | 4,309,240 | 3,801,998 | 3,570,952 | 3,720,497 |
| Transportation services | 963,209 | 858,898 | 755,039 | 843,569 |
| Central and other support services | - | - | - | - |
| Noninstructional programs | 18,310 | 9,771 | 11,657 | 12,218 |
| Other expenditures: | | | | |
| Facilities acquisition | 6,784,283 | 8,165,454 | 9,840,071 | 848,545 |
| Long-term debt: | | | | |
| Principal | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| AEA flowthrough | 1,605,145 | 1,546,987 | 1,501,447 | 1,651,099 |
| Total expenditures | \$ 53,461,045 | \$ 52,625,106 | \$ 52,986,661 | \$ 44,366,526 |

| | | | | | | | Years Ended June 30: | | | | | |
|------|------------|------|------------|------|------------|------|----------------------|------|------------|------|------------|--|
| 2010 | | 2009 | | 2008 | | 2007 | | 2006 | | 2005 | | |
| \$ | 19,950,685 | \$ | 20,207,326 | \$ | 19,301,641 | \$ | 18,755,868 | \$ | 18,125,916 | \$ | 18,007,604 | |
| | 3,478,559 | | 3,291,369 | | 2,946,370 | | 2,666,548 | | 2,588,528 | | 2,399,022 | |
| | 2,670,888 | | 2,290,144 | | 2,618,267 | | 2,382,216 | | 1,919,448 | | 2,192,358 | |
| | 619 | | 20,853 | | 307,489 | | 188,430 | | 126,709 | | 119,308 | |
| | 17,505,827 | | 20,224,298 | | 18,878,742 | | 17,251,533 | | 16,636,019 | | 15,642,365 | |
| | 3,680,354 | | 1,884,007 | | 1,080,726 | | 1,263,628 | | 1,013,070 | | 1,276,650 | |
| \$ | 47,286,932 | \$ | 47,917,997 | \$ | 45,133,235 | \$ | 42,508,223 | \$ | 40,409,690 | \$ | 39,637,307 | |
| | | | | | | | | | | | | |
| \$ | 18,097,643 | \$ | 18,567,224 | \$ | 16,907,228 | \$ | 15,581,657 | \$ | 15,072,881 | \$ | 14,724,134 | |
| | 5,236,204 | | 5,165,763 | | 4,901,873 | | 4,487,457 | | 4,572,032 | | 4,734,324 | |
| | 5,016,016 | | 3,564,504 | | 3,579,858 | | 3,328,064 | | 3,891,306 | | 3,839,779 | |
| | 1,632,924 | | 1,573,698 | | 1,468,740 | | 1,385,866 | | 512,669 | | 675,195 | |
| | 613,527 | | 671,629 | | 608,399 | | 571,052 | | 629,082 | | 583,015 | |
| | 5,291,154 | | 5,542,713 | | 5,522,904 | | 4,940,107 | | 5,026,556 | | 4,704,480 | |
| | 4,175,010 | | 4,203,928 | | 4,664,959 | | 3,732,309 | | 3,668,068 | | 3,341,979 | |
| | 725,305 | | 804,037 | | 717,449 | | 832,408 | | 637,396 | | 676,443 | |
| | - | | - | | - | | - | | - | | - | |
| | 14,866 | | 11,496 | | 10,887 | | 9,886 | | 1,319 | | 5,212 | |
| | 798,367 | | 2,964,203 | | 4,236,963 | | 7,902,878 | | 1,779,691 | | 4,755,728 | |
| | 9,565,000 | | 815,000 | | 785,000 | | 765,000 | | 790,000 | | 655,000 | |
| | 173,340 | | 405,120 | | 575,259 | | 192,520 | | 297,223 | | 309,704 | |
| | 1,605,501 | | 1,454,278 | | 1,372,445 | | 1,274,667 | | 1,219,600 | | 1,148,422 | |
| \$ | 52,944,857 | \$ | 45,743,593 | \$ | 45,351,964 | \$ | 45,003,871 | \$ | 38,097,823 | \$ | 40,153,415 | |

Bettendorf Community School District

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number | Grant Number | Federal Expenditures |
|---|----------------|-----------------|-------------------------|
| Indirect: | | | |
| U.S. Department of Agriculture: | | | |
| Iowa Department of Education: | | | |
| Child Nutrition Cluster Programs: | | | |
| School Breakfast Program | 10.553 | FY14 4552 | \$ 143,729 |
| National School Lunch Program | 10.555 | FY14 4553 | 625,814 |
| Commodities (Noncash) | 10.555 | FY14 | 63,109 |
| Commodities-Department of Defense (Noncash) | 10.555 | FY14 | 41,451 |
| Summer Food Service Program for Children | 10.559 | FY14 4556 | 9,694 |
| Total U.S. Department of Agriculture | | | <u>883,797</u> |
| U.S. Department of Education: | | | |
| Iowa Department of Education: | | | |
| Title I, Part A Cluster Programs: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | FY14 4501 | <u>376,370</u> |
| Special Education - Grants to States IDEA, Part B | 84.027 | FY14 4511 4525 | <u>4,068</u> |
| Safe and Drug-Free Schools and Communities | 84.184 | FY14 4647 | <u>859</u> |
| Education for Homeless Children and Youth | 84.196 | FY14 4565 | <u>38,000</u> |
| Twenty-first Century Community Learning Centers | 84.287 | FY14 4646 | <u>9,034</u> |
| Advanced Placement Program | 84.330 | FY14 4654 | <u>387</u> |
| Improving Teacher Quality State Grants | 84.367 | FY14 4643 | <u>93,473</u> |
| Grants for State Assessments and Related Activities | 84.369 | FY14 4648 | <u>24,299</u> |
| Mississippi Bend Area Education Agency: | | | |
| Special Education - Grants to States IDEA, Part B | 84.027 | FY14 4521 | <u>201,375</u> |
| Career and Technical Education - Basic Grants to States | 84.048 | FY14 4531 | <u>12,828</u> |
| Total U.S. Department of Education | | | <u>760,693</u> |
| U.S. Department of Health and Human Services: | | | |
| Community Action of Eastern Iowa: | | | |
| Headstart | 93.600 | FY14 | <u>75,675</u> |
| Total expenditures of federal awards | | | <u>\$ 1,720,165</u> |

See notes to schedule of expenditures of federal awards.

Bettendorf Community School District

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal grant activity of Bettendorf Community School District under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Bettendorf Community School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Bettendorf Community School District.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual or accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue from federal awards is recognized when the District has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal awards is recognized when it is both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

Bettendorf Community School District

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014**

| | Findings | Status | Corrective Action Plan or Other Explanation |
|---|---|----------------|---|
| Other Findings Related to Statutory Reporting: | | | |
| IV-A-13 | District disbursements exceeded the certified budget in the non-instructional program function. | Not corrected. | See response and corrective action plan at IV-A-14 |
| IV-B-13 | The District paid an invoice for items that were billed but not received by the District. | Corrected | |
| IV-M-13 | The District had one negative account in the Special Revenue, Student Activity Fund. | Not Corrected | See response and corrective action plan at IV-N-14. |
| IV-N-13 | The District had Student Activity Fund Accounts that were not student run organizations. | Corrected | |

**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
Bettendorf Community School District
Bettendorf, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bettendorf Community School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Bettendorf Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control 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 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 that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2014-003 to be a material weakness. A significant deficiency is a deficiency, or a 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 the accompanying Schedule of Findings and Questioned Costs as 2014-001 and 2014-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which 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, 2014 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.

District's Response to Findings

Bettendorf Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
May 12, 2015

**Independent Auditor's Report on Compliance For Each
Major Federal Program and Report on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Bettendorf Community School District's (the District) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance 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, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, however, material weaknesses or significant deficiencies may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
May 12, 2015

Bettendorf Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

Part I: Summary of the Independent Auditor's Results

- a) Unmodified opinions were issued on the financial statements.
- b) A material weakness and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any noncompliance which is material to the financial statements.
- d) No material weaknesses in internal control over major programs were noted.
- e) Type of auditor's reports issued on compliance for each major program: Unmodified
- f) There were no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) Major programs were as follows:
 - Child Nutrition Program Cluster:
 - CFDA 10.553 School Breakfast Program
 - CFDA 10.555 National School Lunch Program
 - CFDA 10.559 Summer Food Service Program for Children
- 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.

(Continued)

Bettendorf Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

Part II: Findings Related to the Basic Financial Statements

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

2014-001

Finding: The District has insufficient segregation of duties over the receipts process.

Condition: There are three positions that have access to cash receipts and posts to the general ledger. One of the positions is also responsible for making cash transfers.

Context: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to its completion.

Effect: Misappropriations of assets could occur and not be detected in a timely basis.

Cause: Individuals in the Administrative Office, Nutrition Office and Activities Office have the ability to collect cash, deposit cash and post to the subsidiary ledger and the general ledger.

Recommendation:

Administrative Office: Currently, when a payment is received at the Administrative Office it is routed to the Payroll Accountant/Medicaid Administrative Assistant for restrictive endorsement. This position completes the deposit slip and posts to the general ledger. Before, it is routed to the Payroll Accountant/Medicaid Administrative Assistant it is routed to the Director of Financial and Business Services. We recommend that when the mail is opened the checks be restrictively endorsed and forwarded to the Director of Financial and Business Services. The Director should prepare the deposit ticket and forward a copy of the deposit ticket and supporting information to the Payroll Accountant/Medicaid Administrative Assistant for posting to the general ledger.

Nutrition: To improve controls over the nutrition program, we recommend on a monthly basis, the Director of School Nutrition reconcile between Infinite Campus and the general ledger and resolve any differences.

Activities and High School: To improve internal controls over the activities accounts, we recommend the individual responsible for posting to the general ledger and reconciling to infinite campus be segregated from cash collections and depositing cash at the bank.

Response and corrective action plan: The District will realign and reassign duties where possible to improve internal controls over the District's transactions.

Bettendorf Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

Part II: Findings Related to the Basic Financial Statements (Continued)

2014-002

Finding: The District has insufficient segregation of duties over the payroll process.

Condition: Two individuals at the District have access to change the employee master file, including modifying pay rates and adding deductions; enter time to the payroll system, process the payroll and generate the payroll checks and direct deposits. These positions also have general ledger access.

Context: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to its completion.

Effect: Misappropriations of assets could occur and not be detected in a timely basis.

Cause: A limited number of personnel are involved in the payroll function.

Recommendation: Ideally, the position responsible for processing the payroll should be segregated from access to make employee master file changes. The District should evaluate the payroll software to determine if password protections within applications in regard to the master file could be limited to another position in office such as the Human Resource Administrative Assistant. If capabilities do not exist to restrict access, we provide the following recommendations to strengthen the District's internal control system:

- The District should determine if a payroll change/edit report can be printed from the payroll system. This report should list all changes made to the employee master files as well as extra pays or leave time added for the pay period. The changes on this report should be reviewed by a position independent from the payroll processing position.
- Through the financial institution, the District should require the ACH for direct deposits to have a two person approval authorization. An employee independent of payroll processing should be the final approval to authorize the ACH for the direct deposit. The second approval should review the payroll checks and direct deposit listing to look for any unknown employees and any unusual pay amounts. This position should compare the total pay amount to the prior payroll period and investigate any unusual variances in the total amount paid from one pay period to the next and compare totals to budget for any variances.

Response and Corrective Action Plan: The District will realign and reassign duties where possible to improve internal controls over the District's transactions.

Bettendorf Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

Part II: Findings Related to the Basic Financial Statements (Continued)

2014-003

Finding: The District has insufficient segregation of duties over the cash disbursement function.

Condition: One position has the responsibility of setting up new vendors in the system, enters invoices into the system to be paid, prints checks and after Board approval mails checks. This position also reconciles the bank statements.

Context: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to its completion.

Effect: Misappropriations of assets could occur and not be detected in a timely basis.

Cause: A limited number of personnel are involved in the cash disbursement function.

Recommendation: We recommend the District segregate the master vendor file to an individual separate from the disbursement function. In addition, we recommend that check sequence be tracked by someone independent of the cash disbursement function to ensure all checks are appropriately approved and accounted for and the bank reconciliation is performed by a separate individual.

Response and Corrective Action Plan: The District will realign and reassign duties where possible to improve internal controls over the District's transactions.

Part III: Findings and Questioned Costs for Federal Awards

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

No matters were reported.

Bettendorf Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

Part IV: Other Findings Related to Statutory Reporting

IV-A-14

Certified Budget –

Finding: Expenditures exceeded the budget in the other function prior to amendment. In addition, expenditures exceeded the amended budget in the instruction function and non-instructional function at year-end.

Recommendation: We recommend the District amend the budget prior to expenditures exceeding the original budget by function and in sufficient amounts to ensure the District is expending within budget as of year-end.

Response: The District will amend the budget prior to actual expenditures exceeding the amounts budgeted by function.

Conclusion: Response accepted.

IV-B-14

Questionable Expenditures- There were no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-14

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-14

Business Transactions – No business transactions between the District and District officials or employees were noted other than the following:

2013/2014 Related Party Business Transactions

| District Employee / Director | Business Transaction | Relationship to District Employee | Amount | Description |
|---|-----------------------------|--|---------------|-----------------------|
| Chris Howard and Katie Howard | Boyler's Ornamental Iron | Father-in-Law Father | \$ 5,535 | Supplies |
| Jimmy Casas | David Casas | Brother | \$ 300 | Professional Services |
| Lori Hintermeister | Downing Architects | Gary Hintermeister, Owner/Partner | \$ 279,283 | Architect Services |
| Dana Nichols | Downing Architects | Dave Nichols, owner/partner | \$ 279,283 | Architect Services |
| James Kadlec | Tee-Zone | Brother is the sole proprietor | \$ 1,266 | Apparel |

Bettendorf Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

Part IV: Other Findings Related to Statutory Reporting (Continued)

IV-E-14

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-14

Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-14

Certified Enrollment-

Finding: The District had a variance in the basic enrollment data certified to the Iowa Department of Education.

Recommendation: We recommend the District review enrollment data including open enrollments prior to the certification to the state.

Response: The District will review enrollment data prior to the state certification.

Conclusion: Response accepted.

IV-H-14

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

IV-I-14

Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-14

Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-14

Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Bettendorf Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

Part IV: Other Findings Related to Statutory Reporting (Continued)

IV-L-14

Statewide Sales and Services Tax – No instances of noncompliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax 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, 2014, the District reported the following information regarding the statewide sales and services tax revenue in the District’s CAR:

| | | |
|--|----|----------------|
| Beginning balance | \$ | 257,911 |
| Revenue / transfers in: | | |
| Statewide sales and services tax revenue | | 3,522,487 |
| Interest | | 799 |
| Transfers in/other | | - |
| Expenditures/transfers out: | | |
| Transfers out | | - |
| School infrastructure: | | |
| Buildings | | 2,958,969 |
| Ending balance | \$ | <u>822,228</u> |

For the year ended June 30, 2014, the District reduced the tax levy by not having a debt service levy of \$2.53 per \$1,000 of taxable valuation as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-14

Financial Condition: The District did not have any deficit fund balances as of June 30, 2014.

IV-N-14

Student Activity Fund –

Finding: The District had three negative accounts in the Special Revenue, Student Activity Fund as of June 30, 2014.

Recommendation: The District should continue to monitor the Student Activity Fund accounts and investigate alternatives to eliminate deficit balances. The District should review purchase approval procedures for the Student Activity Fund to ensure that the activity has funds available prior to the ordering of goods or services.

Bettendorf Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

Part IV: Other Findings Related to Statutory Reporting (Continued)

Response: These accounts will increase fundraising efforts during the coming year to ensure deficits are eliminated.

Conclusion: Response accepted.

IV-O-14

Other-

Finding: Two employees attended a conference in July 2014 where the hotel rooms and registration appeared to be paid for by a sales representative of the company that sponsored the conference. Acceptance of the offer from a restricted donor is a violation of the Iowa gift law.

Recommendation: The District should reimburse the company that sponsored the conference for any amounts paid for by the company.

Response: The District will investigate the situation and reimburse the company for any amounts that may have been paid for by the company. The District will also review with these employees the Iowa Gift law as it pertains to restricted vendors.

Conclusion: Response accepted.

Finding: Management informed us of the following transactions during the audit process:

- Hotel reward points were gained by an individual for hotel costs reimbursed by the District. Management noted the individual attempted to remove the reporting of reward points from the invoice. The District has a board policy on expenditures for public purpose that states that District funds are to be expended only for legitimate public purpose and not for private personal gain for which services of comparable value have not been rendered by the District.
- The District reimbursed an employee for a tux rental. The tux rental was for the employee's attendance at an awards event in which the employee was being honored for his work at the District. The cost to the District was approximately \$145. Both the Superintendent and the Business Manager approved the reimbursement request.
- Management informed us of an improper enrollment in which a student did not fit the age criteria for the program. Our understanding is that the District did not receive a headcount for that student.
- Management informed us that a HIPAA breach occurred. HIPAA is the federal Health Insurance Portability and Accountability Act of 1996. The primary goal of the law is to make it easier for people to keep health insurance, protect the confidentiality and security of healthcare information. Upon further inquiry, it appears to be a concern over access security not necessarily related to confidentiality of healthcare records. Significant deficiencies are reported over the significant transaction cycles of the District and would encompass access security.

Bettendorf Community School District

Schedule of Findings and Questioned Costs Year Ended June 30, 2014

- We discussed business meals reimbursed by the District overall. There appears to be inconsistent understanding in the District for when a meal is allowable for reimbursement.

Recommendation: The District needs to make all employees aware of the public purpose criteria of the Attorney General opinion dated April 25, 1979 and the Iowa Gift Ban Act. The District should inform and educate employees of the District's policies and procedures for proper documentation of public purpose and proper reimbursement requests. In addition, the District should consider whether policies and processes need to be updated to be clearer regarding allowable transactions. Specially, we have the following recommendations for the items above:

- The District should consider having all hotel arrangements made directly by administration and using District purchasing cards.
- The District should evaluate current processes for approving unusual or non-routine type transactions such as the tux rental.
- The District should review current policies over HIPAA and access controls.
- The District should establish clear and specific criteria for business meals.

Response: The District will investigate the situations listed above. The District will evaluate current processes and policies to determine how to improve compliance and understanding of policies. The District will review public purpose, the Iowa Gift law, and appropriate documentation with District employees.

Conclusion: Response accepted.

Bettendorf Community School District

Corrective Action Plan Year Ended June 30, 2014

| Current Number | Comment | Corrective Action Plan | Anticipated Date of Completion | Contact Person |
|--|---|---|--------------------------------|-------------------------------------|
| Findings Related to the Basic Financial Statements: | | | | |
| 2014-001 | The District has insufficient segregation of duties over the receipts process. | See response and corrective action plan at 2014-001 | Fiscal Year 2015 | Theron Shutte, Ph.D. Superintendent |
| 2014-002 | The District has insufficient segregation of duties over the payroll process. | See response and corrective action plan at 2014-002 | Fiscal Year 2015 | Theron Shutte, Ph.D. Superintendent |
| 2014-003 | The District has insufficient segregation of duties over the cash disbursement function. | See response and corrective action plan at 2014-003 | Fiscal Year 2015 | Theron Shutte, Ph.D. Superintendent |
| Other Findings Related to Required Statutory Reporting: | | | | |
| IV-A-14 | Expenditures exceeded budget in the other function prior to amendment. Expenditures exceeded amended budget in the instruction function and non-instructional function. | See response and corrective action plan at IV-A-14 | Fiscal Year 2015 | Theron Shutte, Ph.D. Superintendent |
| IV-D-14 | The District ordered apparel from a Company related to a para-educator. | See response and corrective action plan at IV-D-14 | Fiscal Year 2015 | Theron Shutte, Ph.D. Superintendent |
| IV-G-14 | The District had a variance in the basic enrollment data certified to the Iowa Department of Education. | See response and corrective action plan at IV-G-14 | Fiscal Year 2015 | Theron Shutte, Ph.D. Superintendent |
| IV-N-14 | The District had three negative accounts in the Student Activity Fund as of June 30, 2014. | See response and corrective action plan at IV-N-14 | Fiscal Year 2015 | Theron Shutte, Ph.D. Superintendent |
| IV-O-14 | Two employees from the District accepted an offer from a restricted donor in violation of the Iowa gift law. | See response and corrective action plan at IV-O-14 | Fiscal Year 2015 | Theron Shutte, Ph.D. Superintendent |
| IV-O-14 | District adherence to policies and procedures and proper documentation of public purpose and approval. | See response and corrective action plan at IV-O-14 | Fiscal Year 2015 | Theron Shutte, Ph.D. Superintendent |