



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_

August 25, 2016

Contact: Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Bettendorf Community School District in Bettendorf, Iowa.

The District's revenues totaled \$56,691,540 for the year ended June 30, 2015, a 3.4% increase over the prior year. Revenues included \$19,029,135 in local tax, \$3,819,272 of statewide sales, services and use tax, charges for service of \$7,759,287, operating grants, contributions and restricted interest of \$8,757,295, capital grants, contributions and restricted interest of \$4,098, unrestricted interest of \$17,408, unrestricted state grants of \$17,054,262 and other general revenues of \$250,783.

Expenses for District operations for the year ended June 30, 2015 totaled \$51,646,633, a 4.7% increase over the prior year. Expenses included \$23,551,627 for regular instruction, \$6,843,828 for administration and \$5,187,114 for special instruction

A copy of the audit report is available for review in the District Secretary's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1530-0621-B00F>.

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**BETTENDORF COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2015**

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**Bettendorf Community School District**

**Bettendorf Community School District**

**Officials**

| <u>Name</u>               | <u>Title</u>                                 | <u>Term Expires</u> |
|---------------------------|--|---------------------|
| <b>Board of Education</b> |  |                     |
| 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                |
| <b>School Officials</b>   |  |                     |
| Dr. Theron Schutte        | Superintendent                               | Indefinite          |
| Colleen Skolrood          | Board Secretary                              | Indefinite          |
| Tim Perkins               | Board Treasurer                              | Indefinite          |
| Maxine McEnany            | Director of Finance and<br>Business Services | Indefinite          |
| Lane & Waterman LLP       | Attorney                                     | Indefinite          |
| Ahlers & Cooney, P.C.     | Attorney                                     | Indefinite          |

**Bettendorf Community School District**





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Independent Auditor's Report

To the Board of Education of  
Bettendorf Community School District:

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 Bettendorf Community School District, Bettendorf Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements 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 U.S. generally accepted accounting principles. 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District'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 District'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 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 Bettendorf Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Emphasis of a Matter

As discussed in Note 13 to the financial statements, Bettendorf Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 11 through 20 and 52 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bettendorf Community School District's basic financial statements. The financial statements for the nine years ended June 30, 2014 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 9, 2016 on our consideration of Bettendorf Community School 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Bettendorf Community School District's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

August 9, 2016

**Bettendorf Community School District**

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

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Bettendorf Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- The District implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, during fiscal year 2015. The beginning net position for governmental activities and business type activities was restated by \$19,204,767 and \$425,988, respectively, to retroactively report the net pension liability as of July 1, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Pension expense for fiscal year 2014 and the net pension liability, deferred outflows of resources and deferred inflows of resources at June 30, 2014 were not restated because the information needed to restate those amounts was not available.
- General Fund revenues increased from \$44,392,792 in fiscal year 2014 to \$45,616,704 in fiscal year 2015, while General Fund expenditures increased from \$44,656,476 in fiscal year 2014 to \$45,885,369 in fiscal year 2015. The District's General Fund balance decreased from \$12,916,578 at the end of fiscal year 2014 to \$12,647,913 at the end of fiscal year 2015, a 2.1% decrease.
- The fiscal year 2015 General Fund revenue increase was attributable to increases in funding from state sources. The increase in expenditures is slightly less than the negotiated salary increase of 3.7%.

### **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 financial statements by providing information about the most significant funds. The remaining financial statements provide 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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

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

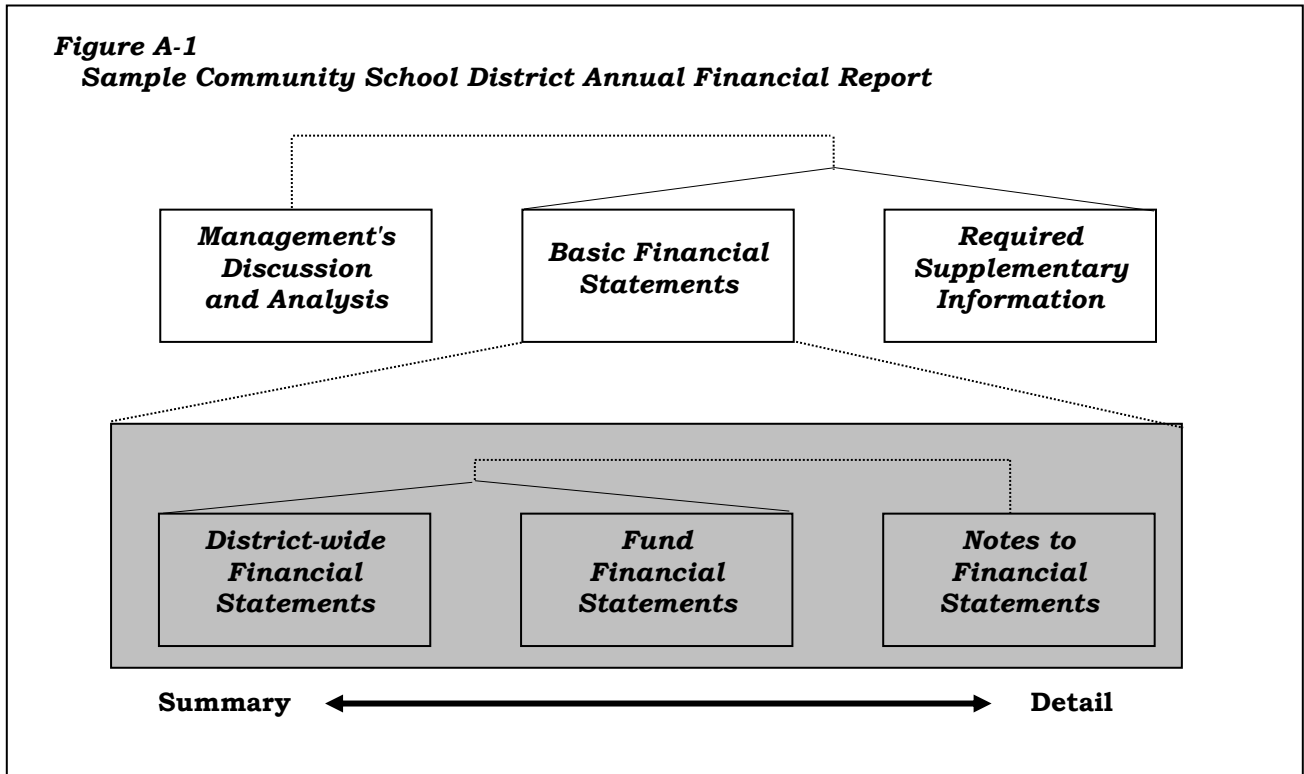


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

| <b>Figure A-2<br/>Major Features of the Government-wide and Fund Financial Statements</b> |  |  |  |   |
|---|--|--|--|---|
|   | Government-wide Statements   | Fund Statements  |  |   |
|   |  | Governmental Funds   | Proprietary Funds  | Fiduciary Funds   |
| Scope   | Entire District (except fiduciary funds)   | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance   | Activities the District operates similar to private businesses: food services and adult education  | Instances in which the District administers resources on behalf of someone else, such as scholarship programs                                     |
| Required financial statements   | <ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>  | <ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul> |
| Accounting basis and measurement focus  | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus  | Accrual accounting and economic resources focus   |
| Type of asset/ liability information  | All assets and liabilities, both financial and capital, short-term and long-term                                 | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included   | All assets and liabilities, both financial and capital, 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 deferred outflow/ inflow information  | Consumption/ acquisition of net position that is applicable to a future reporting period                         | Consumption/ acquisition of fund balance that is applicable to a future reporting period   | Consumption/ acquisition of net position that is applicable to a future reporting period   | Consumption/ acquisition of net position that is applicable to a future reporting period  |
| Type of inflow/ outflow information   | All revenues and expenses during year, regardless of when cash is received or paid                               | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid   | All additions and deductions during the year, regardless of when cash is received or paid   |

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects 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's Enterprise Fund is the School Nutrition Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one Internal Service Fund, the Self-Funded Insurance Fund.



The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund includes the Private-Purpose Trust Fund which accounts for outside donations for scholarships for individual students.

The District is responsible for ensuring the assets reported in the fiduciary fund 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 the fiduciary fund includes a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

|                                     | Governmental<br>Activities |         | Business Type<br>Activities |      | Total<br>District |         | Total<br>Change |
|-------------------------------------|----------------------------|---------|-----------------------------|------|-------------------|---------|-----------------|
|                                     | June 30,<br>2014           |         | June 30,<br>2014            |      | June 30,<br>2014  |         | June 30,        |
|                                     | (Not<br>restated)          |         | (Not<br>restated)           |      | (Not<br>restated) |         | 2014-2015       |
|                                     | 2015                       | 2015    | 2015                        | 2015 | 2015              | 2015    |                 |
| Current and other assets            | \$ 45,006                  | 45,398  | 403                         | 403  | 45,409            | 45,801  | -0.9%           |
| Capital assets                      | 56,884                     | 56,064  | 51                          | 63   | 56,935            | 56,127  | 1.4%            |
| Total assets                        | 101,890                    | 101,462 | 454                         | 466  | 102,344           | 101,928 | 0.4%            |
| Deferred outflows of resources      | 3,564                      | -       | 76                          | -    | 3,640             | -       | 100.0%          |
| Long-term liabilities               | 16,645                     | 1,700   | 350                         | 1    | 16,995            | 1,701   | 899.1%          |
| Other liabilities                   | 6,033                      | 6,809   | 39                          | 43   | 6,072             | 6,852   | -11.4%          |
| Total liabilities                   | 22,678                     | 8,509   | 389                         | 44   | 23,067            | 8,553   | 169.7%          |
| Deferred inflows of resources       | 22,765                     | 18,770  | 132                         | -    | 22,897            | 18,770  | 22.0%           |
| Net position:                       |                            |         |                             |      |                   |         |                 |
| Net investment in<br>capital assets | 56,884                     | 55,404  | 51                          | 63   | 56,935            | 55,467  | 2.6%            |
| Restricted                          | 6,657                      | 4,523   | -                           | -    | 6,657             | 4,523   | 47.2%           |
| Unrestricted                        | (3,530)                    | 14,256  | (43)                        | 359  | (3,573)           | 14,615  | -124.4%         |
| Total net position                  | \$ 60,011                  | 74,183  | 8                           | 422  | 60,019            | 74,605  | -19.6%          |

Prior to restatement, the District's total net position decreased 19.6%, or approximately \$14,586,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

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 increased approximately \$2,134,000, or 47.2%, over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects Fund.

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 from a balance of approximately \$14,615,000 at June 30, 2014 to a deficit of approximately \$3,573,000 at the end of the year primarily due to recording net pension liability as of July 1, 2014.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

| <b>Figure A-4</b>                                       |                            |                     |                             |                     |                     |                     |                 |
|---|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|-----------------|
| <b>Changes in Net Position</b>                          |                            |                     |                             |                     |                     |                     |                 |
| <b>(Expressed in Thousands)</b>                         |                            |                     |                             |                     |                     |                     |                 |
|   | Governmental<br>Activities |                     | Business Type<br>Activities |                     | Total<br>District   |                     | Total<br>Change |
|   | 2014                       |                     | 2014                        |                     | 2014                |                     |                 |
|   | 2015 (Not restated)        | 2015 (Not restated) | 2015 (Not restated)         | 2015 (Not restated) | 2015 (Not restated) | 2015 (Not restated) | 2014-2015       |
| Revenues:   |                            |                     |                             |                     |                     |                     |                 |
| Program revenues:                                       |                            |                     |                             |                     |                     |                     |                 |
| Charges for service                                     | \$ 6,900                   | 6,053               | 859                         | 926                 | 7,759               | 6,979               | 11.2%           |
| Operating grants, contributions and restricted interest | 7,790                      | 7,400               | 967                         | 898                 | 8,757               | 8,298               | 5.5%            |
| Capital grants, contributions and restricted interest   | 4                          | -                   | -                           | -                   | 4                   | -                   | 100.0%          |
| General revenues:                                       |                            |                     |                             |                     |                     |                     |                 |
| Property tax  | 19,029                     | 18,968              | -                           | -                   | 19,029              | 18,968              | 0.3%            |
| Statewide sales, services and use tax                   | 3,819                      | 3,698               | -                           | -                   | 3,819               | 3,698               | 100.0%          |
| Unrestricted state grants                               | 17,054                     | 16,522              | -                           | -                   | 17,054              | 16,522              | 3.2%            |
| Unrestricted investment earnings                        | 18                         | 21                  | -                           | -                   | 18                  | 21                  | -14.3%          |
| Other   | 251                        | 353                 | -                           | -                   | 251                 | 353                 | -28.9%          |
| Total revenues  | <u>54,865</u>              | <u>53,015</u>       | <u>1,826</u>                | <u>1,824</u>        | <u>56,691</u>       | <u>54,839</u>       | <u>3.4%</u>     |
| Program expenses:                                       |                            |                     |                             |                     |                     |                     |                 |
| Instruction   | 33,217                     | 32,641              | -                           | -                   | 33,217              | 32,641              | 1.8%            |
| Support services  | 14,952                     | 13,138              | -                           | -                   | 14,952              | 13,138              | 13.8%           |
| Non-instructional programs                              | 14                         | 18                  | -                           | -                   | 14                  | 18                  | -22.2%          |
| Other expenses  | 1,649                      | 1,605               | 1,815                       | 1,923               | 3,464               | 3,528               | -1.8%           |
| Total expenses  | <u>49,832</u>              | <u>47,402</u>       | <u>1,815</u>                | <u>1,923</u>        | <u>51,647</u>       | <u>49,325</u>       | <u>4.7%</u>     |
| Change in net position before transfers                 | 5,033                      | 5,613               | 11                          | (99)                | 5,044               | 5,514               | -8.5%           |
| Transfers, net  | -                          | (5)                 | -                           | 5                   | -                   | -                   | 0.0%            |
| Change in net position                                  | 5,033                      | 5,608               | 11                          | (94)                | 5,044               | 5,514               | -8.5%           |
| Net position beginning of year, as restated             | 54,978                     | 68,575              | (3)                         | 516                 | 54,975              | 69,091              | -20.4%          |
| Net position end of year                                | <u>\$ 60,011</u>           | <u>74,183</u>       | <u>8</u>                    | <u>422</u>          | <u>60,019</u>       | <u>74,605</u>       | <u>-19.6%</u>   |

In fiscal year 2015, property tax and unrestricted state grants accounted for 65.8% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue. The District's total revenues were approximately \$56.7 million, of which approximately \$54.9 million was for governmental activities and approximately \$1.8 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.4% increase in revenues and a 4.7% increase in expenses. Charges for service increased approximately \$780,000 to fund the increase in expenses. The increase in expenses is related to increases in negotiated salaries and benefits.

**Governmental Activities**

Revenues for governmental activities were \$54,865,311 and expenses were \$49,831,881 for the year ended June 30, 2015.

The following table presents the total and net cost of the District’s major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

|                            | Total Cost of Services |               |                     | Net Cost of Services |               |             |
|----------------------------|------------------------|---------------|---------------------|----------------------|---------------|-------------|
|                            | 2014                   |               | Change              | 2014                 |               | Change      |
|                            | 2015 (Not restated)    | 2014-2015     | 2015 (Not restated) | 2014-2015            |               |             |
| Instruction                | \$ 33,217              | 32,641        | 1.8%                | 20,558               | 21,825        | -5.8%       |
| Support services           | 14,952                 | 13,138        | 13.8%               | 14,549               | 12,106        | 20.2%       |
| Non-instructional programs | 14                     | 18            | -22.2%              | 14                   | 18            | -22.2%      |
| Other expenses             | 1,649                  | 1,605         | 2.7%                | 17                   | -             | 0.00%       |
| <b>Total</b>               | <b>\$ 49,832</b>       | <b>47,402</b> | <b>5.1%</b>         | <b>35,138</b>        | <b>33,949</b> | <b>3.5%</b> |

For the year ended June 30, 2015:

- The cost financed by users of the District’s programs was \$6,899,895.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$7,790,458.
- The net cost of governmental activities was financed with \$22,848,407 in property and other taxes and \$17,054,262 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities during the year ended June 30, 2015 were \$1,826,229, representing a .12% increase over the prior year, while expenses totaled \$1,814,752, a 5.6% decrease from the prior year. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, 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 \$18,093,965, a 12.97% increase over last year’s ending fund balances of \$16,017,186. The primary reason for the increase in fund balance is the decrease in expenditures for capital projects.

## **Governmental Fund Highlights**

- The General Fund balance decreased from \$12,916,578 to \$12,647,913 due, in part, to the negotiated salaries and benefits and existing expenditure commitments of the District.
- The Management Levy Fund balance increased from \$1,966,591 at the end of fiscal year 2014 to \$3,168,705 at the end of fiscal year 2015. Local tax revenue increased due to a \$.45 per \$1000 of taxable valuation increase in the management tax levy.
- The Capital Projects Fund balance increased from \$825,678 at June 30, 2014 to \$1,984,358 at June 30, 2015. The Capital Project's ending fund balance increased primarily due to decreased spending for facilities acquisition.

## **Proprietary Fund Highlights**

School Nutrition Fund net position increased from a restated deficit balance of \$3,346 at June 30, 2014 to \$8,131 at June 30, 2015, representing an increase of \$11,477. This restatement was due to recognizing the District's proportionate share of the net pension liability for the school nutrition program. Revenues remained steady while expenses decreased 5.6%. The expenses decreased due to the District reducing the employee Letter of Assignment by 15 minutes per day and changing the accounting functions for food service to the Business Office.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Bettendorf Community School District amended its budget one time to reflect additional expenditures associated with grants awarded after the initial budget was approved.

The District's total revenues were \$2,237,180 more than total budgeted revenues, a variance of 4.1%. The General Fund received more tuition, state and federal revenue than budgeted.

Total expenditures were less than budgeted, due primarily to the Capital Projects, Physical Plant and Equipment Levy Fund spending less than budgeted. It is Bettendorf Community School District's normal practice to amend the certified budget one time during each fiscal year. As a result, the District's certified budget should always exceed actual expenditures for the year.

The District's certified budget was not exceeded in any function.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, the District had invested approximately \$56.9 million, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation and maintenance equipment. (See Figure A-6) This represents a net increase of 1.4% over last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation/amortization expense for the year was \$3,054,587.

The original cost of the District's capital assets was approximately \$98.4 million. Governmental funds account for approximately \$97.8 million, with the remainder of approximately \$0.6 million accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation/Amortization**  
**(expressed in thousands)**

|                                   | Governmental |        | Business Type |      | Total    |        | Total     |
|-----------------------------------|--------------|--------|---------------|------|----------|--------|-----------|
|                                   | Activities   |        | Activities    |      | District |        | Change    |
|                                   | June 30,     |        | June 30,      |      | June 30, |        | June 30,  |
|                                   | 2015         | 2014   | 2015          | 2014 | 2015     | 2014   | 2014-2015 |
| Land                              | \$ 1,096     | 1,096  | -             | -    | 1,096    | 1,096  | 0.0%      |
| Construction in progress          | 15           | 3,574  | -             | -    | 15       | 3,574  | -99.6%    |
| Buildings                         | 50,878       | 49,687 | -             | -    | 50,878   | 49,687 | 2.4%      |
| Improvements other than buildings | 3,058        | 29     | 51            | 63   | 3,109    | 92     | 3279.3%   |
| Furniture and equipment           | 1,837        | 1,678  | -             | -    | 1,837    | 1,678  | 9.5%      |
| Total                             | \$ 56,884    | 56,064 | 51            | 63   | 56,935   | 56,127 | 1.4%      |

**Long-Term Debt**

At June 30, 2015, the District had approximately \$144,000 of lease purchase agreements outstanding. This represents a decrease of approximately 78% from last year. (See Figure A-7) Additional information about the District’s long-term debt is presented in Note 5 to the financial statements.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(expressed in thousands)**

|                           | Total    |      | Total     |
|---------------------------|----------|------|-----------|
|                           | District |      | Change    |
|                           | June 30, |      | June 30,  |
|                           | 2015     | 2014 | 2014-2015 |
| Lease purchase agreements | \$ 144   | 661  | -78.2%    |

**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 which could significantly affect its financial health in the future:

- Bettendorf County has advised the District its total taxable valuation will increase 5% for property tax collected in fiscal year 2016 due to the addition of two new industrial sites and the recent completion of property revaluation assessments.
- The District experienced enrollment growth of 150 students in the Fall of 2015. However, the next four years are projected to decrease by 35 students per year.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, three buses must be replaced during fiscal year 2016 at a cost of \$302,884. To pay for these buses, the District will use resources from the Capital Projects Fund.
- Settlements in excess of “new money” or supplemental state aid will continue to have an adverse effect on the District’s General Fund budget and related fund balance.
- The District has added seven new teacher positions beginning in the 2016/2017 school year to reduce class sizes. The District will need to look for ways to trim General Fund expenditures to accommodate the increased staffing.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Maxine McEnany, District Financial and Business Director, Bettendorf Community School District, 3311 18<sup>th</sup> Street, Bettendorf, Iowa 52722.

## **Basic Financial Statements**

Bettendorf Community School District

Statement of Net Position

June 30, 2015

|   | Governmental<br>Activities | Business Type<br>Activities | Total              |
|---|----------------------------|-----------------------------|--------------------|
| <b>Assets</b>   |                            |                             |                    |
| Cash, cash equivalents and pooled investments                   | \$ 25,022,044              | 341,004                     | 25,363,048         |
| Receivables:  |                            |                             |                    |
| Property tax:   |                            |                             |                    |
| Delinquent  | 190,355                    | -                           | 190,355            |
| Succeeding year   | 16,804,000                 | -                           | 16,804,000         |
| Accounts  | 238,837                    | 1,718                       | 240,555            |
| Due from other governments                                      | 2,633,627                  | 449                         | 2,634,076          |
| Inventories   | -                          | 59,467                      | 59,467             |
| Prepaid insurance   | 116,737                    | -                           | 116,737            |
| Capital assets, net of accumulated<br>depreciation/amortization | 56,884,231                 | 50,890                      | 56,935,121         |
| <b>Total assets</b>   | <b>101,889,831</b>         | <b>453,528</b>              | <b>102,343,359</b> |
| <b>Deferred Outflows of Resources</b>                           |                            |                             |                    |
| Pension related deferred outflows                               | 3,564,317                  | 75,784                      | 3,640,101          |
| <b>Liabilities</b>  |                            |                             |                    |
| Accounts payable  | 1,491,721                  | 1,956                       | 1,493,677          |
| Salaries and benefits payable                                   | 4,234,226                  | 1,476                       | 4,235,702          |
| Due to other governments  | 299,818                    | -                           | 299,818            |
| Advances from grantors  | 4,503                      | -                           | 4,503              |
| Unearned student meals  | -                          | 35,823                      | 35,823             |
| Accrued interest payable  | 2,670                      | -                           | 2,670              |
| Long-term liabilities:  |                            |                             |                    |
| Portion due within one year:                                    |                            |                             |                    |
| Lease purchase agreements                                       | 71,186                     | -                           | 71,186             |
| Compensated absences  | 298,828                    | -                           | 298,828            |
| Early retirement  | 196,322                    | -                           | 196,322            |
| Portion due after one year:                                     |                            |                             |                    |
| Lease purchase agreements                                       | 72,565                     | -                           | 72,565             |
| Early retirement  | 224,700                    | -                           | 224,700            |
| Net pension liability   | 15,629,714                 | 346,688                     | 15,976,402         |
| Net OPEB liability  | 151,979                    | 3,021                       | 155,000            |
| <b>Total liabilities</b>  | <b>22,678,232</b>          | <b>388,964</b>              | <b>23,067,196</b>  |
| <b>Deferred Inflows of Resources</b>                            |                            |                             |                    |
| Unavailable property tax revenue                                | 16,804,000                 | -                           | 16,804,000         |
| Pension related deferred inflows                                | 5,960,723                  | 132,217                     | 6,092,940          |
| <b>Total deferred inflows of resources</b>                      | <b>22,764,723</b>          | <b>132,217</b>              | <b>22,896,940</b>  |



Bettendorf Community School District

Statement of Net Position

June 30, 2015

|                                  | Governmental<br>Activities | Business Type<br>Activities | Total             |
|----------------------------------|----------------------------|-----------------------------|-------------------|
| <b>Net Position</b>              |                            |                             |                   |
| Net investment in capital assets | 56,884,231                 | 50,890                      | 56,935,121        |
| Restricted for:                  |                            |                             |                   |
| Categorical funding              | 1,504,256                  | -                           | 1,504,256         |
| Debt service                     | 154                        | -                           | 154               |
| Management levy purposes         | 2,837,706                  | -                           | 2,837,706         |
| Student activities               | 290,165                    | -                           | 290,165           |
| School infrastructure            | 1,628,938                  | -                           | 1,628,938         |
| Physical plant and equipment     | 396,016                    | -                           | 396,016           |
| Unrestricted                     | (3,530,273)                | (42,759)                    | (3,573,032)       |
| <b>Total net position</b>        | <b>\$ 60,011,193</b>       | <b>8,131</b>                | <b>60,019,324</b> |

See notes to financial statements.

Bettendorf Community School District

Statement of Activities

Year ended June 30, 2015

|   | Expenses             | Program Revenues    |   |   |
|---|----------------------|---------------------|---|---|
|   |                      | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| <b>Functions/Programs:</b>                  |                      |                     |   |   |
| Governmental activities:                    |                      |                     |   |   |
| Instruction:                                |                      |                     |   |   |
| Regular instruction                         | \$ 23,551,627        | 4,227,850           | 4,625,663   | -   |
| Special instruction                         | 5,187,114            | 1,778,918           | 480,005   | -   |
| Other instruction                           | 4,478,450            | 893,127             | 653,237   | 304   |
|   | <u>33,217,191</u>    | <u>6,899,895</u>    | <u>5,758,905</u>  | <u>304</u>  |
| Support services:                           |                      |                     |   |   |
| Student                                     | 1,780,100            | -                   | 218,106   | -   |
| Instructional staff                         | 733,047              | -                   | 181,783   | -   |
| Administration                              | 6,843,828            | -                   | -   | -   |
| Operation and maintenance of plant          | 4,725,337            | -                   | -   | 3,794   |
| Transportation                              | 870,057              | -                   | -   | -   |
|   | <u>14,952,369</u>    | <u>-</u>            | <u>399,889</u>  | <u>3,794</u>  |
| Non-instructional programs                  | 13,785               | -                   | -   | -   |
| Other expenditures:                         |                      |                     |   |   |
| Long-term debt interest                     | 16,872               | -                   | -   | -   |
| AEA flowthrough                             | 1,631,664            | -                   | 1,631,664   | -   |
|   | <u>1,648,536</u>     | <u>-</u>            | <u>1,631,664</u>  | <u>-</u>  |
| Total governmental activities               | <u>49,831,881</u>    | <u>6,899,895</u>    | <u>7,790,458</u>  | <u>4,098</u>  |
| Business type activities:                   |                      |                     |   |   |
| Non-instructional programs:                 |                      |                     |   |   |
| Food service operations                     | 1,814,752            | 859,392             | 966,837   | -   |
| Total                                       | <u>\$ 51,646,633</u> | <u>7,759,287</u>    | <u>8,757,295</u>  | <u>4,098</u>  |
| <b>General Revenues:</b>                    |                      |                     |   |   |
| Property tax levied for:                    |                      |                     |   |   |
| General purposes                            |                      |                     |   |   |
| Other specific purposes                     |                      |                     |   |   |
| Capital outlay                              |                      |                     |   |   |
| Statewide sales, services and use tax       |                      |                     |   |   |
| Unrestricted state grants                   |                      |                     |   |   |
| Unrestricted investment earnings            |                      |                     |   |   |
| Gain on disposition of assets               |                      |                     |   |   |
| Other                                       |                      |                     |   |   |
| Total general revenues                      |                      |                     |   |   |
| Change in net position                      |                      |                     |   |   |
| Net position beginning of year, as restated |                      |                     |   |   |
| Net position end of year                    |                      |                     |   |   |

See notes to financial statements.

| Net (Expense) Revenue<br>and Changes in Net Position |                             |              |
|--|-----------------------------|--------------|
| Governmental<br>Activities                           | Business Type<br>Activities | Total        |
| (14,698,114)   | -                           | (14,698,114) |
| (2,928,191)  | -                           | (2,928,191)  |
| (2,931,782)  | -                           | (2,931,782)  |
| (20,558,087)   | -                           | (20,558,087) |
| (1,561,994)  | -                           | (1,561,994)  |
| (551,264)  | -                           | (551,264)    |
| (6,843,828)  | -                           | (6,843,828)  |
| (4,721,543)  | -                           | (4,721,543)  |
| (870,057)  | -                           | (870,057)    |
| (14,548,686)   | -                           | (14,548,686) |
| (13,785)   | -                           | (13,785)     |
| (16,872)   | -                           | (16,872)     |
| -  | -                           | -            |
| (16,872)   | -                           | (16,872)     |
| (35,137,430)   | -                           | (35,137,430) |
| -  | 11,477                      | 11,477       |
| (35,137,430)   | 11,477                      | (35,125,953) |
| \$ 14,574,990  | -                           | 14,574,990   |
| 2,132,674  | -                           | 2,132,674    |
| 2,321,471  | -                           | 2,321,471    |
| 3,819,272  | -                           | 3,819,272    |
| 17,054,262   | -                           | 17,054,262   |
| 17,408   | -                           | 17,408       |
| 16,485   | -                           | 16,485       |
| 234,298  | -                           | 234,298      |
| 40,170,860   | -                           | 40,170,860   |
| 5,033,430  | 11,477                      | 5,044,907    |
| 54,977,763   | (3,346)                     | 54,974,417   |
| \$ 60,011,193  | 8,131                       | 60,019,324   |

**Exhibit C**

## Bettendorf Community School District

Balance Sheet  
Governmental Funds

June 30, 2015

|   | General              | Management<br>Levy | Capital<br>Projects | Nonmajor       | Total             |
|---|----------------------|--------------------|---------------------|----------------|-------------------|
| <b>Assets</b>   |                      |                    |                     |                |                   |
| Cash, cash equivalents and pooled investments                                 | \$ 15,121,309        | 3,146,663          | 1,553,961           | 320,235        | 20,142,168        |
| Receivables:  |                      |                    |                     |                |                   |
| Property tax:   |                      |                    |                     |                |                   |
| Delinquent  | 144,935              | 21,009             | 24,411              | -              | 190,355           |
| Succeeding year   | 13,067,000           | 1,647,000          | 2,090,000           | -              | 16,804,000        |
| Accounts  | 236,410              | 1,000              | -                   | 1,427          | 238,837           |
| Due from other governments  | 1,857,463            | 897                | 775,267             | -              | 2,633,627         |
| Prepaid insurance   | 116,737              | -                  | -                   | -              | 116,737           |
| <b>Total assets</b>   | <b>\$ 30,543,854</b> | <b>4,816,569</b>   | <b>4,443,639</b>    | <b>321,662</b> | <b>40,125,724</b> |
| <b>Liabilities, Deferred Inflows of Resources<br/>and Fund Balances</b>       |                      |                    |                     |                |                   |
| Liabilities:  |                      |                    |                     |                |                   |
| Accounts payable  | \$ 290,394           | 864                | 184,934             | 28,673         | 504,865           |
| Salaries and benefits payable   | 4,234,226            | -                  | -                   | -              | 4,234,226         |
| Advances from grantors  | 4,503                | -                  | -                   | -              | 4,503             |
| Due to other governments  | 299,818              | -                  | -                   | -              | 299,818           |
| Total liabilities   | 4,828,941            | 864                | 184,934             | 28,673         | 5,043,412         |
| Deferred inflows of resources:  |                      |                    |                     |                |                   |
| Unavailable revenues:   |                      |                    |                     |                |                   |
| Succeeding year property tax  | 13,067,000           | 1,647,000          | 2,090,000           | -              | 16,804,000        |
| Other   | -                    | -                  | 184,347             | -              | 184,347           |
| Total deferred inflows of resources   | 13,067,000           | 1,647,000          | 2,274,347           | -              | 16,988,347        |
| Fund balances:  |                      |                    |                     |                |                   |
| Nonspendable  |                      |                    |                     |                |                   |
| Prepaid insurance   | 116,737              | -                  | -                   | -              | 116,737           |
| Restricted for:   |                      |                    |                     |                |                   |
| Categorical funding   | 1,504,256            | -                  | -                   | -              | 1,504,256         |
| Debt service  | -                    | -                  | -                   | 2,824          | 2,824             |
| Management levy purposes  | -                    | 3,168,705          | -                   | -              | 3,168,705         |
| Student activities  | -                    | -                  | -                   | 290,165        | 290,165           |
| School infrastructure   | -                    | -                  | 1,588,342           | -              | 1,588,342         |
| Physical plant and equipment  | -                    | -                  | 396,016             | -              | 396,016           |
| Unassigned  | 11,026,920           | -                  | -                   | -              | 11,026,920        |
| Total fund balances   | 12,647,913           | 3,168,705          | 1,984,358           | 292,989        | 18,093,965        |
| <b>Total liabilities, deferred inflows of<br/>resources and fund balances</b> | <b>\$ 30,543,854</b> | <b>4,816,569</b>   | <b>4,443,639</b>    | <b>321,662</b> | <b>40,125,724</b> |

See notes to financial statements.

Bettendorf Community School District

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position

June 30, 2015

**Total fund balances of governmental funds (page 26)** \$ 18,093,965

**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. 56,884,231

The Internal Service Fund is used by management to charge the costs of the District's self-funded insurance plan to the governmental funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 3,893,020

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 184,347

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. (2,670)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

|                                |                    |             |
|--------------------------------|--------------------|-------------|
| Deferred outflows of resources | \$ 3,564,317       |             |
| Deferred inflows of resources  | <u>(5,960,723)</u> | (2,396,406) |

Long-term liabilities, including lease purchase agreements payable, compensated absences payable, early retirement liability payable, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (16,645,294)

**Net position of governmental activities (page 23)** \$ 60,011,193

See notes to financial statements.

Bettendorf Community School District

Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2015

|   | General              | Management<br>Levy | Capital<br>Projects | Nonmajor         | Total             |
|---|----------------------|--------------------|---------------------|------------------|-------------------|
| <b>Revenues:</b>  |                      |                    |                     |                  |                   |
| Local sources:  |                      |                    |                     |                  |                   |
| Local tax   | \$ 14,574,990        | 2,132,674          | 2,321,471           | -                | 19,029,135        |
| Tuition   | 4,680,371            | -                  | -                   | -                | 4,680,371         |
| Other   | 930,201              | 32,538             | 18,993              | 893,431          | 1,875,163         |
| Intermediate sources                                      | 12,965               | -                  | -                   | -                | 12,965            |
| State sources   | 23,550,677           | 6,246              | 3,818,422           | -                | 27,375,345        |
| Federal sources   | 1,867,500            | -                  | -                   | -                | 1,867,500         |
| <b>Total revenues</b>                                     | <b>45,616,704</b>    | <b>2,171,458</b>   | <b>6,158,886</b>    | <b>893,431</b>   | <b>54,840,479</b> |
| <b>Expenditures:</b>                                      |                      |                    |                     |                  |                   |
| Current:  |                      |                    |                     |                  |                   |
| Instruction:  |                      |                    |                     |                  |                   |
| Regular   | 21,811,177           | 344,792            | 152,993             | -                | 22,308,962        |
| Special   | 5,477,174            | -                  | -                   | -                | 5,477,174         |
| Other   | 3,550,675            | 2,400              | -                   | 908,781          | 4,461,856         |
|   | 30,839,026           | 347,192            | 152,993             | 908,781          | 32,247,992        |
| Support services:   |                      |                    |                     |                  |                   |
| Student   | 1,825,065            | 36,217             | -                   | -                | 1,861,282         |
| Instructional staff                                       | 765,554              | 2,400              | -                   | -                | 767,954           |
| Administration  | 6,113,207            | 86,469             | 156,625             | -                | 6,356,301         |
| Operation and maintenance of plant                        | 3,864,549            | 460,571            | 162,449             | -                | 4,487,569         |
| Transportation  | 845,272              | 23,742             | 73,308              | -                | 942,322           |
|   | 13,413,647           | 609,399            | 392,382             | -                | 14,415,428        |
| Non-instructional programs                                | 1,032                | 12,753             | -                   | -                | 13,785            |
| Other expenditures:                                       |                      |                    |                     |                  |                   |
| Facilities acquisition                                    | -                    | -                  | 3,923,853           | -                | 3,923,853         |
| Long-term debt:   |                      |                    |                     |                  |                   |
| Principal   | -                    | -                  | -                   | 516,776          | 516,776           |
| Interest  | -                    | -                  | -                   | 14,202           | 14,202            |
| AEA flowthrough   | 1,631,664            | -                  | -                   | -                | 1,631,664         |
|   | 1,631,664            | -                  | 3,923,853           | 530,978          | 6,086,495         |
| <b>Total expenditures</b>                                 | <b>45,885,369</b>    | <b>969,344</b>     | <b>4,469,228</b>    | <b>1,439,759</b> | <b>52,763,700</b> |
| Excess (deficiency) of revenues over (under) expenditures | (268,665)            | 1,202,114          | 1,689,658           | (546,328)        | 2,076,779         |
| Other financing sources (uses):                           |                      |                    |                     |                  |                   |
| Transfers in  | -                    | -                  | -                   | 530,978          | 530,978           |
| Transfers out   | -                    | -                  | (530,978)           | -                | (530,978)         |
| <b>Total other financing sources (uses)</b>               | <b>-</b>             | <b>-</b>           | <b>(530,978)</b>    | <b>530,978</b>   | <b>-</b>          |
| Change in fund balances                                   | (268,665)            | 1,202,114          | 1,158,680           | (15,350)         | 2,076,779         |
| Fund balances beginning of year                           | 12,916,578           | 1,966,591          | 825,678             | 308,339          | 16,017,186        |
| <b>Fund balances end of year</b>                          | <b>\$ 12,647,913</b> | <b>3,168,705</b>   | <b>1,984,358</b>    | <b>292,989</b>   | <b>18,093,965</b> |

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, 2015

**Change in fund balances - total governmental funds (page 28)** \$ 2,076,779

**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 Activities and are allocated over their estimated useful lives as depreciation/amortization expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation/amortization expense in the current year, as follows:

|                                   |                    |         |
|-----------------------------------|--------------------|---------|
| Expenditures for capital assets   | \$ 3,858,357       |         |
| Depreciation/amortization expense | <u>(3,054,587)</u> | 803,770 |

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 16,485

Because some revenues will not be collected for several months after year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds. 8,347

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 516,776

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (2,670)

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 2,415,950

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              | 201,039        |             |
| Compensated absences          | (37,200)       |             |
| Pension expense               | (1,237,303)    |             |
| Other postemployment benefits | <u>(6,350)</u> | (1,079,814) |

The Internal Service Fund is used by management to charge the costs of the District's self-funded insurance plan to governmental funds. The change in net position of the Internal Service Fund is reported in governmental activities. 277,807

**Change in net position of governmental activities (page 25)** \$ 5,033,430

See notes to financial statements.

Bettendorf Community School District

Statement of Net Position  
Proprietary Fund

June 30, 2015

|   | Business Type<br>Activities         | Governmental<br>Activities                        |
|---|-------------------------------------|---|
|   | Enterprise -<br>School<br>Nutrition | Internal<br>Service -<br>Self-Funded<br>Insurance |
| <b>Assets</b>                                   |                                     |   |
| Current assets:                                 |                                     |   |
| Cash and cash equivalents                       | \$ 341,004                          | 4,879,876   |
| Accounts receivable                             | 1,718                               | -   |
| Due from other governments                      | 449                                 | -   |
| Inventories                                     | 59,467                              | -   |
| Total current assets                            | 402,638                             | 4,879,876   |
| Noncurrent assets:                              |                                     |   |
| Capital assets, net of accumulated depreciation | 50,890                              | -   |
| <b>Total assets</b>                             | 453,528                             | 4,879,876   |
| <b>Deferred Outflows of Resources</b>           |                                     |   |
| Pension related deferred outflows               | 75,784                              | -   |
| <b>Liabilities</b>                              |                                     |   |
| Current liabilities:                            |                                     |   |
| Accounts payable                                | 1,956                               | 986,856   |
| Salaries and benefits payable                   | 1,476                               | -   |
| Unearned student meals                          | 35,823                              | -   |
| Total current liabilities                       | 39,255                              | 986,856   |
| Noncurrent liabilities:                         |                                     |   |
| Net pension liability                           | 346,688                             | -   |
| Net OPEB liability                              | 3,021                               | -   |
| Total noncurrent liabilities                    | 349,709                             | -   |
| <b>Total liabilities</b>                        | 388,964                             | 986,856   |
| <b>Deferred inflows of resources</b>            |                                     |   |
| Pension related deferred inflows                | 132,217                             | -   |
| <b>Net Position</b>                             |                                     |   |
| Net investment in capital assets                | 50,890                              | -   |
| Unrestricted                                    | (42,759)                            | 3,893,020   |
| <b>Total net position</b>                       | \$ 8,131                            | 3,893,020   |

See notes to financial statements.



Bettendorf Community School District

Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Proprietary Fund

Year ended June 30, 2015

|   | Business Type<br>Activities         | Governmental<br>Activities                        |
|---|-------------------------------------|---|
|   | Enterprise -<br>School<br>Nutrition | Internal<br>Service -<br>Self-Funded<br>Insurance |
| Operating revenues:                         |                                     |   |
| Local sources:                              |                                     |   |
| Charges for service                         | \$ 859,392                          | -   |
| Employee contributions                      | -                                   | 5,392,488   |
| Total operating revenues                    | 859,392                             | 5,392,488   |
| Operating expenses:                         |                                     |   |
| Support services:                           |                                     |   |
| Student:                                    |                                     |   |
| Services                                    | -                                   | 33,595  |
| Administration:                             |                                     |   |
| Purchased services                          | -                                   | 756,605   |
|   | -                                   | 790,200   |
| Non-instructional programs:                 |                                     |   |
| Food service operations:                    |                                     |   |
| Salaries                                    | 571,937                             | -   |
| Benefits                                    | 142,703                             | -   |
| Purchased services                          | 25,406                              | -   |
| Supplies                                    | 1,060,767                           | -   |
| Other                                       | 500                                 | -   |
| Depreciation                                | 13,439                              | -   |
| Other                                       | -                                   | 4,330,883   |
|   | 1,814,752                           | 4,330,883   |
| Total operating expenses                    | 1,814,752                           | 5,121,083   |
| Operating gain (loss)                       | (955,360)                           | 271,405   |
| Non-operating revenues:                     |                                     |   |
| State sources                               | 14,434                              | -   |
| Federal sources                             | 952,403                             | -   |
| Interest income                             | -                                   | 6,402   |
| Net non-operating revenues                  | 966,837                             | 6,402   |
| Change in net position                      | 11,477                              | 277,807   |
| Net position beginning of year, as restated | (3,346)                             | 3,615,213   |
| Net position end of year                    | \$ 8,131                            | 3,893,020   |

See notes to financial statements.

**Exhibit I**

## Bettendorf Community School District

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2015

|   | <u>Business Type</u><br><u>Activities</u> | <u>Governmental</u><br><u>Activities</u>          |
|---|---|---|
|   | Enterprise -<br>School<br>Nutrition       | Internal<br>Service -<br>Self-Funded<br>Insurance |
| Cash flows from operating activities:                     |   |   |
| Cash received from sale of lunches and breakfasts         | \$ 861,127                                | -   |
| Cash received from employee contributions                 | -   | 5,392,488   |
| Cash paid to employees for services                       | (741,702)                                 | -   |
| Cash paid to suppliers for goods or services              | (960,243)                                 | (5,029,661)                                       |
| Net cash provided (used) by operating activities          | <u>(840,818)</u>                          | <u>362,827</u>                                    |
| Cash flows from non-capital financing activities:         |   |   |
| State grants received                                     | 14,434                                    | -   |
| Federal grants received                                   | 833,249                                   | -   |
| Net cash provided by non-capital financing activities     | <u>847,683</u>                            | <u>-</u>  |
| Cash flows from capital and related financing activities: |   |   |
| Acquisition of capital assets                             | (1,009)                                   | -   |
| Cash flows from investing activities:                     |   |   |
| Interest on investments                                   | -   | 6,402   |
| Change in cash and cash equivalents                       | 5,856                                     | 369,229   |
| Cash and cash equivalents beginning of year               | 335,148                                   | 4,510,647   |
| Cash and cash equivalents end of year                     | <u>\$ 341,004</u>                         | <u>4,879,876</u>                                  |

See notes to financial statements.

Bettendorf Community School District

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2015

|   | Business Type<br>Activities         | Governmental<br>Activities                        |
|---|-------------------------------------|---|
|   | Enterprise -<br>School<br>Nutrition | Internal<br>Service -<br>Self-Funded<br>Insurance |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b> |                                     |   |
| Operating income (loss)   | \$ (955,360)                        | 271,405   |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                                     |   |
| Commodities used  | 125,243                             | -   |
| Depreciation  | 13,439                              | -   |
| Decrease in accounts receivable   | 213                                 | -   |
| Decrease in inventories   | 178                                 | -   |
| Increase in accounts payables   | 1,009                               | 91,422  |
| Decrease in salaries and benefits payable   | (5,745)                             | -   |
| Increase in unearned student meals  | 1,522                               | -   |
| Decrease in net pension liability   | (130,381)                           | -   |
| Increase in deferred outflows of resources  | (24,703)                            | -   |
| Increase in deferred inflows of resources   | 132,217                             | -   |
| Increase in other postemployment benefits   | 1,550                               | -   |
| Net cash provided (used) by operating activities  | <u>\$ (840,818)</u>                 | <u>362,827</u>                                    |

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2015, the District received \$125,243 of federal commodities.

See notes to financial statements.

Bettendorf Community School District

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2015

|   | <u>Private Purpose<br/>Trust<br/>Scholarship</u> |
|---|--|
| <b>Assets</b>                                 |  |
| Cash, cash equivalents and pooled investments | <u>\$ 23,253</u>                                 |
| <b>Net position</b>                           |  |
| Resricted for scholarships                    | <u>\$ 23,253</u>                                 |

See notes to financial statements.

Bettendorf Community School District  
 Statement of Changes in Fiduciary Net Position  
 Fiduciary Funds

Year ended June 30, 2015

|                                | Private Purpose<br>Trust |
|--------------------------------|--------------------------|
|                                | Scholarship              |
| Additions:                     |                          |
| Local sources:                 |                          |
| Gifts and contributions        | \$ 9,286                 |
| Deductions:                    |                          |
| Regular instruction            | 4,069                    |
| Scholarships awarded           | 3,400                    |
| Total deductions               | 7,469                    |
| Change in net position         | 1,817                    |
| Net position beginning of year | 21,436                   |
| Net position end of year       | \$ 23,253                |

See notes to financial statements.

Bettendorf Community School District

Notes to Financial Statements

June 30, 2015

**(1) Summary of Significant Accounting Policies**

Bettendorf Community School District is a political subdivision of the State of Iowa and provides elementary and secondary education to the citizens of the District. The District encompasses an area within Scott County, 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. The District is governed by a Board of Education whose seven members are elected 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.

A. Reporting Entity

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

Jointly Governed Organization – 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.

B. Basis of Presentation

Government-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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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 segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 Management Levy Fund is used to account for management fund tax levies and for tort liability insurance premiums, unemployment compensation insurance claims and early retirement incentive payments.

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

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

Additionally, the District reports another proprietary fund. The Internal Service Fund, Self-Funded Insurance Fund is used to account for the self-funded health insurance and dental insurance plans.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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



D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments – 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 non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a 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 the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-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 repair 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                              | \$ 2,000 |
| Buildings                         | 5,000    |
| Improvements other than buildings | 5,000    |
| Intangibles                       | 200,000  |
| Furniture and equipment:          |          |
| School Nutrition Fund equipment   | 500      |
| Other furniture and equipment     | 5,000    |

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

| Asset Class                       | Estimated Useful Lives (In Years) |
|-----------------------------------|-----------------------------------|
| Buildings                         | 50                                |
| Improvements other than buildings | 20                                |
| Intangibles                       | 5-10                              |
| Furniture and equipment           | 5-15                              |

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental 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 at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in nonspendable form or because they are legally or contractually required to be maintained 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 are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did not exceed the amount budgeted in any program function.

**(2) Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2015 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 ensure 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, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,636,404 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u>                                      | <u>Amount</u>     |
|--------------------|---|-------------------|
| Debt Service       | Capital Projects:<br>Physical Plant and<br>Equipment Levy | <u>\$ 530,978</u> |

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2015 was as follows:

|   | <u>Balance</u>   |                  |                  | <u>Balance</u> |
|---|------------------|------------------|------------------|----------------|
|   | <u>Beginning</u> |                  |                  | <u>End</u>     |
|   | <u>of year</u>   | <u>Increases</u> | <u>Decreases</u> | <u>of Year</u> |
| <b>Governmental activities:</b>                       |                  |                  |                  |                |
| Capital assets not being depreciated/amortized:       |                  |                  |                  |                |
| Land  | \$ 1,095,812     | -                | -                | 1,095,812      |
| Construction in progress                              | 3,574,325        | 3,200,127        | 6,759,833        | 14,619         |
| Total capital assets not being depreciated            | 4,670,137        | 3,200,127        | 6,759,833        | 1,110,431      |
| Capital assets being depreciated/amortized:           |                  |                  |                  |                |
| Buildings   | 81,317,032       | 3,576,171        | -                | 84,893,203     |
| Improvements other than buildings                     | 184,544          | 3,193,510        | -                | 3,378,054      |
| Furniture and equipment                               | 7,814,857        | 667,882          | (99,539)         | 8,383,200      |
| Intangible assets                                     | -                | -                | -                | -              |
| Total capital assets being depreciated/amortized      | 89,316,433       | 7,437,563        | (99,539)         | 96,654,457     |
| Less accumulated depreciation/amortization for:       |                  |                  |                  |                |
| Buildings   | 31,630,394       | 2,384,740        | -                | 34,015,134     |
| Improvements other than buildings                     | 155,548          | 164,273          | -                | 319,821        |
| Furniture and equipment                               | 6,136,652        | 505,574          | (96,524)         | 6,545,702      |
| Intangible assets                                     | -                | -                | -                | -              |
| Total accumulated depreciation/amortization           | 37,922,594       | 3,054,587        | (96,524)         | 40,880,657     |
| Total capital assets being depreciated/amortized, net | 51,393,839       | 4,382,976        | (3,015)          | 55,773,800     |
| Governmental activities capital assets, net           | \$ 56,063,976    | 7,583,103        | 6,756,818        | 56,884,231     |
| <b>Business type activities:</b>                      |                  |                  |                  |                |
| Furniture and equipment                               | \$ 615,235       | 1,009            | -                | 616,244        |
| Less accumulated depreciation                         | 551,915          | 13,439           | -                | 565,354        |
| Business type activities capital assets, net          | \$ 63,320        | (12,430)         | -                | 50,890         |

Depreciation/amortization expense was charged to the following functions:

Depreciation/amortization expense was charged to the following functions:

Governmental activities:

Instruction:

|         |              |
|---------|--------------|
| Regular | \$ 2,665,057 |
| Special | 336          |
| Other   | 199,682      |

Support services:

|                                    |        |
|------------------------------------|--------|
| Administration                     | 39,081 |
| Operation and maintenance of plant | 75,542 |
| Transportation                     | 74,889 |

Total depreciation/amortization expense - governmental activities

\$ 3,054,587

Business type activities:

|                         |           |
|-------------------------|-----------|
| Food service operations | \$ 13,439 |
|-------------------------|-----------|

**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

|                          | Balance<br>Beginning<br>of Year<br>(as restated) | Additions | Reductions | Balance<br>End<br>of Year | Due<br>Within<br>One Year |
|--------------------------|--|-----------|------------|---------------------------|---------------------------|
| Governmental activities: |  |           |            |                           |                           |
| Computer leases          | \$ 660,527                                       | -         | 516,776    | 143,751                   | 71,186                    |
| Compensated absences     | 272,332  | 360,819   | 334,323    | 298,828                   | 298,828                   |
| Early retirement         | 622,061  | 132,422   | 333,461    | 421,022                   | 196,322                   |
| Net pension liability    | 21,507,666                                       | -         | 5,877,952  | 15,629,714                | -                         |
| Net OPEB liability       | 145,629  | 398,350   | 392,000    | 151,979                   | -                         |
| Total                    | \$ 23,208,215                                    | 891,591   | 7,454,512  | 16,645,294                | 566,336                   |

|                           | Balance<br>Beginning<br>of Year<br>(as restated) | Additions | Reductions | Balance<br>End<br>of Year | Due<br>Within<br>One Year |
|---------------------------|--|-----------|------------|---------------------------|---------------------------|
| Business type activities: |  |           |            |                           |                           |
| Compensated absences      | \$ 4,314   | -         | 4,314      | -                         | -                         |
| Net pension liability     | 477,069  | -         | 130,381    | 346,688                   | -                         |
| Net OPEB liability        | 1,471  | 1,550     | -          | 3,021                     | -                         |
| Total                     | \$ 478,540                                       | 1,550     | 130,381    | 349,709                   | -                         |

Lease Purchase Agreements

Details of the District's June 30, 2015 computer lease purchase agreements are as follows:

| Year<br>Ending<br>June 30, | Interest Rate | Principal  | Interest | Total   |
|----------------------------|---------------|------------|----------|---------|
| 2016                       | 1.9%          | \$ 71,186  | 2,784    | 73,970  |
| 2017                       | 1.9           | 72,565     | 1,405    | 73,970  |
| Total                      |               | \$ 143,751 | 4,189    | 147,940 |

During the year ended June 30, 2015, the District paid principal of \$516,776 and interest of \$14,202 on the lease purchase agreements.

**(6) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member’s first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member’s highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member’s monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member’s earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member’s lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member’s beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member’s accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% for a total rate of 14.88%.

The District’s contributions to IPERS for the year ended June 30, 2015 were \$2,466,262.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$15,976,402 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.4028437%, which was an increase of 0.019946% over its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$1,264,749. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience   | \$ 173,633                        | -                                |
| Changes of assumptions   | 705,075                           | -                                |
| Net difference between projected and actual earnings on pension plan investments   | -                                 | 6,092,940                        |
| Changes in proportion and differences between District contributions and the District's proportionate share of contributions | 295,131                           | -                                |
| District contributions subsequent to the measurement date  | 2,466,262                         | -                                |
| Total  | <u>\$ 3,640,101</u>               | <u>6,092,940</u>                 |

\$2,466,262 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Amount                |
|------------------------|-----------------------|
| 2016                   | \$ (1,248,974)        |
| 2017                   | (1,248,974)           |
| 2018                   | (1,248,974)           |
| 2019                   | (1,248,974)           |
| 2020                   | 76,795                |
| Total                  | <u>\$ (4,919,101)</u> |

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

|  |   |
|--|---|
| Rate of inflation<br>(effective June 30, 2014)                   | 3.00% per annum.  |
| Rates of salary increase<br>(effective June 30, 2010)            | 4.00 to 17.00% average, including inflation.<br>Rates vary by membership group. |
| Long-term investment rate of return<br>(effective June 30, 1996) | 7.50% compounded annually, net of investment expense, including inflation.      |

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class            | Asset Allocation | Long-Term Expected Real Rate of Return |
|------------------------|------------------|--|
| US Equity              | 23%              | 6.31%                                  |
| Non US Equity          | 15               | 6.76                                   |
| Private Equity         | 13               | 11.34                                  |
| Real Estate            | 8                | 3.52                                   |
| Core Plus Fixed Income | 28               | 2.06                                   |
| Credit Opportunities   | 5                | 3.67                                   |
| TIPS                   | 5                | 1.92                                   |
| Other Real Assets      | 2                | 6.27                                   |
| Cash                   | 1                | (0.69)                                 |
| Total                  | 100%             |  |

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.



Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

|   | 1%<br>Decrease<br>(6.50%) | Discount<br>Rate<br>(7.50%) | 1%<br>Increase<br>(8.50%) |
|---|---------------------------|-----------------------------|---------------------------|
| District's proportionate share of the net pension liability | \$ 30,186,964             | 15,976,402                  | 3,981,217                 |

IPERS Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(7) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 403 active and 68 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a self-insured plan with stop-loss coverage provided by Wellmark Blue Cross and Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate 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 which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

|  |                   |
|--|-------------------|
| Annual required contribution               | \$ 399,000        |
| Interest on net OPEB obligation            | 6,000             |
| Adjustment to annual required contribution | <u>(5,100)</u>    |
| Annual OPEB cost                           | 399,900           |
| Contributions made                         | <u>(392,000)</u>  |
| Increase in net OPEB obligation            | 7,900             |
| Net OPEB obligation beginning of year      | <u>147,100</u>    |
| Net OPEB obligation end of year            | <u>\$ 155,000</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$392,000 to the medical plan. Plan members eligible for benefits contributed \$221,000, or 36% of the premium costs.

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

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------|------------------|--|---------------------|
| 2013                | \$ 535,997       | 92.4%                                      | \$ 102,000          |
| 2014                | 540,100          | 91.7                                       | 147,100             |
| 2015                | 399,900          | 98.0                                       | 155,000             |

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was approximately \$4,045,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$4,045,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$27,618,000 and the ratio of the UAAL to covered payroll was 14.6%. As of June 30, 2015, 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 for the Retiree Health Plan, 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.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques 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, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.25% discount rate based on the District's funding policy. The projected annual medical trend rate is 8.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2014 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014.

Projected claim costs of the medical plan are \$758 per month for retirees less than age 65 and \$486 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) 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 on or before August 1, 2015 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 \$45 per day will be deposited into the HRA on a one-time basis.

As of June 30, 2015, the District had obligations to 52 participants with a total liability of \$421,022. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$295,844. Early retirement is recorded as a long-term liability of Governmental Activities in the Government Wide financial statements. Early Retirement obligations are typically liquidated by the Management Fund or General Fund.

**(9) Risk Management**

The 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.

**(10) Employee Health Insurance Plan**

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.

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, 2015 is as follows:

| Self-Insurance Liability | Beginning  | Claims and<br>Changes in<br>Estimate | Claim<br>Payments | Ending     |
|--------------------------|------------|--------------------------------------|-------------------|------------|
| 2015                     | \$ 628,469 | \$ 4,228,300                         | \$ 4,143,581      | \$ 713,188 |

**(11) 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 \$1,631,664 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(12) Categorical Funding**

The District’s restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs.

| <u>Program</u>                                  | <u>Amount</u>       |
|---|---------------------|
| Gifted and Talented                             | \$ 202,292          |
| Early Literacy                                  | 22,068              |
| At Risk   | 503,784             |
| Teacher salary supplement                       | 36,288              |
| Voluntary Preschool                             | 309,671             |
| Home school assistance program and Textbook Aid | 34,459              |
| Mentoring Program                               | 29,677              |
| Educator quality, professional development      | 366,017             |
| Total   | <u>\$ 1,504,256</u> |

**(13) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB Statement No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

|   | <u>Governmental<br/>Activities</u> | <u>Business type<br/>Activities</u> |
|---|------------------------------------|-------------------------------------|
| Net position June 30, 2014, as previously reported  | \$ 74,182,530                      | 422,642                             |
| Net pension liability at June 30, 2014  | (21,507,666)                       | (477,069)                           |
| Deferred outflows of resources<br>related to contributions made after the<br>June 30, 2013 measurement date | 2,302,899                          | 51,081                              |
| Net position July 1, 2014, as restated  | <u>\$ 54,977,763</u>               | <u>(3,346)</u>                      |

**(14) Subsequent Events**

Construction Projects – August 2015, the District entered into a construction contract with Bush Construction for \$575,000 for construction on the North Tennis Court at the High School. In March 2016, the District entered into a construction contract for \$1,036,000 with Bush Construction for construction on the High School’s South Tennis Courts, Middle School Tennis Courts and Pickleball Courts, and a Restroom Pavilion. In May 2016, the District entered into a contract with Centennial Contractors for \$1,182,693 for Middle School pavement improvements.

**Required Supplementary Information**

Bettendorf Community School District

Budgetary Comparison Schedule of  
Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2015

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Fund<br>Actual | Total<br>Actual |
|---|---------------------------------|-------------------------------|-----------------|
| <b>Revenues:</b>  |                                 |                               |                 |
| Local sources   | \$ 25,584,669                   | 6,258,282                     | 31,842,951      |
| Intermediate sources  | 12,965                          | -                             | 12,965          |
| State sources   | 27,375,345                      | 14,434                        | 27,389,779      |
| Federal sources   | 1,867,500                       | 952,403                       | 2,819,903       |
| Total revenues  | 54,840,479                      | 7,225,119                     | 62,065,598      |
| <b>Expenditures/Expenses:</b>   |                                 |                               |                 |
| Instruction   | 32,247,992                      | -                             | 32,247,992      |
| Support services  | 14,415,428                      | 790,200                       | 15,205,628      |
| Non-instructional programs  | 13,785                          | 6,145,635                     | 6,159,420       |
| Other expenditures  | 6,086,495                       | -                             | 6,086,495       |
| Total expenditures/expenses   | 52,763,700                      | 6,935,835                     | 59,699,535      |
| Deficiency of revenues under<br>expenditures/expenses   | 2,076,779                       | 289,284                       | 2,366,063       |
| Other financing sources, net  | -                               | -                             | -               |
| Excess (deficiency) of revenues and other financing<br>sources over (under) expenditures/expenses and<br>other financing uses | 2,076,779                       | 289,284                       | 2,366,063       |
| Balances beginning of year  | 16,017,186                      | 3,611,867                     | 19,629,053      |
| Balances end of year  | \$ 18,093,965                   | 3,901,151                     | 21,995,116      |

See accompanying independent auditor's report.

| Less Funds<br>Not Required<br>to be Budgeted | Net        | Budgeted Amounts |             | Final to<br>Actual<br>Variance |
|--|------------|------------------|-------------|--------------------------------|
|  |            | Original         | Final       |                                |
| 5,398,890                                    | 26,444,061 | 25,477,796       | 25,477,796  | 966,265                        |
| -  | 12,965     | 200              | 200         | 12,765                         |
| -  | 27,389,779 | 26,511,532       | 26,511,532  | 878,247                        |
| -  | 2,819,903  | 2,440,000        | 2,440,000   | 379,903                        |
| 5,398,890                                    | 56,666,708 | 54,429,528       | 54,429,528  | 2,237,180                      |
| -  | 32,247,992 | 32,763,189       | 33,886,855  | 1,638,863                      |
| 790,200                                      | 14,415,428 | 14,718,914       | 14,773,521  | 358,093                        |
| 4,330,883                                    | 1,828,537  | 1,832,600        | 1,892,706   | 64,169                         |
| -  | 6,086,495  | 6,286,250        | 6,286,250   | 199,755                        |
| 5,121,083                                    | 54,578,452 | 55,600,953       | 56,839,332  | 2,260,880                      |
| 277,807                                      | 2,088,256  | (1,171,425)      | (2,409,804) | 4,498,060                      |
| -  | -          | 264,246          | 264,246     | (264,246)                      |
| 277,807                                      | 2,088,256  | (907,179)        | (2,145,558) | 4,233,814                      |
| 3,615,213                                    | 16,013,840 | 15,968,146       | 15,968,146  | 45,694                         |
| 3,893,020                                    | 18,102,096 | 15,060,967       | 13,822,588  | 4,279,508                      |

Bettendorf Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2015

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional 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 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 \$1,238,379.

During the year ended June 30, 2015, expenditures did not exceed the amount budgeted in any program function.



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Bettendorf Community School District

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
(In Thousands)

Required Supplementary Information

|   | <u>2015</u> |
|---|-------------|
| District's proportion of the net pension liability  | 0.4028437%  |
| District's proportionate share of the net pension liability   | \$ 15,976   |
| District's covered-employee payroll   | \$ 26,361   |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 60.60%      |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 87.61%      |

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

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Bettendorf Community School District

Schedule of District Contributions

Iowa Public Employees' Retirement System  
Last Ten Fiscal Years  
(In Thousands)

Required Supplementary Information

|   | <u>2015</u>    | <u>2014</u>    | <u>2013</u>    | <u>2012</u>    |
|---|----------------|----------------|----------------|----------------|
| Statutorily required contribution                                     | \$ 2,466       | 2,354          | 2,179          | 2,012          |
| Contributions in relation to the<br>statutorily required contribution | <u>(2,466)</u> | <u>(2,354)</u> | <u>(2,179)</u> | <u>(2,012)</u> |
| Contribution deficiency (excess)                                      | <u>\$ -</u>    | <u>-</u>       | <u>-</u>       | <u>-</u>       |
| District's covered-employee payroll                                   | \$ 27,618      | 26,361         | 25,127         | 24,932         |
| Contributions as a percentage of<br>covered-employee payroll          | 8.93%          | 8.93%          | 8.67%          | 8.07%          |

See accompanying independent auditor's report.

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| <u>2011</u>    | <u>2010</u>    | <u>2009</u>    | <u>2008</u>    | <u>2007</u>    | <u>2006</u>    |
|----------------|----------------|----------------|----------------|----------------|----------------|
| 1,682          | 1,633          | 1,541          | 1,359          | 1,216          | 1,202          |
| <u>(1,682)</u> | <u>(1,633)</u> | <u>(1,541)</u> | <u>(1,359)</u> | <u>(1,216)</u> | <u>(1,202)</u> |
| -              | -              | -              | -              | -              | -              |
| 24,207         | 24,564         | 24,273         | 22,466         | 21,144         | 20,912         |
| 6.95%          | 6.65%          | 6.35%          | 6.05%          | 5.75%          | 5.75%          |

Bettendorf Community School District

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

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Bettendorf Community School District

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial 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) |
|---------------------|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|---|
| 2010                | Jul 1, 2008              | -                             | \$ 3,646                              | 3,646                     | 0.0%               | \$ 24,975           | 14.6%   |
| 2011                | Jul 1, 2010              | -                             | 4,432                                 | 4,432                     | 0.0                | 25,005              | 17.7  |
| 2012                | Jul 1, 2010              | -                             | 4,432                                 | 4,432                     | 0.0                | 25,383              | 17.5  |
| 2013                | Jul 1, 2012              | -                             | 5,263                                 | 5,263                     | 0.0                | 25,651              | 20.5  |
| 2014                | Jul 1, 2012              | -                             | 5,263                                 | 5,263                     | 0.0                | 26,389              | 19.9  |
| 2015                | Jul 1, 2014              | -                             | 4,045                                 | 4,045                     | 0.0                | 27,618              | 14.6  |

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

## **Supplementary Information**

**Schedule 1**

## Bettendorf Community School District

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2015

|   | Special<br>Revenue  |                 |                |
|---|---------------------|-----------------|----------------|
|   | Student<br>Activity | Debt<br>Service | Total          |
| <b>Assets</b>                                 |                     |                 |                |
| Cash, cash equivalents and pooled investments | \$ 317,411          | 2,824           | 320,235        |
| Accounts receivable                           | 1,427               | -               | 1,427          |
| <b>Total assets</b>                           | <b>\$ 318,838</b>   | <b>2,824</b>    | <b>321,662</b> |
| <b>Liabilities and Fund Balances</b>          |                     |                 |                |
| Liabilities:                                  |                     |                 |                |
| Accounts payable                              | \$ 28,673           | -               | 28,673         |
| Fund balances:                                |                     |                 |                |
| Restricted for:                               |                     |                 |                |
| Debt Service                                  | -                   | 2,824           | 2,824          |
| Student activities                            | 290,165             | -               | 290,165        |
| Total fund balances                           | 290,165             | 2,824           | 292,989        |
| <b>Total liabilities and fund balances</b>    | <b>\$ 318,838</b>   | <b>2,824</b>    | <b>321,662</b> |

See accompanying independent auditor's report.



## Bettendorf Community School District

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2015

|   | Special Revenue  |              |           |
|---|------------------|--------------|-----------|
|   | Student Activity | Debt Service | Total     |
| Revenues:                                 |                  |              |           |
| Local sources:                            |                  |              |           |
| Other                                     | \$ 893,431       | -            | 893,431   |
| Expenditures:                             |                  |              |           |
| Current:                                  |                  |              |           |
| Instruction:                              |                  |              |           |
| Other                                     | 908,781          | -            | 908,781   |
| Long-term debt:                           |                  |              |           |
| Principal                                 | -                | 516,776      | 516,776   |
| Interest                                  | -                | 14,202       | 14,202    |
| Total expenditures                        | 908,781          | 530,978      | 1,439,759 |
| Deficiency of revenues under expenditures | (15,350)         | (530,978)    | (546,328) |
| Other financing sources:                  |                  |              |           |
| Transfers in                              | -                | 530,978      | 530,978   |
| Change in fund balances                   | (15,350)         | -            | (15,350)  |
| Fund balances beginning of year           | 305,515          | 2,824        | 308,339   |
| Fund balances end of year                 | \$ 290,165       | 2,824        | 292,989   |

See accompanying independent auditor's report.

**Bettendorf Community School District**

## Bettendorf Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

| Account                      | Balance<br>Beginning<br>of Year | Revenues<br>and Interfund<br>Transfers | Expendi-<br>tures | Balance<br>End of<br>Year |
|------------------------------|---------------------------------|--|-------------------|---------------------------|
| Interest                     | \$ 3,038                        | 305                                    | -                 | 3,343                     |
| Sail/Tag fundraiser          | 1,442                           | -                                      | -                 | 1,442                     |
| N.A. fundraiser              | 815                             | 326                                    | 326               | 815                       |
| N.A. bookstore               | 4,083                           | -                                      | -                 | 4,083                     |
| Student Council              | (68)                            | 661                                    | 80                | 513                       |
| N.A. shooting stars          | 245                             | 587                                    | 486               | 346                       |
| Student needs                | 726                             | 430                                    | 633               | 523                       |
| N.A. student                 | 376                             | -                                      | -                 | 376                       |
| Hoover fundraiser            | 1,824                           | 1,113                                  | 1,055             | 1,882                     |
| Hoover bookstore             | (107)                           | 107                                    | -                 | -                         |
| Jefferson fundraiser         | 14                              | -                                      | -                 | 14                        |
| Jefferson bookstore          | 1,502                           | -                                      | -                 | 1,502                     |
| TJ student council           | 1,401                           | 464                                    | 422               | 1,443                     |
| P.N. bookstore               | 2,901                           | -                                      | -                 | 2,901                     |
| M.T. fundraiser              | 123                             | 1,577                                  | 1,414             | 286                       |
| M.T. bookstore               | 550                             | -                                      | -                 | 550                       |
| M.T. Bookstore - BD          | 488                             | -                                      | -                 | 488                       |
| G.W. fundraiser              | 6,356                           | 1,104                                  | 250               | 7,210                     |
| G.W. bookstore               | 3,640                           | -                                      | -                 | 3,640                     |
| G.W. Memorial                | 31                              | -                                      | -                 | 31                        |
| Vocal music 1                | 647                             | 857                                    | 921               | 583                       |
| Vocal music 2                | 181                             | 275                                    | 258               | 198                       |
| Instrumental music           | 2,238                           | 35,742                                 | 32,850            | 5,130                     |
| Orchestra                    | 104                             | -                                      | 20                | 84                        |
| Elm - orchestra              | 54                              | -                                      | -                 | 54                        |
| Co-ed athletics              | 47,826                          | 54,352                                 | 65,729            | 36,449                    |
| Misc club revenue            | 10,985                          | -                                      | -                 | 10,985                    |
| Sports uniforms              | 1,529                           | 9,075                                  | 7,608             | 2,996                     |
| Health club                  | 171                             | -                                      | -                 | 171                       |
| TRAP league                  | -                               | 10,582                                 | 10,394            | 188                       |
| FCCLA                        | -                               | 234                                    | 182               | 52                        |
| Therapy dog                  | -                               | 2,895                                  | -                 | 2,895                     |
| Honors english               | -                               | 309                                    | 309               | -                         |
| French honors society        | -                               | 630                                    | 630               | -                         |
| Yearbook/photo club          | 3,409                           | 11,820                                 | 10,100            | 5,129                     |
| Reading club                 | 532                             | -                                      | -                 | 532                       |
| Library club                 | 8,845                           | -                                      | 8,845             | -                         |
| Foreign language club        | 590                             | -                                      | 197               | 393                       |
| Special education activities | 8                               | -                                      | -                 | 8                         |

**Schedule 3**

## Bettendorf Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

| Account              | Balance<br>Beginning<br>of Year |         |         | Balance<br>End of<br>Year |
|----------------------|---------------------------------|---------|---------|---------------------------|
| HS student council   | 37,383                          | 49,702  | 51,407  | 35,678                    |
| Computer club        | 1                               | -       | -       | 1                         |
| Living skills club   | 385                             | -       | -       | 385                       |
| School paper         | 1,976                           | -       | -       | 1,976                     |
| Art club             | 175                             | -       | -       | 175                       |
| German club          | 1,848                           | 2,170   | 1,406   | 2,612                     |
| Ceramics club        | 61                              | -       | -       | 61                        |
| MS vending           | 258                             | -       | 258     | -                         |
| 6-house I            | 150                             | 2,815   | 2,369   | 596                       |
| 6-house II           | 155                             | 465     | 477     | 143                       |
| 6-house III          | 107                             | 3,130   | 2,244   | 993                       |
| 6-house IV           | 256                             | 1,214   | 1,193   | 277                       |
| 6-house V            | 75                              | -       | 75      | -                         |
| 7-house I            | 354                             | -       | 5       | 349                       |
| 7-house II           | 354                             | -       | 5       | 349                       |
| 7-house III          | 334                             | 365     | 476     | 223                       |
| 7-house IV           | 334                             | 20      | 138     | 216                       |
| 7-house V            | 295                             | 230     | 465     | 60                        |
| 8-house I            | 1,186                           | 2,942   | 2,652   | 1,476                     |
| 8-house II           | 1,507                           | 2,457   | 2,410   | 1,554                     |
| 8-house III          | 1,422                           | 2,418   | 1,983   | 1,857                     |
| 8-house IV           | 1,264                           | 2,705   | 2,125   | 1,844                     |
| School fundraising   | 4,938                           | 9,539   | 10,993  | 3,484                     |
| Student needs        | 679                             | -       | 289     | 390                       |
| BWCA                 | 305                             | -       | -       | 305                       |
| MS parent link       | 16,327                          | 14,723  | 11,143  | 19,907                    |
| After prom           | 3,503                           | 17,067  | 16,859  | 3,711                     |
| SPED rec league      | 1,939                           | -       | 113     | 1,826                     |
| Drama                | -                               | 58,702  | 56,368  | 2,334                     |
| Debate               | 1,796                           | 20,812  | 24,251  | (1,643)                   |
| Mock Trial           | 82                              | -       | -       | 82                        |
| Vocal music          | -                               | 4,104   | 4,104   | -                         |
| Show choir           | 181                             | 30,478  | 30,659  | -                         |
| HS boys athletics    | -                               | 140,899 | 140,899 | -                         |
| Baseball fund raiser | 8,876                           | 7,626   | 7,889   | 8,613                     |
| HS girls athletics   | -                               | 73,949  | 73,949  | -                         |
| Girls softball       | -                               | 10,434  | 9,533   | 901                       |
| Golf outing          | 5,027                           | 14,760  | 15,054  | 4,733                     |
| Amicus               | 832                             | 1,323   | 1,649   | 506                       |
| FBLA                 | 5,129                           | 20,617  | 20,157  | 5,589                     |

## Bettendorf Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

| Account                   | Balance<br>Beginning<br>of Year | Revenues<br>and Interfund<br>Transfers | Expendi-<br>tures | Balance<br>End of<br>Year |
|---------------------------|---------------------------------|--|-------------------|---------------------------|
| Business principles       | 2,603                           | -                                      | -                 | 2,603                     |
| BHS England trip          | 14,437                          | 17,030                                 | 18,957            | 12,510                    |
| Activity tickets          | 628                             | -                                      | -                 | 628                       |
| BHS SIT                   | 2,271                           | 667                                    | 687               | 2,251                     |
| Science club              | 11                              | 155                                    | 124               | 42                        |
| Scholastic bowl           | 341                             | 154                                    | 400               | 95                        |
| Yearbook-Beacon           | 18,437                          | 51,201                                 | 67,456            | 2,182                     |
| Growl newspaper           | 5,542                           | 2,658                                  | 2,530             | 5,670                     |
| SADD                      | 375                             | -                                      | -                 | 375                       |
| Cheerleaders              | 1,875                           | 28,379                                 | 29,972            | 282                       |
| Peer educators            | 883                             | 155                                    | -                 | 1,038                     |
| Functional skills         | 1,776                           | 74                                     | 107               | 1,743                     |
| Spanish club              | 943                             | 154                                    | -                 | 1,097                     |
| National honor society    | 1,296                           | 3,065                                  | 2,860             | 1,501                     |
| French club               | -                               | 1,555                                  | 1,426             | 129                       |
| Social comm club          | 42                              | 139                                    | 141               | 40                        |
| Goldbusters               | 2,952                           | 19,733                                 | 16,394            | 6,291                     |
| Dusterettes               | 238                             | -                                      | 141               | 97                        |
| Art club                  | 864                             | 155                                    | 250               | 769                       |
| Key club                  | 33                              | 154                                    | 184               | 3                         |
| Club vending              | 2,475                           | 5                                      | -                 | 2,480                     |
| Class of 2015             | 2,499                           | 2,492                                  | 4,991             | -                         |
| Class of 2016             | 800                             | 1,472                                  | 955               | 1,317                     |
| Class of 2017             | 144                             | 265                                    | 26                | 383                       |
| Class of 2018             | -                               | 503                                    | 9                 | 494                       |
| Field turf                | 6,273                           | -                                      | 5,767             | 506                       |
| Metro fest                | 4,250                           | 10,514                                 | 14,764            | -                         |
| Winter guard              | -                               | 5,589                                  | 5,589             | -                         |
| BHS fine arts             | 14,219                          | 77,011                                 | 46,677            | 44,553                    |
| BHS fine arts trip        | -                               | 5,350                                  | 15,577            | (10,227)                  |
| Raise the curtain         | 537                             | -                                      | 537               | -                         |
| BHS football moms         | 366                             | 18,563                                 | 13,918            | 5,011                     |
| BHS mat moms              | 574                             | 7,855                                  | 7,731             | 698                       |
| Pr club vending           | 5,446                           | 3,371                                  | 3,825             | 4,992                     |
| Pr student needs          | 87                              | -                                      | 87                | -                         |
| Arts education            | 864                             | 1,625                                  | 930               | 1,559                     |
| Backpack snack program    | 2,765                           | 3,630                                  | 6,140             | 255                       |
| Water awareness for Sudan | 3,174                           | 79                                     | 3,253             | -                         |
| Keurig                    | (498)                           | 568                                    | 70                | -                         |
| Total                     | \$ 305,515                      | 893,431                                | 908,781           | 290,165                   |

See accompanying independent auditor's report.

**Schedule 4**

## Bettendorf Community School District

Combining Balance Sheet  
Capital Project Accounts

June 30, 2015

|   | Capital Projects                            |  |                  |
|---|---|--|------------------|
|   | Statewide<br>Sales, Services<br>and Use Tax | Physical<br>Plant and<br>Equipment<br>Levy | Total            |
| <b>Assets</b>   |   |  |                  |
| Cash, cash equivalents and pooled investments                                 | \$ 1,087,686                                | 466,275                                    | 1,553,961        |
| Receivables:  |   |  |                  |
| Property tax:   |   |  |                  |
| Delinquent  | -   | 24,411                                     | 24,411           |
| Succeeding year   | -   | 2,090,000                                  | 2,090,000        |
| Due from other governments  | 774,325                                     | 942  | 775,267          |
| <b>Total assets</b>   | <b>\$ 1,862,011</b>                         | <b>2,581,628</b>                           | <b>4,443,639</b> |
| <b>Liabilities, Deferred Inflows of Resources<br/>and Fund Balances</b>       |   |  |                  |
| Liabilities:  |   |  |                  |
| Accounts payable  | \$ 89,322                                   | 95,612                                     | 184,934          |
| Deferred inflows of resources:  |   |  |                  |
| Unavailable revenues:   |   |  |                  |
| Succeeding year property tax  | -   | 2,090,000                                  | 2,090,000        |
| Other   | 184,347                                     | -  | 184,347          |
| Total deferred inflows of resources   | 184,347                                     | 2,090,000                                  | 2,274,347        |
| Fund balances:  |   |  |                  |
| Restricted for:   |   |  |                  |
| School infrastructure   | 1,588,342                                   | -  | 1,588,342        |
| Physical plant and equipment  | -   | 396,016                                    | 396,016          |
| Total fund balances   | 1,588,342                                   | 396,016                                    | 1,984,358        |
| <b>Total liabilities, deferred inflows of resources<br/>and fund balances</b> | <b>\$ 1,862,011</b>                         | <b>2,581,628</b>                           | <b>4,443,639</b> |

See accompanying independent auditor's report.

Bettendorf Community School District  
Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances

Capital Project Accounts

Year ended June 30, 2015

|                                      | Capital Projects                            |  | Total            |
|--------------------------------------|---|--|------------------|
|                                      | Statewide<br>Sales, Services<br>and Use Tax | Physical<br>Plant and<br>Equipment<br>Levy |                  |
| Revenues:                            |   |  |                  |
| Local sources:                       |   |  |                  |
| Local tax                            | \$ -  | 2,321,471                                  | 2,321,471        |
| Other                                | 1,347                                       | 17,646                                     | 18,993           |
| State sources                        | 3,810,925                                   | 7,497                                      | 3,818,422        |
| Total revenues                       | <u>3,812,272</u>                            | <u>2,346,614</u>                           | <u>6,158,886</u> |
| Expenditures:                        |   |  |                  |
| Current:                             |   |  |                  |
| Instruction:                         |   |  |                  |
| Regular                              | -   | 152,993                                    | 152,993          |
| Support services:                    |   |  |                  |
| Administration                       | 1,619                                       | 155,006                                    | 156,625          |
| Operation and maintenance of plant   | 6,825                                       | 155,624                                    | 162,449          |
| Transportation                       | -   | 73,308                                     | 73,308           |
| Other expenditures:                  |   |  |                  |
| Facilities acquisition               | 3,037,714                                   | 886,139                                    | 3,923,853        |
| Total expenditures                   | <u>3,046,158</u>                            | <u>1,423,070</u>                           | <u>4,469,228</u> |
| Excess of revenues over expenditures | 766,114                                     | 923,544                                    | 1,689,658        |
| Other financing sources (uses):      |   |  |                  |
| Transfers out                        | -   | (530,978)                                  | (530,978)        |
| Change in fund balances              | 766,114                                     | 392,566                                    | 1,158,680        |
| Fund balances beginning of year      | 822,228                                     | 3,450                                      | 825,678          |
| Fund balances end of year            | <u>\$ 1,588,342</u>                         | <u>396,016</u>                             | <u>1,984,358</u> |

See accompanying independent auditor's report.

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Bettendorf Community School District

Combining Statement of Fiduciary Net Position -  
Private Purpose Trust Fund – Scholarship Accounts

Year ended June 30, 2015

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|  | TJ Before<br>the Bell | Class of 55<br>Donation | Student<br>Needs | Spain<br>Memorial | B.H.S.<br>Memorial | G.W. Pfeiff<br>Tutor | B.S.C.F.<br>Debate | Dollars for<br>Doers | GW Sign<br>Tutoring |
|--|-----------------------|-------------------------|------------------|-------------------|--------------------|----------------------|--------------------|----------------------|---------------------|
| <b>Assets</b>                                    |                       |                         |                  |                   |                    |                      |                    |                      |                     |
| Cash, cash equivalents<br>and pooled investments | \$ 345                | 318                     | 2,401            | 916               | 1,014              | 163                  | 8,233              | 82                   | 2,661               |
|  |                       |                         |                  |                   |                    |                      |                    |                      |                     |
| <b>Net Position</b>                              |                       |                         |                  |                   |                    |                      |                    |                      |                     |
| Restricted for scholarships                      | \$ 345                | 318                     | 2,401            | 916               | 1,014              | 163                  | 8,233              | 82                   | 2,661               |

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See accompanying independent auditor's report.



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| Koufer<br>Memorial | Funk<br>Memorial | TJ Trust<br>Fund | Thiessen<br>Scholarship | Phillips<br>Scholarship | Stansbury<br>Scholarship | IGHSAU<br>Scholarship | Golf Outing<br>Scholarship | Robotics<br>Donation | Sparling<br>Memorial | Total  |
|--------------------|------------------|------------------|-------------------------|-------------------------|--------------------------|-----------------------|----------------------------|----------------------|----------------------|--------|
| 26                 | 14               | 1,356            | 1,916                   | 251                     | 714                      | 500                   | 1,000                      | 100                  | 1,243                | 23,253 |
| 26                 | 14               | 1,356            | 1,916                   | 251                     | 714                      | 500                   | 1,000                      | 100                  | 1,243                | 23,253 |

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Bettendorf Community School District

Combining Statement of Changes in Fiduciary Net Position  
Private Purpose Trust Fund – Scholarship Accounts

Year ended June 30, 2015

|                                | TJ Before<br>the Bell | Class of 55<br>Donation | Student<br>Needs | Spain<br>Memorial | B.H.S.<br>Memorial | G.W. Pfeiff<br>Tutor | B.S.C.F.<br>Debate | Dollars for<br>Doers | GW Sign<br>Tutoring |
|--------------------------------|-----------------------|-------------------------|------------------|-------------------|--------------------|----------------------|--------------------|----------------------|---------------------|
| Additions:                     |                       |                         |                  |                   |                    |                      |                    |                      |                     |
| Local sources:                 |                       |                         |                  |                   |                    |                      |                    |                      |                     |
| Gifts and contributions        | \$ -                  | -                       | 882              | -                 | 400                | -                    | -                  | -                    | -                   |
| Deductions:                    |                       |                         |                  |                   |                    |                      |                    |                      |                     |
| Regular instruction            | -                     | -                       | 1,482            | -                 | -                  | -                    | -                  | -                    | -                   |
| Scholarships                   | -                     | -                       | -                | -                 | 400                | -                    | -                  | -                    | -                   |
| Total deductions               | -                     | -                       | 1,482            | -                 | 400                | -                    | -                  | -                    | -                   |
| Change in net position         | -                     | -                       | (600)            | -                 | -                  | -                    | -                  | -                    | -                   |
| Net position beginning of year | 345                   | 318                     | 3,001            | 916               | 1,014              | 163                  | 8,233              | 82                   | 2,661               |
| Net position end of year       | \$ 345                | 318                     | 2,401            | 916               | 1,014              | 163                  | 8,233              | 82                   | 2,661               |

See accompanying independent auditor's report.

| Koufer<br>Memorial | Funk<br>Memorial | TJ Trust<br>Fund | Thiessen<br>Scholarship | Phillips<br>Scholarship | Stansbury<br>Scholarship | IGHSAU<br>Scholarship | Golf Outing<br>Scholarship | Robotics<br>Donation | Sparling<br>Memorial | Total  |
|--------------------|------------------|------------------|-------------------------|-------------------------|--------------------------|-----------------------|----------------------------|----------------------|----------------------|--------|
| -                  | -                | -                | 2,224                   | -                       | -                        | 250                   | 2,000                      | 100                  | 3,430                | 9,286  |
| -                  | -                | -                | 400                     | -                       | -                        | -                     | -                          | -                    | 2,187                | 4,069  |
| -                  | -                | -                | 2,000                   | -                       | -                        | -                     | 1,000                      | -                    | -                    | 3,400  |
| -                  | -                | -                | 2,400                   | -                       | -                        | -                     | 1,000                      | -                    | 2,187                | 7,469  |
| -                  | -                | -                | (176)                   | -                       | -                        | 250                   | 1,000                      | 100                  | 1,243                | 1,817  |
| 26                 | 14               | 1,356            | 2,092                   | 251                     | 714                      | 250                   | -                          | -                    | -                    | 21,436 |
| 26                 | 14               | 1,356            | 1,916                   | 251                     | 714                      | 500                   | 1,000                      | 100                  | 1,243                | 23,253 |

Bettendorf Community School District

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Ten Years

|   | 2015                 | 2014              | 2013              |
|---|----------------------|-------------------|-------------------|
| <b>Revenues:</b>                            |                      |                   |                   |
| Local sources:                              |                      |                   |                   |
| Local tax                                   | \$ 19,029,135        | 22,820,270        | 22,886,176        |
| Tuition                                     | 4,680,371            | 4,184,888         | 4,082,291         |
| Other                                       | 1,875,163            | 1,900,221         | 1,737,113         |
| Intermediate sources                        | 12,965               | 626               | 200               |
| State sources                               | 27,375,345           | 22,189,361        | 21,598,101        |
| Federal sources                             | 1,867,500            | 1,744,313         | 1,622,543         |
| Total Revenues                              | <u>\$ 54,840,479</u> | <u>52,839,679</u> | <u>51,926,424</u> |
| <b>Expenditures:</b>                        |                      |                   |                   |
| Instruction:                                |                      |                   |                   |
| Regular                                     | \$ 22,308,962        | 20,327,836        | 19,685,330        |
| Special                                     | 5,477,174            | 5,687,617         | 5,349,062         |
| Other                                       | 4,461,856            | 5,281,988         | 4,579,520         |
| Support services:                           |                      |                   |                   |
| Student services                            | 1,861,282            | 1,823,326         | 1,795,943         |
| Instructional staff services                | 767,954              | 665,587           | 616,969           |
| Administration services                     | 6,356,301            | 5,994,504         | 6,215,174         |
| Operation and maintenance of plant services | 4,487,569            | 4,309,240         | 3,801,998         |
| Transportation services                     | 942,322              | 963,209           | 858,898           |
| Non-instructional programs                  | 13,785               | 18,310            | 9,771             |
| Other expenditures:                         |                      |                   |                   |
| Facilities acquisition                      | 3,923,853            | 6,784,283         | 8,165,454         |
| Long-term debt:                             |                      |                   |                   |
| Principal                                   | 516,776              | -                 | -                 |
| Interest                                    | 14,202               | -                 | -                 |
| AEA flowthrough                             | 1,631,664            | 1,605,145         | 1,546,987         |
| Total Expenditures                          | <u>\$ 52,763,700</u> | <u>53,461,045</u> | <u>52,625,106</u> |

| Modified Accrual Basis |            |            |            |            |            |            |
|------------------------|------------|------------|------------|------------|------------|------------|
| 2012                   | 2011       | 2010       | 2009       | 2008       | 2007       | 2006       |
| 21,977,114             | 21,097,070 | 19,950,685 | 20,207,326 | 19,301,641 | 18,755,868 | 18,125,916 |
| 3,804,224              | 3,704,732  | 3,478,559  | 3,291,369  | 2,946,370  | 2,666,548  | 2,588,528  |
| 1,932,720              | 1,826,287  | 2,670,888  | 2,290,144  | 2,618,267  | 2,382,216  | 1,919,448  |
| 576                    | 513        | 619        | 20,853     | 307,489    | 188,430    | 126,709    |
| 21,310,902             | 19,936,921 | 17,505,827 | 20,224,298 | 18,878,742 | 17,251,533 | 16,636,019 |
| 2,289,034              | 2,874,300  | 3,680,354  | 1,884,007  | 1,080,726  | 1,263,628  | 1,013,070  |
| 51,314,570             | 49,439,823 | 47,286,932 | 47,917,997 | 45,133,235 | 42,508,223 | 40,409,690 |
| 18,366,813             | 18,034,575 | 18,097,643 | 18,567,224 | 16,907,228 | 15,581,657 | 15,072,881 |
| 5,142,445              | 5,450,548  | 5,236,204  | 5,165,763  | 4,901,873  | 4,487,457  | 4,572,032  |
| 4,855,728              | 4,725,745  | 5,016,016  | 3,564,504  | 3,579,858  | 3,328,064  | 3,891,306  |
| 1,742,974              | 1,684,351  | 1,632,924  | 1,573,698  | 1,468,740  | 1,385,866  | 512,669    |
| 753,188                | 673,503    | 613,527    | 671,629    | 608,399    | 571,052    | 629,082    |
| 6,446,347              | 6,721,876  | 5,291,154  | 5,542,713  | 5,522,904  | 4,940,107  | 5,026,556  |
| 3,570,952              | 3,720,497  | 4,175,010  | 4,203,928  | 4,664,959  | 3,732,309  | 3,668,068  |
| 755,039                | 843,569    | 725,305    | 804,037    | 717,449    | 832,408    | 637,396    |
| 11,657                 | 12,218     | 14,866     | 11,496     | 10,887     | 9,886      | 1,319      |
| 9,840,071              | 848,545    | 798,367    | 2,964,203  | 4,236,963  | 7,902,878  | 1,779,691  |
| -                      | -          | 9,565,000  | 815,000    | 785,000    | 765,000    | 790,000    |
| -                      | -          | 173,340    | 405,120    | 575,259    | 192,520    | 297,223    |
| 1,501,447              | 1,651,099  | 1,605,501  | 1,454,278  | 1,372,445  | 1,274,667  | 1,219,600  |
| 52,986,661             | 44,366,526 | 52,944,857 | 45,743,593 | 45,351,964 | 45,003,871 | 38,097,823 |

**Schedule 9**

Bettendorf Community School District  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2015

| Grantor/Program   | CFDA<br>Number | Grant<br>Number | Expendi-<br>tures         |
|---|----------------|-----------------|---------------------------|
| Indirect:   |                |                 |                           |
| U.S. Department of Agriculture:   |                |                 |                           |
| Iowa Department of Education:   |                |                 |                           |
| Child Nutrition Cluster:  |                |                 |                           |
| School Breakfast Program  | 10.553         | FY15            | \$ 161,449                |
| National School Lunch Program   | 10.555         | FY15            | 784,416 *                 |
| Summer Food Service Program for Children (Non cash)   | 10.559         | FY15            | 6,538                     |
|   |                |                 | <u>952,403</u>            |
| U.S. Department of Education:   |                |                 |                           |
| Iowa Department of Education:   |                |                 |                           |
| Title I Grants to Local Educational Agencies  | 84.010         | FY15            | <u>362,370</u>            |
| Special Education_Grants to States  | 84.027         | FY15            | <u>12,131 **</u>          |
| Education for Homeless Children and Youth   | 84.196         | FY15            | <u>35,000</u>             |
| Twenty-First Century Community Learning Centers   | 84.287         | FY15            | <u>128,787</u>            |
| Improving Teacher Quality State Grants  | 84.367         | FY15            | <u>87,077 **</u>          |
| Grants for State Assessments and Related Activities   | 84.369         | FY15            | <u>21,895</u>             |
| Mississippi Bend Area Education Association:  |                |                 |                           |
| Special Education_Grants to States  | 84.027         | FY15            | <u>188,776 **</u>         |
| Career and Technical Education -- Basic Grants to States  | 84.048         | FY15            | <u>18,542</u>             |
| Improving Teacher Quality State Grants  | 84.367         | FY15            | <u>6,111 **</u>           |
| U.S. Department of Health and Human Services:   |                |                 |                           |
| Iowa Department of Education:   |                |                 |                           |
| Cooperative Agreements to Support Comprehensive<br>School Health Programs to Prevent the Spread of HIV<br>and Other Important Health Problems | 93.938         | FY15            | <u>700</u>                |
| Community Action Agency of Eastern Iowa:  |                |                 |                           |
| Head Start  | 93.600         | FY15            | <u>75,780</u>             |
| Total   |                |                 | <u><u>\$1,889,572</u></u> |

\* - Includes \$118,705 of non-cash awards.

\*\* - Total for CFDA number 84.027 is \$200,907 and CFDA 84.367 is \$93,188.

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

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

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

To the Board of Education of  
Bettendorf Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, 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 as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bettendorf Community School District's internal control over financial reporting to determine the audit procedures 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 Bettendorf Community School 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 deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-15 and II-B-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-15 through II-F-15 to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bettendorf Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


### Bettendorf Community School District's Responses to the 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. Bettendorf Community School 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 them.

### 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.

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

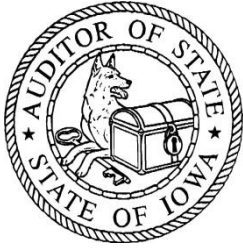
  
MARY MOSIMAN, CPA  
Auditor of State

August 9, 2016



**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133**

**Bettendorf Community School District**



**OFFICE OF AUDITOR OF STATE  
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Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Board of Education of  
Bettendorf Community School District:

Report on Compliance for Each Major Federal Program

We have audited Bettendorf Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Bettendorf Community School District's major federal programs are identified in Part I 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 grant agreements applicable to its federal programs.

Auditor's Responsibility

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

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Bettendorf Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Bettendorf Community School 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, 2015.

## Report on Internal Control Over Compliance


The management of Bettendorf Community School 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 Bettendorf Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures 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 Bettendorf Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified deficiencies in internal control over compliance we consider to be material weaknesses.

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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-15 and III-B-15 to be material weaknesses.

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

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.

  
MARY MOSIMAN, CPA  
Auditor of State

August 9, 2016

Bettendorf Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which are 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 Cluster
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.559 – Summer Food Service Program for Children
  - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Bettendorf Community School District did not qualify as a low-risk auditee.

Bettendorf Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the District:

- (1) Investments – investing.
- (2) Payroll – recording approved pay rates and deductions, recordkeeping, preparation, posting and distributing.
- (3) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff. Independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response – The District will review its control procedures to obtain the maximum internal control possible. Independent reviews will also be documented with signature and date of review.

Conclusion – Response accepted.

II-B-15 Financial Reporting – During the audit, we identified material activity for the District’s lease purchase agreements was not properly recorded in the District’s financial system. In addition, individual assets with an acquisition costs under \$5,000 were improperly included on the District’s capital asset listing. One asset was included on the listing twice and one item was not initially included as an addition. The District did not properly record the local option sales tax final receipt as a deferred inflow of resources since it was not received within 60 days after the fiscal year end. Adjustments were subsequently made by the District to properly record these items in the financial statements.

Recommendation – The District should implement procedures to ensure all financial activity is properly recorded and capital asset additions are properly recorded in the District’s financial statements.

Response – The District will ensure all financial activity and capital assets are properly recorded in the future.

Conclusion – Response accepted.

Bettendorf Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

II-C-15 Incoming Mail - An initial listing of cash and checks received in the mail is not prepared by the mail opener.

Recommendation - All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare an initial listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. The initial listing of receipts should then be periodically compared to deposits by an independent person.

Response - The District will spot check at least 10 receipts per month.

Conclusion - Response accepted.

II-D-15 Financial Accounting Software - The accounting software used by the District is capable of restricting access to various accounting functions to only employees with a legitimate need. Most of the District's business office staff have update/edit capability for all of the District's accounting functions. In addition, the District software provides a computer log of who performed a specific transaction, however, this log is not reviewed by an independent individual on a regular basis.

Recommendation - The District should review user access for the accounting software and only allow access for accounting functions to those employees to perform their job duties. In addition, the computer log should be periodically reviewed by an independent person.

Response - The District will review user access for the accounting functions. The District will also review the transaction log and document this review on a monthly basis.

Conclusion - Response accepted.

II-E-15 Capital Assets - The District's capital asset listing is not reviewed annually to ensure all capital assets are on the listing and assets on the listing exist.

Recommendation - The District should have a designated individual in each building to review the asset listing and verify all capital assets are on the listing and all assets on the listing exist.

Response - The Business Office will annually send out a capital asset listing to be reviewed and approved by someone in each building.

Conclusion - Response accepted.

Bettendorf Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

II-F-15 Computer Systems – The written disaster recovery plan does not include:

- 1) Identification of steps for recovering of the system.
- 2) A list of computer equipment needed for temporary processing.
- 3) Inventory of all hardware and components and software applications.

Recommendation – The District should develop written policies addressing the above items to improve the Districts control over its computer systems.

Response – The District will document their written disaster recovery procedures.

Conclusion – Response accepted.



Bettendorf Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

**INSTANCES OF NON-COMPLIANCE:**

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 84.010: Title I Grants to Local Educational Agencies  
Federal Award Year: 2015  
U.S. Department of Education  
Passed through the Iowa Department of Education**

III-A-15      Segregation of Payroll Duties – Personnel contracts for Title I instructors  
(2015-001)      are not signed by the Chairperson of the Board of Education. The  
contracts are stamped with the Chairperson’s signature by a Human  
Resources Employee.

Recommendation – The Chairperson of the Board of Education should  
sign employee contracts for all employees working on federal programs.

Response and Corrective Action Planned – The Chairperson of the Board  
of Education is now signing all contracts.

Conclusion – Response accepted.

**CFDA Number 84.010: Title I Grants to Local Educational Agencies  
Federal Award Year: 2015  
U.S. Department of Education  
Passed through the Iowa Department of Education**

III-B-15      Payroll Distribution and Certification – OMB Circular A-87, Attachment  
(2015-002)      B, paragraph 8.h. (3) requires the District to obtain periodic  
certifications for any employee who worked solely on a single federal  
program for the period covered by the certification. These certifications  
are to be prepared at least semi-annually and be signed by the  
employee or supervisor having firsthand knowledge of the work  
performed. The District is not preparing these certifications for those  
employees working on a single federal program.

In addition, OMB Circular A-87 states employees who work on multiple  
programs will distribute their time based on actual activity. Budget  
estimates or other distribution percentages determined before the  
services are performed do not qualify as support. Several employees of  
the District work on more than one federal program, so their time is  
allocated to federal programs based on budget estimates. Teachers are  
not preparing time records to document their actual time to be charged  
to a federal program.

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Recommendation – The District should ensure employees record actual hours worked on each federal program and ensure adequate documentation is prepared and maintained for all payroll charges to federal programs.

Response and Corrective Action Planned – The District will ensure documentation is prepared and maintained for payroll charges to federal programs.

Conclusion – Response accepted.

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**Part IV: Other Findings Related To Required Statutory Reporting:**

- IV-A-15 Certified Budget – Expenditures for the year ended June 30, 2015 did not exceed the amount budgeted in any program function.
- IV-B-15 Questionable Expenditures – Except as noted in the reaudit report released on May 26, 2016, no expenditures 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-15 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-15 Business Transactions - Business transactions between the School District and School District officials or employees are detailed as follows:

| Name, Title and Business Connection  | Transaction Description                            | Amount    |
|--|--|-----------|
| Dana Nichols, Teacher, husband is owner of Downing Architects  | Architect services, per bid                        | \$ 17,839 |
| Scott Tinsman, Board Member, President of Twin States Technical  | Software, website and technical services, per bid. | 9,064     |
| Jimmy Casas, High School Principal, brother of David Casas   | Professional services                              | 1,575     |
| Chris Howard, Performing Arts Center Manager and Katie Howard, Teacher and Musical/Drama Director, Father and Father-in-law owns Boylers Ornamental Iron | Supplies   | 1,013     |

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Downing Architects and Twin State Technical do not appear to represent a conflict of interest since the transactions were awarded by competitive bidding. Also, the transactions with David Casas and Boylers Ornamental Iron do not appear to represent conflicts of interest since the transactions with each individual were less than \$2,500 during the fiscal year.

- IV-E-15 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 ensure the coverage is adequate for current operations.
- IV-F-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

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IV-G-15 Certified Enrollment – The District did not maintain records to support the basic enrollment certified for October 15, 2014.

Recommendation – The District should maintain documentation to support the enrollment counts certified to the Iowa Department of Education.

Response – The District will maintain the signed lists from the buildings in the future.

Conclusion – Response accepted.

IV-H-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

IV-J-15 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-15 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

IV-L-15 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2015, the District’s financial activity and other required information for the statewide sales, services and use tax are as follows:

|                                    |              |              |
|------------------------------------|--------------|--------------|
| Beginning balance                  |              | \$ 822,228   |
| Revenues/transfers in:             |              |              |
| Sales tax revenues                 | \$ 3,810,925 |              |
| Other local revenues               | 1,347        | 3,812,272    |
|                                    |              | 4,634,500    |
| Expenditures/transfers out:        |              |              |
| School infrastructure construction | 3,044,539    |              |
| Interest on interfund advance      | 1,619        | 3,046,158    |
|                                    |              | 3,046,158    |
| Ending balance                     |              | \$ 1,588,342 |

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The statewide sales, services and use tax revenue received during the year ended June 30, 2015 is equivalent to a reduction in the following levies:

|   | Rate of Levy<br>Reduction<br>Per \$1,000<br>of Taxable<br>Valuation | Property<br>Tax<br>Dollars<br>Reduced |
|---|---|---------------------------------------|
| Debt service levy                               | \$ -  | -                                     |
| Physical plant and equipment levy (PPEL)        | 2.17074   | 3,046,158                             |
| Public educational and recreational levy (PERL) | -   | -                                     |
| Total   |   | <u>\$ 3,046,158</u>                   |

IV-M-15 Deficit Balances – The Student Activity, Drama Account and BHS Fine Arts Trip Account had deficit fund balances at June 30, 2015 of \$1,643 and \$10,227, respectively.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits to return the accounts to a sound financial condition. The District should review purchase approval procedures for the Student Activity Fund to ensure the activity has funds available prior to the ordering of goods or services.

Response – The District continues to work with the two activities to ensure they have sufficient balances for travel. The District will also continue to monitor the balances including fundraising efforts.

Conclusion – Response accepted.

IV-N-15 College Preparatory Mathematics (CPM) – The District purchased and began using curriculum from CPM Educational Program in July 2012. CPM holds professional development workshops for Districts which are led by a CPM Teacher Leader who has used the CPM curriculum in their classroom and have attended a CPM Summer Leadership Institute. The teachers identified as CPM Teacher Leaders provide professional development and mentoring to other teachers whose Districts are using the curriculum. One Bettendorf high school teacher was identified as a CPM Teacher Leader. While attending an educational conference in September 2015, this teacher was a representative in a CPM booth and as a result, received a stipend from CPM for working the booth and reimbursement for the cost of the hotel. Since the District originally paid for the hotel, the teacher was to reimburse the District. However, the teacher wrote a check for the amount of a room for a different conference. As a result of the reimbursement, concerns were raised whether this transaction was in compliance with the Code of Iowa. The District subsequently investigated the interactions between District employees and CPM, including consultation with the Districts legal counsel.

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It was determined CPM is a restricted vendor to the District, and as such, any teacher of the District should not receive a stipend, payments or reimbursements related to activities with CPM. Therefore, the District informed the teachers involved they would no longer be able to be CPM Teacher Leaders outside of the District.

Recommendation - The District should continue to monitor and work with other teachers to ensure a relationship does not exist with a restricted vendor of the District.

Response - The District will continue to monitor and ensure there are no relationships with a restricted vendor of the District.

Conclusion - Response accepted.


- IV-O-15 Reaudit - The Office of Auditor of State released a reaudit report for the period July 1, 2013 through June 30, 2014 on May 26, 2016. The reaudit also covered items applicable for the period July 1, 2014 through June 30, 2015. The reaudit included findings related to District policies for potential conflict of interest, professional leave, business relationships, use of District facilities, food purchases, travel and use of credit cards.

Bettendorf Community School District

Staff

This audit was performed by:

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