

BETTENDORF COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2018

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## Bettendorf Community School District

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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#### Board of Education

(Before September 2017 Election)

Gordon Staley	President	2019
Betsy Justis	Vice President	2017
Michael Pyevich	Board Member	2019
Pepper Trahan	Board Member	2017
Paul Castro	Board Member	2019
Stacey Struck	Board Member	2019
Scott Tinsman	Board Member	2017

(After September 2017 Election)

Gordon Staley	President	2019
Stacey Struck	Vice President	2019
Paul Castro	Board Member	2019
Michael Pyevich	Board Member	2019
Andrew Champion	Board Member	2021
Richard Lynch	Board Member	2021
Adam Holland	Board Member	2021

#### School Officials

Mike Raso	Superintendent	2018
Colleen Skolrood	Board Secretary	2018
Tim Perkins	Board Treasurer (Resigned February 2018)	2018
David Farmer	Board Treasurer (Appointed April 2018)	2018
Dallon Christensen	Director of Finance	2018
Lane & Waterman LLP	Attorney	2018

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
**117 West 3rd Street North, Newton, Iowa 50208-3040**  
**Telephone (641) 792-1910**

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of 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, 2018, 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, 2018, 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 Standard Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. 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 Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 7 through 15 and 46 through 51 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. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, including the Schedule of Expenditures of Federal Awards, 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, including the Schedule of Expenditures of Federal Awards, 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 January 16, 2019 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 solely 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 effectiveness of the District's 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.



NOLTE, CORNMAN & JOHNSON, P.C.

January 16, 2019  
Newton, Iowa

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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, 2018. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2018 FINANCIAL HIGHLIGHTS

- The District implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities and business type activities were restated by \$4,554,996 and \$61,206, respectively to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expenses for fiscal year 2017 and deferred inflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- General Fund revenues increased from \$48,063,858 in fiscal year 2017 to \$49,503,885 in fiscal year 2018, while General Fund expenditures increased from \$48,741,823 in fiscal year 2017 to \$49,433,158 in fiscal year 2018. The overall result was an increase in the District's General Fund balance from \$11,452,535 at June 30, 2017 to \$11,523,262 at June 30, 2018, a 0.62% increase from the prior year.
- The increase in General Fund revenues was mainly due to increases in state source revenue received compared to the prior year. The increase in expenditures was due primarily to increased negotiated salaries and benefits.
- The District's total net position increased from \$60,719,961 restated as of July 1, 2017, to \$62,073,415 at June 30, 2018. Total revenues increased from \$59,618,779 in fiscal year 2017 to \$61,182,887 in fiscal year 2018, a 2.62% increase, while total expenses increased from \$59,010,543 in fiscal year 2017 to \$59,825,333 in fiscal year 2018, a 1.39% increase compared to the prior year.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Bettendorf Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Bettendorf Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Bettendorf Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes.

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.

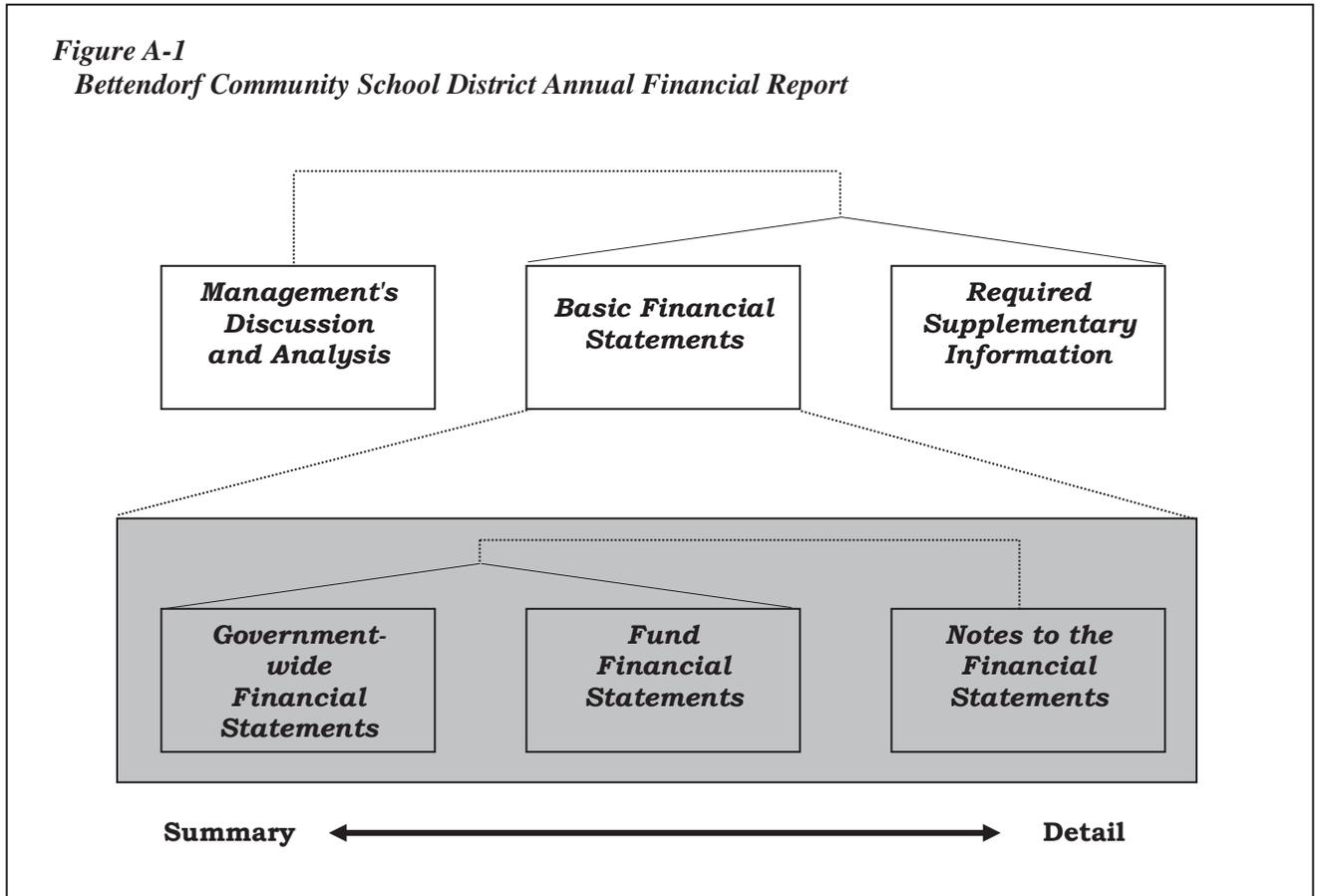


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 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 service	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, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of 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.

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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 that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, the Special Revenue Funds, the Capital Projects Fund and the Debt Service Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District's Internal Service Fund, another type of proprietary fund, is the same as its governmental activities but provides more detail and additional information, such as cash flows. The Internal Service Fund is used to track the self-funded insurance of the District.

The required financial statements for the 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 funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private Purpose Trust Fund.

Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the 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, 2018 compared to June 30, 2017.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2017		June 30, 2017		June 30, 2017		June 30, 2017-18
	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2017-18
Current and other assets	\$ 53,793,107	54,179,192	942,359	743,369	54,735,466	54,922,561	-0.34%
Capital assets	60,622,150	55,686,968	30,159	38,695	60,652,309	55,725,663	8.84%
Total assets	114,415,257	109,866,160	972,518	782,064	115,387,775	110,648,224	4.28%
Deferred outflows of resources	7,797,913	7,338,233	145,605	135,901	7,943,518	7,474,134	6.28%
Long-term liabilities	31,633,225	25,623,967	566,901	535,268	32,200,126	26,159,235	23.09%
Other liabilities	7,546,503	6,714,737	46,747	45,423	7,593,250	6,760,160	12.32%
Total liabilities	39,179,728	32,338,704	613,648	580,691	39,793,376	32,919,395	20.88%
Deferred inflows of resources	21,450,902	19,860,960	13,600	5,840	21,464,502	19,866,800	8.04%
Net position:							
Net investment in capital assets	60,622,150	55,686,968	30,159	38,695	60,652,309	55,725,663	8.84%
Restricted	11,656,212	13,957,976	-	-	11,656,212	13,957,976	-16.49%
Unrestricted	(10,695,822)	(4,640,215)	460,716	292,739	(10,235,106)	(4,347,476)	-135.43%
Total net position	\$ 61,582,540	65,004,729	490,875	331,434	62,073,415	65,336,163	-4.99%

Prior to restatement, the District's total net position decreased by 4.99%, or \$3,262,748, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, 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 decreased \$2,301,764, or 16.49% from the prior year. The decrease was primarily the result of the decrease in the amount restricted for school infrastructure as compared to the prior year.

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 \$5,887,630, or 135.43%. This decrease in unrestricted net position was primarily a result of the increase in total OPEB liability.

The District's deficit unrestricted net position in the governmental activities is due to GASB Statement No. 68 net pension liability and related deferred outflow and inflow reporting requirements.

Figure A-4 shows the changes in net position for the year ended June 30, 2018 compared to the year ended June 30, 2017.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2017		2017		2017		2017-18
	2018	(Not Restated)	2018	(Not Restated)	2018	(Not Restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 7,377,974	6,821,085	867,011	861,139	8,244,985	7,682,224	7.33%
Operating grants, contributions and restricted interest	4,637,842	4,597,421	1,095,243	1,179,277	5,733,085	5,776,698	-0.75%
Capital grants, contributions and restricted interest	125,000	300,036	-	-	125,000	300,036	-58.34%
General revenues:							
Property tax	19,875,840	19,403,387	-	-	19,875,840	19,403,387	2.43%
Statewide sales, services and use tax	3,848,833	3,881,241	-	-	3,848,833	3,881,241	-0.83%
Unrestricted state grants	23,150,333	22,376,821	-	-	23,150,333	22,376,821	3.46%
Nonspecific program federal grants	13,918	-	-	-	13,918	-	100.00%
Unrestricted investment earnings	81,366	27,498	-	143	81,366	27,641	194.37%
Other	108,601	166,626	926	4,105	109,527	170,731	-35.85%
Total revenues	<u>59,219,707</u>	<u>57,574,115</u>	<u>1,963,180</u>	<u>2,044,664</u>	<u>61,182,887</u>	<u>59,618,779</u>	<u>2.62%</u>
Program expenses:							
Instruction	37,168,976	36,100,974	-	-	37,168,976	36,100,974	2.96%
Support services	16,240,330	16,653,806	783	75	16,241,113	16,653,881	-2.48%
Non-instructional programs	22,260	20,135	1,722,155	1,856,731	1,744,415	1,876,866	-7.06%
Other expenses	4,674,929	4,378,822	-	-	4,674,929	4,378,822	6.76%
Total expenses	<u>58,106,495</u>	<u>57,153,737</u>	<u>1,722,938</u>	<u>1,856,806</u>	<u>59,829,433</u>	<u>59,010,543</u>	<u>1.39%</u>
Excess of revenues over expenses	1,113,212	420,378	240,242	187,858	1,353,454	608,236	122.52%
Transfers	19,595	-	(19,595)	-	-	-	0.00%
Change in net position	1,132,807	420,378	220,647	187,858	1,353,454	608,236	122.52%
Net position beginning of year, as restated	<u>60,449,733</u>	<u>64,584,351</u>	<u>270,228</u>	<u>143,576</u>	<u>60,719,961</u>	<u>64,727,927</u>	<u>-6.19%</u>
Net position end of year	<u>\$ 61,582,540</u>	<u>65,004,729</u>	<u>490,875</u>	<u>331,434</u>	<u>62,073,415</u>	<u>65,336,163</u>	<u>-4.99%</u>

In fiscal year 2018, property tax and unrestricted state grants account for 72.66% of the revenue from governmental activities while charges for service and operating grants account for 99.95% of the revenue from business type activities.

The District's total revenues were approximately \$61.18 million of which approximately \$59.22 million was for governmental activities and approximately \$1.96 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.62% increase in revenues and a 1.39% increase in expenses. The increase in revenue was primarily due to an increase in unrestricted state grant revenue received compared to the prior year. The increase in expenses is primarily due to an increase in instruction expenses incurred compared to the prior year.

## Governmental Activities

Revenues for governmental activities were \$59,219,707 and expenses were \$58,106,495 for the year ended June 30, 2018.

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, 2018 compared to those expenses for the year ended June 30, 2017.

	Total Cost of Services			Net Cost of Services		
	2017			2017		
	2018	(Not Restated)	2017-18	2018	(Not Restated)	2017-18
Instruction	\$ 37,168,976	36,100,974	2.96%	27,080,173	26,516,797	2.12%
Support services	16,240,330	16,653,806	-2.48%	15,967,933	16,209,494	-1.49%
Non-instructional programs	22,260	20,135	10.55%	20,105	16,467	22.09%
Other expenses	4,674,929	4,378,822	6.76%	2,897,468	2,692,437	7.62%
<b>Total</b>	<b>\$ 58,106,495</b>	<b>57,153,737</b>	<b>1.67%</b>	<b>45,965,679</b>	<b>45,435,195</b>	<b>1.17%</b>

For the year ended June 30, 2018:

- The cost financed by users of the District's programs was \$7,377,974.
- Federal and state governments along with contributions from local sources subsidized certain programs and projects with grants and contributions totaling \$4,762,842.
- The net cost of governmental activities was financed with \$19,875,840 in property tax, \$3,848,833 in statewide sales, services and use tax, \$23,150,333 in unrestricted state grants, \$13,918 in nonspecific program federal grants, \$81,366 in interest income, and \$108,601 in other general revenues.

## Business Type Activities

Revenues for business type activities during the year ended June 30, 2018 were \$1,963,180, representing a 3.99% decrease from the prior year, and expenses were \$1,722,938, representing a 7.21% decrease from the prior year. The District's business type activities include the School Nutrition. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$21,873,437, compared to last year's ending combined fund balances of \$24,285,498. The primary reason for the decrease in combined fund balances is due to the decrease in ending fund balance of the Capital Projects Fund.



## Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The fund balance of the General Fund increased from \$11,452,535 at June 30, 2017 to \$11,523,262 at June 30, 2018. Increases during the year in state source revenues resulted in an increase in total revenues. The increased revenue was enough to offset the increase in expenditures resulting in an increase in the District's General Fund balance by 0.62%, or \$70,727.

- 
- The Capital Projects Fund balance decreased from \$7,222,457 at June 30, 2017 to \$3,942,588 at June 30, 2018. Expenditures increased compared to the prior year, primarily due to spending for construction projects around the District.
  - The Management Levy Fund balance increased from \$5,186,185 at June 30, 2017 to \$5,905,927 at June 30, 2018. Revenues and expenditures were relatively unchanged from the prior year. However, revenues did exceed expenditures by \$719,742 during the year, causing the increase in fund balance.

### **Proprietary Fund Highlights**

The net position of the Enterprise: School Nutrition Fund increased from a restated net position of \$270,228 at July 1, 2017 to a net position of \$490,875 at June 30, 2018, representing an increase of 81.65%. Total expenses for the year decreased while total revenues remained relatively unchanged as compared to the prior year. Total revenues outpaced total expenses resulting in an increase net position.

### **BUDGETARY HIGHLIGHTS**

During the course of the year, Bettendorf Community School District amended its budget to reflect changes in construction costs and medical expenses.

The District's revenues were \$271,483 less than budgeted revenues, a variance of 0.44%. The most significant variance resulted from the District receiving less from state source revenues than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures using realistic projections based from prior year expenditures with a buffer built as to not exceed the annual budget. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2018, the District had invested approximately \$60.65 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 8.84% from last year. More detailed information about the District's capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$3,302,028.

The original cost of the District's capital assets was \$110,762,702. Governmental activities accounted for \$110,286,513 of this total with the remainder of \$476,189 accounted for in the Enterprise, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$8,010,554 at June 30, 2018, compared to \$511,389 reported at June 30, 2017. This increase was the result of work on a new elementary building in the District.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2018	2017	2018	2017	2018	2017	2017-18
Land	\$ 1,095,812	1,095,812	-	-	1,095,812	1,095,812	0.00%
Construction in progress	8,010,554	511,389	-	-	8,010,554	511,389	1466.43%
Buildings	44,046,335	46,389,128	-	-	44,046,335	46,389,128	-5.05%
Land improvements	5,548,764	5,868,825	-	-	5,548,764	5,868,825	-5.45%
Machinery and equipment	1,920,685	1,821,814	30,159	38,695	1,950,844	1,860,509	4.86%
Total	\$ 60,622,150	55,686,968	30,159	38,695	60,652,309	55,725,663	8.84%

### Long-Term Debt

At June 30, 2018, the District had no total long-term debt outstanding.

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District is anticipating an increase in supplemental state aid of 1.0% for the 2019-2020 fiscal year. The District will continue to monitor the state of projected funding and adjust spending plans and projections accordingly.
- The District issued \$10M of bonds backed by future revenue from the statewide 1% infrastructure (SAVE) sales tax in July 2018. This bond issue financed the construction of Grant Wood Elementary School, the replacement of the HVAC system at Bettendorf High School, and the start of construction at Mark Twain Elementary School. The District is also planning to issue additional sales tax bonds in the spring of 2019.
- The District is currently constructing a new three-section elementary school to replace the current Mark Twain and Thomas Jefferson Elementary Schools. This project is expected to be completed during the 2019-2020 fiscal year.

### 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 Dallan Christensen, Director of Finance, Bettendorf Community School District, 3311 18<sup>th</sup> St., Bettendorf, IA 52722.

BETTENDORF COMMUNITY SCHOOL DISTRICT

## **Basic Financial Statements**

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 29,290,331	901,515	30,191,846
Receivables:			
Property tax:			
Delinquent	86,917	-	86,917
Succeeding year	20,705,210	-	20,705,210
Accounts	113,482	440	113,922
Due from other governments	3,597,167	4,062	3,601,229
Inventories	-	36,342	36,342
Capital assets not being depreciated:			
Land and construction in progress	9,106,366	-	9,106,366
Capital assets, net of accumulated depreciation:			
Buildings and land improvements and machinery and equipment	51,515,784	30,159	51,545,943
<b>Total assets</b>	<b>114,415,257</b>	<b>972,518</b>	<b>115,387,775</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	7,797,913	145,605	7,943,518
<b>Liabilities</b>			
Accounts payable	1,155,481	4,192	1,159,673
Salaries and benefits payable	5,366,439	795	5,367,234
Incurred but not reported claims	1,024,583	-	1,024,583
Unearned revenue	-	41,760	41,760
Long-term liabilities:			
Portion due within one year:			
Termination benefits payable	88,800	-	88,800
Compensated absences	364,243	2,830	367,073
Portion due after one year:			
Termination benefits payable	140,400	-	140,400
Net pension liability	26,120,785	497,767	26,618,552
Total OPEB liability	4,918,997	66,304	4,985,301
<b>Total liabilities</b>	<b>39,179,728</b>	<b>613,648</b>	<b>39,793,376</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	20,705,210	-	20,705,210
Pension related deferred inflows	636,251	12,125	648,376
OPEB related deferred inflows	109,441	1,475	110,916
<b>Total deferred inflows of resources</b>	<b>21,450,902</b>	<b>13,600</b>	<b>21,464,502</b>
<b>Net Position</b>			
Net investment in capital assets	60,622,150	30,159	60,652,309
Restricted for:			
Categorical funding	1,524,437	-	1,524,437
Debt service	2,824	-	2,824
Management levy purposes	5,687,527	-	5,687,527
Student activities	498,836	-	498,836
School infrastructure	931,136	-	931,136
Physical plant and equipment	3,011,452	-	3,011,452
Unrestricted	(10,695,822)	460,716	(10,235,106)
<b>Total net position</b>	<b>\$ 61,582,540</b>	<b>490,875</b>	<b>62,073,415</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 24,123,596	4,987,754	449,570	-	(18,686,272)	-	(18,686,272)
Special	6,391,451	1,145,166	1,016,200	-	(4,230,085)	-	(4,230,085)
Other	6,653,929	1,192,299	1,297,814	-	(4,163,816)	-	(4,163,816)
	<u>37,168,976</u>	<u>7,325,219</u>	<u>2,763,584</u>	<u>-</u>	<u>(27,080,173)</u>	<u>-</u>	<u>(27,080,173)</u>
Support services:							
Student	2,102,776	-	-	-	(2,102,776)	-	(2,102,776)
Instructional staff	894,253	-	11,296	-	(882,957)	-	(882,957)
Administration	6,390,019	-	3,057	-	(6,386,962)	-	(6,386,962)
Operation and maintenance of plant	5,804,348	-	-	125,000	(5,679,348)	-	(5,679,348)
Transportation	1,048,934	52,755	80,289	-	(915,890)	-	(915,890)
	<u>16,240,330</u>	<u>52,755</u>	<u>94,642</u>	<u>125,000</u>	<u>(15,967,933)</u>	<u>-</u>	<u>(15,967,933)</u>
Non-instructional programs:							
Food service operations	20,105	-	-	-	(20,105)	-	(20,105)
Community service operations	2,155	-	2,155	-	-	-	-
	<u>22,260</u>	<u>-</u>	<u>2,155</u>	<u>-</u>	<u>(20,105)</u>	<u>-</u>	<u>(20,105)</u>
Other expenditures:							
AEA flowthrough	1,777,461	-	1,777,461	-	-	-	-
Depreciation(unallocated)*	2,897,468	-	-	-	(2,897,468)	-	(2,897,468)
	<u>4,674,929</u>	<u>-</u>	<u>1,777,461</u>	<u>-</u>	<u>(2,897,468)</u>	<u>-</u>	<u>(2,897,468)</u>
Total governmental activities	<u>\$ 58,106,495</u>	<u>7,77,974</u>	<u>4,637,842</u>	<u>125,000</u>	<u>(45,965,679)</u>	<u>-</u>	<u>(45,965,679)</u>
Business type activities:							
Support services:							
Administration	783	-	-	-	-	(783)	(783)
Non-instructional programs:							
Food service operations	1,722,155	867,011	1,095,243	-	-	240,099	240,099
Total business type activities	<u>1,722,938</u>	<u>867,011</u>	<u>1,095,243</u>	<u>-</u>	<u>-</u>	<u>239,316</u>	<u>239,316</u>
Total	<u>\$ 59,829,433</u>	<u>8,244,985</u>	<u>5,733,085</u>	<u>125,000</u>	<u>(45,965,679)</u>	<u>239,316</u>	<u>(45,726,363)</u>
<b>General Revenues and Transfers:</b>							
Property tax levied for:							
General purposes					\$ 17,402,466	-	17,402,466
Capital outlay					2,473,374	-	2,473,374
Statewide sales, service and use tax					3,848,833	-	3,848,833
Unrestricted state grants					23,150,333	-	23,150,333
Nonspecific program federal grants					13,918	-	13,918
Unrestricted investment earnings					81,366	-	81,366
Other					108,601	926	109,527
Transfers					19,595	(19,595)	-
Total general revenues and transfers					<u>47,098,486</u>	<u>(18,669)</u>	<u>47,079,817</u>
Change in net position					1,132,807	220,647	1,353,454
Net position beginning of year, as restated					60,449,733	270,228	60,719,961
Net position end of year					<u>\$ 61,582,540</u>	<u>490,875</u>	<u>62,073,415</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	General	Capital Projects	Management Levy	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 14,349,922	3,831,966	5,903,389	506,489	24,591,766
Receivables:					
Property tax:					
Delinquent	67,856	10,519	8,542	-	86,917
Succeeding year	17,733,108	2,587,079	385,023	-	20,705,210
Accounts	59,929	44,667	1,916	6,970	113,482
Due from other governments	3,270,945	326,222	-	-	3,597,167
<b>Total assets</b>	<b>\$ 35,481,760</b>	<b>6,800,453</b>	<b>6,298,870</b>	<b>513,459</b>	<b>49,094,542</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 858,951	270,786	7,920	11,799	1,149,456
Salaries and benefits payable	5,366,439	-	-	-	5,366,439
Total liabilities	6,225,390	270,786	7,920	11,799	6,515,895
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	17,733,108	2,587,079	385,023	-	20,705,210
Fund balances:					
Restricted for:					
Categorical funding	1,524,437	-	-	-	1,524,437
Debt service	-	-	-	2,824	2,824
Management levy purposes	-	-	5,905,927	-	5,905,927
Student activities	-	-	-	498,836	498,836
School infrastructure	-	931,136	-	-	931,136
Physical plant and equipment	-	3,011,452	-	-	3,011,452
Unassigned	9,998,825	-	-	-	9,998,825
Total fund balances	11,523,262	3,942,588	5,905,927	501,660	21,873,437
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 35,481,760</b>	<b>6,800,453</b>	<b>6,298,870</b>	<b>513,459</b>	<b>49,094,542</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, 2018

**Total fund balances of governmental funds(page 20)** \$ 21,873,437

*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. 60,622,150

Blending of the Internal Service Fund to be reflected on an entity-wide basis. 3,667,957

Pension and OPEB 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	\$ 7,797,913	
Deferred inflows of resources	<u>(745,692)</u>	7,052,221

Long-term liabilities, including net pension liability, compensated absences, termination benefits and total OPEB liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds. (31,633,225)

**Net position of governmental activities(page 18)** \$ 61,582,540

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

	General	Capital Projects	Management Levy	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 15,453,364	2,473,374	1,949,102	-	19,875,840
Tuition	5,779,146	-	-	-	5,779,146
Other	670,538	142,331	72,681	1,169,667	2,055,217
Intermediate sources	10,599	-	-	-	10,599
State sources	25,777,666	3,896,687	35,238	-	29,709,591
Federal sources	1,789,314	-	-	-	1,789,314
Total revenues	<u>49,480,627</u>	<u>6,512,392</u>	<u>2,057,021</u>	<u>1,169,667</u>	<u>59,219,707</u>
Expenditures:					
Current:					
Instruction:					
Regular	22,593,918	568,281	520,602	-	23,682,801
Special	6,166,504	-	2,700	-	6,169,204
Other	5,195,362	-	-	1,092,328	6,287,690
	<u>33,955,784</u>	<u>568,281</u>	<u>523,302</u>	<u>1,092,328</u>	<u>36,139,695</u>
Support services:					
Student	2,029,366	-	18,373	-	2,047,739
Instructional staff	714,554	-	22,050	-	736,604
Administration	6,171,911	4,536	148,165	-	6,324,612
Operation and maintenance of plant	3,897,659	360,809	540,606	-	4,799,074
Transportation	884,268	200,934	64,678	-	1,149,880
	<u>13,697,758</u>	<u>566,279</u>	<u>793,872</u>	<u>-</u>	<u>15,057,909</u>
Non-instructional programs:					
Food service operations	-	-	20,105	-	20,105
Community service operations	2,155	-	-	-	2,155
	<u>2,155</u>	<u>-</u>	<u>20,105</u>	<u>-</u>	<u>22,260</u>
Capital outlay	-	8,657,701	-	-	8,657,701
Other expenditures:					
AEA flowthrough	1,777,461	-	-	-	1,777,461
Total expenditures	<u>49,433,158</u>	<u>9,792,261</u>	<u>1,337,279</u>	<u>1,092,328</u>	<u>61,655,026</u>
Excess(Deficiency) of revenues over(under) expenditures	47,469	(3,279,869)	719,742	77,339	(2,435,319)
Other financing sources:					
Sale of equipment	3,663	-	-	-	3,663
Transfer in	19,595	-	-	-	19,595
Total other financing sources	<u>23,258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,258</u>
Change in fund balances	70,727	(3,279,869)	719,742	77,339	(2,412,061)
Fund balances beginning of year	<u>11,452,535</u>	<u>7,222,457</u>	<u>5,186,185</u>	<u>424,321</u>	<u>24,285,498</u>
Fund balances end of year	<u>\$ 11,523,262</u>	<u>3,942,588</u>	<u>5,905,927</u>	<u>501,660</u>	<u>21,873,437</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2018

**Change in fund balances - total governmental funds (page 22)** \$ (2,412,061)

*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 expense in the Statement of Activities. Capital outlay expenditures, depreciation expense and loss on disposal in the current year is as follows:

Capital outlay	\$ 8,249,263	
Depreciation expense	(3,293,492)	
Loss on disposal	<u>(20,589)</u>	4,935,182

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 the governmental activities. 53,229

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 2,624,826

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:

Termination benefits	104,100	
Compensated absences	(80,304)	
Pension expense	(3,805,020)	
Total OPEB liability and related expenses	<u>(287,145)</u>	<u>(4,068,369)</u>

**Change in net position of governmental activities (page 19)** \$ 1,132,807

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
<b>Assets</b>		
Current assets:		
Cash and pooled investments	\$ 901,515	4,698,565
Accounts receivable	440	-
Due from other governments	4,062	-
Inventories	36,342	-
<b>Total current assets</b>	<b>942,359</b>	<b>4,698,565</b>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	30,159	-
<b>Total assets</b>	<b>972,518</b>	<b>4,698,565</b>
<b>Deferred Outflows of Resources</b>		
Pension related deferred outflows	145,605	-
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	4,192	6,025
Salaries and benefits payable	795	-
Incurred but not reported claims	-	1,024,583
Unearned revenue	41,760	-
<b>Total current liabilities</b>	<b>46,747</b>	<b>1,030,608</b>
Noncurrent liabilities:		
Compensated absences	2,830	-
Net pension liability	497,767	-
Total OPEB liability	66,304	-
<b>Total noncurrent liabilities</b>	<b>566,901</b>	<b>-</b>
<b>Total liabilities</b>	<b>613,648</b>	<b>1,030,608</b>
<b>Deferred Inflows of Resources</b>		
Pension related deferred inflows	12,125	-
OPEB related deferred inflows	1,475	-
<b>Total deferred inflows of resources</b>	<b>13,600</b>	<b>-</b>
<b>Net Position</b>		
Net investment in capital assets	30,159	-
Unrestricted	460,716	3,667,957
<b>Total net position</b>	<b>\$ 490,875</b>	<b>3,667,957</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 867,011	-
Miscellaneous	926	6,446,617
Total operating revenues	<u>867,937</u>	<u>6,446,617</u>
Operating expenses:		
Support services:		
Student:		
Services	-	28,831
Supplies	-	5,798
	<u>-</u>	<u>34,629</u>
Administration:		
Services	783	930,745
Total support services	<u>783</u>	<u>965,374</u>
Non-instructional programs:		
Food service operations:		
Salaries	537,430	-
Benefits	135,396	-
Services	20,777	-
Supplies	1,019,926	-
Depreciation	8,536	-
Other	90	-
	<u>1,722,155</u>	<u>-</u>
Other enterprise operations:		
Benefits	-	5,436,355
Total operating expenses	<u>1,722,938</u>	<u>6,401,729</u>
Operating income(loss)	<u>(855,001)</u>	<u>44,888</u>
Non-operating revenues:		
State sources	14,656	-
Federal sources	1,080,587	-
Interest income	-	8,341
Total non-operating revenues	<u>1,095,243</u>	<u>8,341</u>
Change in net position before other financing uses	240,242	53,229
Other financing uses:		
Transfer out	<u>(19,595)</u>	<u>-</u>
Change in net position	220,647	53,229
Net position beginning of year, as restated	<u>270,228</u>	<u>3,614,728</u>
Net position end of year	<u>\$ 490,875</u>	<u>3,667,957</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 874,686	-
Cash received from miscellaneous	926	6,446,670
Cash payments to employees for services	(708,082)	-
Cash payments to suppliers for goods or services	(899,544)	(6,214,738)
Net cash provided by(used in) operating activities	<u>(732,014)</u>	<u>231,932</u>
Cash flows from non-capital financing activities:		
Transfer to the General Fund	(19,595)	-
State grants received	14,656	-
Federal grants received	955,311	-
Net cash provided by non-capital financing activities	<u>950,372</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	-	8,341
Net increase in cash and pooled investments	218,358	240,273
Cash and pooled investments beginning of year	<u>683,157</u>	<u>4,458,292</u>
Cash and pooled investments end of year	<u>\$ 901,515</u>	<u>4,698,565</u>
<b>Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:</b>		
Operating income(loss)	\$ (855,001)	44,888
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	141,355	-
Depreciation	8,536	-
Decrease in inventories	2,654	-
Decrease in accounts receivable	635	53
Decrease in accounts payable	(1,977)	(1,640)
Increase in incurred but not reported claims	-	188,631
Decrease in salaries and benefits payable	(3,739)	-
Increase in compensated absences	2,244	-
Decrease in net pension liability	(34,212)	-
Increase in deferred outflows of resources	(9,704)	-
Increase in deferred inflows of resources	7,760	-
Increase in unearned revenue	7,040	-
Increase in OPEB liability	2,395	-
Net cash provided by(used in) operating activities	<u>\$ (732,014)</u>	<u>231,932</u>

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

During the year ended June 30, 2018, the District received \$141,355 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2018

	<u>Private Purpose Trust Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	<u>\$ 26,420</u>
<b>Liabilities</b>	
Accounts payable	<u>1,000</u>
<b>Net Position</b>	
Held in trust for scholarships	<u>\$ 25,420</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2018

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 5,447
Deductions:	
Instruction:	
Regular:	
Scholarships	2,400
Other	1,901
Total deductions	<u>4,301</u>
Change in net position	1,146
Net position beginning of year	<u>24,274</u>
Net position end of year	<u>\$ 25,420</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

Bettendorf Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Bettendorf, Iowa, and an area in Scott County. The District is governed by a Board of Education whose 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 Bettendorf Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Scott County Assessors' 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 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 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 on 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Projects 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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 District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded health insurance and dental insurance plan of the District. The Internal Service Fund is charged back to the governmental activities and shown combined in the Statement of Net Position and the Statement of Activities.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income 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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are 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.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### **D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity/Net Position**

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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 reported as a deferred inflow of resources 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, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2017.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment, and intangibles acquired after July 1, 1980 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 if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. 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. Reportable 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
Land improvements	5,000
Intangibles	200,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	5-10 years
Machinery and equipment	5-15 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable to a future year(s) and 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, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District'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.

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition 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.

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. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2018. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund. The compensated absences liability attributable to the business type activities will be paid primarily by the School Nutrition Fund.

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. The net pension liability attributable to the governmental activities will be paid primarily from the General Fund.

Total OPEB Liability - For purposes of measuring the total OPEB liability, deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefits payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid by the General Fund and that which is attributable to business type activities by the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) and 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 represents 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 property tax receivable not collected within sixty days after year end.

Deferred inflows of resources on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unrecognized items not yet charge to pension and OPEB expense.

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

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

Unassigned - All amounts not included in the preceding classification.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The District’s deposits in banks at June 30, 2018 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, 2018, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Government Obligations Portfolio which are valued at an amortized cost of \$2,902,451 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard and Poor’s Financial Services.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	School Nutrition	<u>\$ 19,595</u>

The transfer from the School Nutrition Fund to the General Fund was to reimburse for indirect costs.

**(4) 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 \$1,777,461 for the year ended June 30, 2018 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(5) Risk Management**

The District has a self-funded health and dental insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$50,000 in insured claims for any one covered individual. Settle claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The net position was \$3,667,957 at June 30, 2018. The incurred but not recorded and unpaid claims liability of \$1,024,583 reported in the plan at June 30, 2018 based on the requirements of GASB Statement Number 10 is set up as a liability on the Statement of Net Position.

In addition, 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. The District assumes liability for any deductibles and claims in excess of coverage limits. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(6) Capital Assets**

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,095,812	-	-	1,095,812
Construction in progress	511,389	7,499,165	-	8,010,554
Total capital assets not being depreciated	<u>1,607,201</u>	<u>7,499,165</u>	<u>-</u>	<u>9,106,366</u>
Capital assets being depreciated:				
Buildings	85,117,298	10,390	-	85,127,688
Land improvements	6,716,864	224,224	-	6,941,088
Machinery and equipment	8,896,722	515,484	300,835	9,111,371
Total capital assets being depreciated	<u>100,730,884</u>	<u>750,098</u>	<u>300,835</u>	<u>101,180,147</u>
Less accumulated depreciation for:				
Buildings	38,728,170	2,353,183	-	41,081,353
Land improvements	848,039	544,285	-	1,392,324
Machinery and equipment	7,074,908	396,024	280,246	7,190,686
Total accumulated depreciation	<u>46,651,117</u>	<u>3,293,492</u>	<u>280,246</u>	<u>49,664,363</u>
Total capital assets being depreciated, net	<u>54,079,767</u>	<u>(2,543,394)</u>	<u>20,589</u>	<u>51,515,784</u>
Governmental activities capital assets, net	<u>\$ 55,686,968</u>	<u>4,955,771</u>	<u>20,589</u>	<u>60,622,150</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 476,189	-	-	476,189
Less accumulated depreciation	437,494	8,536	-	446,030
Business type activities capital assets, net	<u>\$ 38,695</u>	<u>(8,536)</u>	<u>-</u>	<u>30,159</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 22,350
Other	50,824
Support services:	
Student	7,184
Instructional staff	114,137
Administration	42,348
Operation and maintenance of plant	16,521
Transportation	142,660
	<u>396,024</u>
Unallocated depreciation	<u>2,897,468</u>
Total governmental activities depreciation expense	<u>\$ 3,293,492</u>
Business type activities:	
Food service operations	<u>\$ 8,536</u>

(7) **Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2018 are summarized as follows:

	Balance Beginning of Year, as restated	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 283,939	364,243	283,939	364,243	364,243
Termination benefits	333,300	-	104,100	229,200	88,800
Net pension liability	24,820,431	1,300,354	-	26,120,785	-
Total OPEB liability	4,741,293	177,704	-	4,918,997	-
Total	<u>\$ 30,178,963</u>	<u>1,842,301</u>	<u>388,039</u>	<u>31,633,225</u>	<u>453,043</u>
<b>Business type activities:</b>					
Compensated absences	\$ 586	2,830	586	2,830	2,830
Net pension liability	531,979	-	34,212	497,767	-
Total OPEB liability	63,909	2,395	-	66,304	-
Total	<u>\$ 596,474</u>	<u>5,225</u>	<u>34,798</u>	<u>566,901</u>	<u>2,830</u>

**Termination Benefits**

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

The total retirement benefit for eligible employees under the program is \$13,500 deposited into a Health Reimbursement Arrange (HRA) divided into five equal payments to be made over a period of five years. In addition, an amount equivalent to the total of unused sick leave days at \$45 per day was deposited into the HRA on a one-time basis.

At June 30, 2018, the District had obligations to 33 retirees with a total liability of \$229,200. Actual early retirement expenditures for the year ended June 30, 2018 totaled \$104,100.

(8) **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 Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. 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 information 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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date 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 that 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 - 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 that 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 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2018 were \$2,671,851.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the District reported a liability of \$26,618,552 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the District's proportion was 0.399602%, which was a decrease of 0.003245% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$3,814,414. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 244,384	230,629
Changes of assumptions	4,625,077	-
Net difference between projected and actual earnings on IPERS' investments	-	278,021
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	402,206	139,726
District contributions subsequent to the measurement date	2,671,851	-
Total	<u>\$ 7,943,518</u>	<u>648,376</u>

\$2,671,851 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. 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 June 30,	Amount
2019	\$ 795,639
2020	2,150,828
2021	1,248,895
2022	122,850
2023	305,079
Total	<u>\$ 4,623,291</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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:

<b>Asset Class</b>	<b>Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private Equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
<b>Total</b>	<b>100.0%</b>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 43,856,695	26,618,552	12,135,200

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).

Payables to IPERS - At June 30, 2018, the District reported payables IPERS of \$472,857 for legally required District contributions and \$315,061 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

#### **(9) Other Postemployment Benefits (OPEB)**

Plan Description - The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by Bettendorf Community School District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement.

Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	50
Active employees	<u>449</u>
Total	<u><u>499</u></u>

Total OPEB Liability - The District's total OPEB liability of \$4,985,301 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	3.00% per annum.
Rates of salary increase (effective June 30, 2018)	3.50% per annum, including inflation.
Discount rate (effective June 30, 2018)	3.87% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	7.00% initial rate decreasing by 0.5% to an ultimate rate of 4.50%

Discount Rate - The discount rate used to measure the total OPEB liability was 3.87% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP-2014 generational table scaled using MP-17 and applied on a gender-specific basis. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 4,805,202
Changes for the year:	
Service cost	396,988
Interest	195,675
Changes in assumptions	(120,999)
Benefit payments	<u>(291,565)</u>
Net changes	<u>180,099</u>
Total OPEB liability end of year	<u><u>\$ 4,985,301</u></u>

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2017 to 3.87% in fiscal year 2018.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current discount rate.

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 5,417,000	4,985,000	4,594,000

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.00%) or 1% higher (8.00%) than the current healthcare cost trend rates.

	1% Decrease (6.00%)	Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
Total OPEB liability	\$ 4,370,000	4,985,000	5,893,000

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the District recognized OPEB expense of \$582,579. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following resources:

	Deferred Inflows of Resources
Changes in assumptions	\$ 110,916

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	Amount
2019	\$ (10,083)
2020	(10,083)
2021	(10,083)
2022	(10,083)
2023	(10,083)
Thereafter	(60,501)
Total	\$ (110,916)

**(10) Categorical Funding**

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2018.

Program	Amount
Home school assistance program	\$ 8,187
Gifted and talented programs	314,132
Returning dropouts and dropout prevention programs	264,263
Teacher leadership state aid	581,582
Four-year-old preschool state aid	178,864
Beginning teacher mentoring and induction program	54,648
Textbook aid for nonpublic students	7,702
Professional development	108,961
Successful progression for early readers	6,098
Total	<u>\$ 1,524,437</u>

**(11) Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position**

Reconciliation of certain governmental fund balances to the Statement of Net Position is as follows:

	Management Levy	Unassigned/Unrestricted
Fund balance (Exhibit C)	\$ 5,905,927	9,998,825
Termination benefits	(218,400)	(10,800)
Compensated absences	-	(364,243)
Net pension liability	-	(26,120,785)
Pension related deferred outflows	-	7,797,913
Pension related deferred inflows	-	(636,251)
Internal service fund	-	3,667,957
Total OPEB liability	-	(4,918,997)
OPEB related deferred inflows	-	(109,441)
Net position (Exhibit A)	<u>\$ 5,687,527</u>	<u>(10,695,822)</u>

**(12) Construction Commitments**

The District has entered into various contracts totaling \$11,680,726 for construction projects around the District. As of June 30, 2018, costs of \$8,010,554 had been incurred against these contracts. The balance remaining on these projects will be paid as work on the projects progresses.

**(13) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities and business type activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	Governmental Activities	Business Type Activities
Net position June 30, 2017, as previously reported	\$ 65,004,729	331,434
OPEB obligation measured under previous standards	186,297	2,703
Total OPEB liability at June 30, 2017	<u>(4,741,293)</u>	<u>(63,909)</u>
Net position July 1, 2017, as restated	<u>\$ 60,449,733</u>	<u>270,228</u>

**(14) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Property tax revenues of the District were reduced the following amounts for the year ended June 30, 2018 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Bettendorf	Urban renewal and economic development projects	\$ 401,820
City of Davenport	Urban renewal and economic development projects	44,003

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2018, this reimbursement amounted to \$223,961.

BETTENDORF COMMUNITY SCHOOL DISTRICT

## **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, 2018

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 27,710,203	867,937	28,578,140	28,188,454	28,188,454	389,686
Intermediate sources	10,599	-	10,599	7,676	7,676	2,923
State sources	29,709,591	14,656	29,724,247	30,553,713	30,553,713	(829,466)
Federal sources	1,789,314	1,080,587	2,869,901	2,704,527	2,704,527	165,374
<b>Total revenues</b>	<b>59,219,707</b>	<b>1,963,180</b>	<b>61,182,887</b>	<b>61,454,370</b>	<b>61,454,370</b>	<b>(271,483)</b>
<b>Expenditures/Expenses:</b>						
Instruction	36,139,695	-	36,139,695	37,319,270	37,069,270	929,575
Support services	15,057,909	783	15,058,692	15,484,113	15,984,113	925,421
Non-instructional programs	22,260	1,722,155	1,744,415	1,990,210	2,490,210	745,795
Other expenditures	10,435,162	-	10,435,162	13,945,433	14,379,285	3,944,123
<b>Total expenditures/expenses</b>	<b>61,655,026</b>	<b>1,722,938</b>	<b>63,377,964</b>	<b>68,739,026</b>	<b>69,922,878</b>	<b>6,544,914</b>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(2,435,319)	240,242	(2,195,077)	(7,284,656)	(8,468,508)	6,273,431
Other financing sources, net	23,258	(19,595)	3,663	48,895	48,895	(52,558)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(2,412,061)	220,647	(2,191,414)	(7,235,761)	(8,419,613)	6,220,873
Balances beginning of year, as restated	24,285,498	270,228	24,555,726	22,823,113	22,823,113	1,732,613
Balances end of year	\$ 21,873,437	490,875	22,364,312	15,587,352	14,403,500	7,953,486

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2018

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as 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 budget amendments, increasing budgeted expenditures by \$1,183,852.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST FOUR YEARS \*  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION

	2018	2017	2016	2015
District's proportion of the net pension liability	0.399602%	0.402847%	0.403126%	0.402844%
District's proportionate share of the net pension liability	\$ 26,619	25,352	19,916	15,976
District's covered payroll	\$ 29,856	28,952	27,618	26,361
District's proportionate share of the net pension liability as a percentage of its covered payroll	89.16%	87.57%	72.11%	60.60%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST TEN YEARS  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$ 2,672	2,666	2,585	2,466	2,354	2,179	2,012	1,682	1,633	1,541
Contributions in relation to the statutorily required contribution	\$ (2,672)	(2,666)	(2,585)	(2,466)	(2,354)	(2,179)	(2,012)	(1,682)	(1,633)	(1,541)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 29,920	29,856	28,952	27,618	26,361	25,127	24,932	24,207	23,564	24,273
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2018

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) 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.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE DISTRICT'S  
TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES  
FOR THE CURRENT YEAR  
REQUIRED SUPPLEMENTARY INFORMATION

	2018
Service cost	\$ 396,988
Interest cost	195,675
Changes in assumptions	(120,999)
Benefit payments	(291,565)
Net change in total OPEB liability	180,099
Total OPEB liability beginning of year, as restated	4,805,202
Total OPEB liability end of year	\$ 4,985,301
Covered-employee payroll	\$ 23,086,647
Total OPEB liability as a percentage of covered-employee payroll	21.59%

**Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.58%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT

## **Supplementary Information**

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2018

	Special Revenue		
	Student Activity	Debt Service	Total Nonmajor
<b>Assets</b>			
Cash and pooled investments	\$ 503,665	2,824	506,489
Receivables:			
Accounts	6,970	-	6,970
<b>Total assets</b>	<b>\$ 510,635</b>	<b>2,824</b>	<b>513,459</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 11,799	-	11,799
Deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	2,824	2,824
Student activities	498,836	-	498,836
Total fund balances	498,836	2,824	501,660
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 510,635</b>	<b>2,824</b>	<b>513,459</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, 2018

	Special Revenue		
	Student Activity	Debt Service	Total Nonmajor
Revenues:			
Local sources:			
Other	\$ 1,169,667	-	1,169,667
Expenditures:			
Current:			
Instruction:			
Other	1,092,328	-	1,092,328
Change in fund balances	77,339	-	77,339
Fund balances beginning of year	421,497	2,824	424,321
Fund balances end of year	\$ 498,836	2,824	501,660

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUND ACCOUNTS  
 JUNE 30, 2018

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 739,316	3,092,650	3,831,966
Receivables:			
Property tax:			
Delinquent	-	10,519	10,519
Succeeding year	-	2,587,079	2,587,079
Accounts	-	44,667	44,667
Due from other governments	326,222	-	326,222
<b>Total assets</b>	<b>\$ 1,065,538</b>	<b>5,734,915</b>	<b>6,800,453</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 134,402	136,384	270,786
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	2,587,079	2,587,079
Fund balances:			
Restricted for:			
School infrastructure	931,136	-	931,136
Physical plant and equipment	-	3,011,452	3,011,452
Total fund balances	931,136	3,011,452	3,942,588
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,065,538</b>	<b>5,734,915</b>	<b>6,800,453</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUND ACCOUNTS  
 YEAR ENDED JUNE 30, 2018

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	2,473,374	2,473,374
Other	14,275	128,056	142,331
State sources	3,848,833	47,854	3,896,687
Total revenues	<u>3,863,108</u>	<u>2,649,284</u>	<u>6,512,392</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	568,281	568,281
Support services:			
Administration	-	4,536	4,536
Operation and maintenance of plant	-	360,809	360,809
Transportation	-	200,934	200,934
Capital outlay	8,089,730	567,971	8,657,701
Total expenditures	<u>8,089,730</u>	<u>1,702,531</u>	<u>9,792,261</u>
Change in fund balances	(4,226,622)	946,753	(3,279,869)
Fund balances beginning of year	<u>5,157,758</u>	<u>2,064,699</u>	<u>7,222,457</u>
Fund balances end of year	<u>\$ 931,136</u>	<u>3,011,452</u>	<u>3,942,588</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2018

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ -	46,037	44,998	1,039
Debate	6,099	17,925	19,569	4,455
Vocal Music	-	4,312	4,312	-
Vocal Music 1	394	452	480	366
Vocal Music 2	3,121	5,804	3,356	5,569
Metro Fest	-	11,328	7,103	4,225
Instrumental	8,122	52,597	42,906	17,813
Winter Guard	265	100	-	365
Orchestra	3,183	4,510	1,707	5,986
Show Choir	-	56,216	56,216	-
Rhythm on the River Bend	-	14,321	12,321	2,000
Co-Ed Athletics	79,105	98,454	59,722	117,837
Misc Club Revenue	10,746	-	-	10,746
TRAP League	2,469	-	-	2,469
Sports Uniforms	6,740	8,841	8,706	6,875
Boy's Basketball	1,645	23,518	25,163	-
Boy's Football	-	61,205	61,205	-
Boy's Soccer	-	12,979	12,979	-
Boy's Baseball	-	12,114	12,114	-
Baseball Fund Raiser	11,256	853	9,234	2,875
Boy's Track	-	25,200	25,200	-
Boys CR County	-	2,064	2,064	-
Boy's Tennis	-	2,075	2,075	-
Boy's Golf	-	5,028	5,028	-
Boy's Swimming	-	10,299	10,299	-
Boy's Bowling	-	3,887	3,887	-
Boy's Wrestling	-	25,575	25,575	-
Girl's Basketball	-	15,141	15,141	-
Girl's Volleyball	-	17,997	17,997	-
Girl's Soccer	-	12,190	12,190	-
Girl's Softball	1,525	9,753	11,278	-
Girl's Track	-	25,889	25,889	-
Girls Cr County	-	2,685	2,685	-
Girl's Tennis	-	2,334	2,334	-
Girl's Golf	-	3,318	3,318	-
Girl's Swimming	1,650	11,530	13,180	-
Girl's Bowling	-	2,012	2,012	-
FCCLA	216	240	165	291
GSA Club	39	598	246	391
Golf Outing	5,778	16,107	13,215	8,670
Health Club	171	1	-	172
Interest	3,287	1,282	3,535	1,034
Arts Education	5,964	1,807	1,462	6,309
Amicus	348	4,210	4,136	422
FBLA	6,101	25,771	25,482	6,390
Business Principles	2,603	-	-	2,603
BHS England Trip	10,604	-	1,200	9,404
Activity Tickets	4,161	2,559	4,125	2,595
BHS SIT	1,227	604	260	1,571
Yearbook/Photo Club	7,636	9,981	10,584	7,033
Robotics Club	-	4,151	886	3,265
Science Club	244	1,047	943	348
Scholastic Bowl	138	348	42	444
Yearbook-Beacon	41,596	45,538	46,959	40,175
Growl newspaper	6,818	1,858	284	8,392
Special Education Activities	8	671	469	210
National History Day Club	-	3,085	1,930	1,155
Student Council	16,761	48,346	56,064	9,043
Cheerleaders	8,196	33,501	32,339	9,358
Computer Club	1	-	-	1
Living Skills Club	220	2	-	222
Peer Educators	1,626	417	83	1,960
School Paper	1,915	14	-	1,929

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Functional Skills	1,742	-	271	1,471
Spanish Club	1,398	340	317	1,421
Sail/TAG Fundraiser	1,207	9	-	1,216
National Honor Society	923	1,783	1,579	1,127
Art Club	175	1	-	176
German Club	2,325	44,649	40,697	6,277
French Club	632	1,374	1,015	991
French Honors Society	232	630	631	231
Social Comm Club	40	-	-	40
Goldusters	5,517	17,037	14,930	7,624
Dusterettes	97	-	32	65
Art Club	1,170	340	330	1,180
Key Club	5	340	177	168
Club Vending	3,367	5,226	3,327	5,266
PR Club Vending	5,802	3,745	3,608	5,939
Class of 2018	1,406	3,988	5,394	-
Class of 2019	1,206	1,035	192	2,049
Class of 2020	482	651	10	1,123
Class of 2021	-	292	58	234
N.A. Fundraiser	815	6	-	821
N.A. Bookstore	4,083	29	-	4,112
Student Council	463	3	50	416
N.A. Shooting Stars	474	630	626	478
Hoover Fundraiser	1,882	13	-	1,895
Jefferson Fundraiser	14	1	-	15
Jefferson Bookstore	1,518	11	-	1,529
TJ Student Council	1,817	983	1,245	1,555
P.N. Bookstore	2,901	21	-	2,922
G.W. Fundraiser	7,926	58	-	7,984
G.W. Bookstore	3,640	27	-	3,667
G.W. Memorial Fund	31	-	-	31
Student Needs	523	4	-	527
N.A. Student	376	3	-	379
Elm - Orchestra	54	-	-	54
Backpack Snack Program	5,530	6,652	5,000	7,182
Therapy Dog	1,216	9	-	1,225
MT Fundraiser	2,293	16	-	2,309
6-House I	383	4,710	3,868	1,225
6-House II	23	4,476	2,578	1,921
6-House III	891	2,253	2,640	504
6-House IV	589	-	589	-
6-House V	607	-	607	-
7-House I	412	1,751	1,447	716
7-House II	421	609	342	688
7-House III	218	504	280	442
7-House IV	170	-	170	-
7-House V	217	-	217	-
8-House I	983	7,105	6,503	1,585
8-House II	1,952	1,865	3,103	714
8-House III	1,114	7,403	5,047	3,470
8-House IV	1,043	-	1,043	-
8-House V	2,891	-	2,891	-
School Fundraising	8,531	10,165	9,368	9,328
Student Needs	350	1,019	381	988
BWCA	305	2	-	307
MS Parent Link	14,372	3,528	4,065	13,835
After Prom	3,388	13,470	13,360	3,498
Field Turf	506	-	506	-
SPED Rec League	819	350	1,167	2
BHS Fine Arts Trip	9,209	99,996	109,205	-
Fine Arts Uniforms	8,093	134	748	7,479
BHS Fine Arts	17,661	84,561	54,973	47,249
BHS Football Moms	15,220	20,173	17,788	17,605
BHS Mat Moms	5,869	5,006	3,301	7,574
Total	\$ 421,497	1,169,667	1,092,328	498,836

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN PRIVATE PURPOSE TRUST FUND  
 SCHOLARSHIP ACCOUNTS  
 YEAR ENDED JUNE 30, 2018

Account	Net Position Beginning of Year	Additions	Deductions	Net Position End of Year
Golf Outing Scholarship	\$ 2,007	1,000	1,000	2,007
TJ Before the Bell	346	-	-	346
Class of 55 Donation	318	-	-	318
Student Needs	1,514	1,996	1,313	2,197
Noack Donation	201	-	-	201
Donation for After School - Armstrong	100	-	-	100
Donation for After School - Mark Twain	100	-	-	100
Professional Development Donation	2,006	-	-	2,006
Spain Memorial	919	-	-	919
B.H.S Memorial	1,017	-	-	1,017
G.W. Pieff Tutor	164	-	-	164
B.M.S. Johnson Memorial	-	400	400	-
B.S.C.F. Debate	8,257	-	-	8,257
Dollars for Doers	82	-	-	82
GW Sign Tutoring	2,669	-	-	2,669
Koufer Memorial	26	-	-	26
Funk Memorial	14	-	-	14
TJ Trust Fund	1,360	-	-	1,360
Robotics Donation	-	588	588	-
Thiessen Scholarship	1,403	1,463	1,000	1,866
Phillips Scholarship	251	-	-	251
Stansbury Scholarship	716	-	-	716
IGHSAU Scholarship	753	-	-	753
Sparling Memorial	51	-	-	51
<b>Total</b>	<b>\$ 24,274</b>	<b>5,447</b>	<b>4,301</b>	<b>25,420</b>



SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUNDS  
 FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Local sources:										
Local tax	\$ 19,875,840	19,403,387	19,280,650	19,029,135	22,820,270	22,886,176	21,977,114	21,097,070	19,950,685	20,207,326
Tuition	5,779,146	5,487,479	5,598,345	4,680,371	4,184,888	4,082,291	3,804,224	3,704,732	3,478,559	3,291,369
Other	2,055,217	1,964,185	2,270,209	1,875,163	1,900,221	1,737,113	1,932,720	1,826,287	2,670,888	2,290,144
Intermediate sources	10,599	1,405	32,378	12,965	626	200	576	513	619	20,853
State sources	29,709,591	28,982,066	27,685,128	27,375,345	22,189,361	21,598,101	21,310,902	19,936,921	17,505,827	20,224,298
Federal sources	1,789,314	1,735,593	1,769,933	1,867,500	1,744,313	1,622,543	2,289,034	2,874,300	3,680,354	1,884,007
<b>Total</b>	<b>\$ 59,219,707</b>	<b>57,574,115</b>	<b>56,636,643</b>	<b>54,840,479</b>	<b>52,839,679</b>	<b>51,926,424</b>	<b>51,314,570</b>	<b>49,439,823</b>	<b>47,286,932</b>	<b>47,917,997</b>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 23,682,801	23,648,644	23,507,593	22,308,962	20,327,836	19,685,330	18,366,813	18,034,575	18,097,643	18,567,224
Special	6,169,204	5,731,522	5,622,285	5,477,174	5,687,617	5,349,062	5,142,445	5,450,548	5,236,204	5,165,763
Other	6,287,690	6,001,847	4,998,926	4,461,856	5,281,988	4,579,520	4,855,728	4,725,745	5,016,016	3,564,504
Support services:										
Student	2,047,739	1,956,039	1,920,112	1,861,282	1,823,326	1,795,943	1,742,974	1,684,351	1,632,924	1,573,698
Instructional staff	736,604	801,708	817,556	767,954	665,587	616,969	753,188	673,503	613,527	671,629
Administration	6,324,612	6,449,214	6,273,984	6,356,301	5,994,504	6,215,174	6,446,347	6,721,876	5,291,154	5,542,713
Operation and maintenance										
of plant	4,799,074	4,523,772	4,573,231	4,487,569	4,309,240	3,801,998	3,570,952	3,720,497	4,175,010	4,203,928
Transportation	1,149,880	1,099,577	1,207,579	942,322	963,209	858,898	755,039	843,569	725,305	804,037
Non-instructional programs	22,260	20,135	34,329	13,785	18,310	9,771	11,657	12,218	14,866	11,496
Capital outlay	8,657,701	3,285,443	2,125,287	3,923,853	6,784,283	8,165,454	9,840,071	848,545	798,367	2,964,203
Long-term debt:										
Principal	-	72,565	71,186	516,776	-	-	-	-	9,565,000	815,000
Interest	-	1,405	2,784	14,202	-	-	-	-	173,340	405,120
Other expenditures:										
AEA flow-through	1,777,461	1,686,385	1,647,856	1,631,664	1,605,145	1,546,987	1,501,447	1,651,099	1,605,501	1,454,278
<b>Total</b>	<b>\$ 61,655,026</b>	<b>55,278,256</b>	<b>52,802,708</b>	<b>52,763,700</b>	<b>53,461,045</b>	<b>52,625,106</b>	<b>52,986,661</b>	<b>44,366,526</b>	<b>52,944,857</b>	<b>45,743,593</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018

GRANTOR/PROGRAM	CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 18	\$ 191,921
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 18	861,873 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 18	10,745
			<u>1,064,539</u>
 FRESH FRUIT AND VEGETABLE PROGRAM	 10.582	 FY 18	 <u>16,048</u>
 U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 18	<u>386,204</u>
 SPECIAL EDUCATION - GRANTS TO STATES	 84.027	 FY 18	 <u>1,472 **</u>
 TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	 84.287	 FY 18	 <u>244,249</u>
 SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS	 84.367	 FY 18	 <u>75,912</u>
 U.S. DEPARTMENT OF EDUCATION:			
MISSISSIPPI BEND AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 18	<u>197,471 **</u>
 CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	 84.048	 FY 18	 <u>9,299</u>
 TOTAL			 <u>\$ 1,995,194</u>

\* - Includes \$141,355 of non-cash awards

\*\* - Total for Special Education (84.027) is \$198,943.

**Basis of Presentation** - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Bettendorf Community School District under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only selected portion of the operations of Bettendorf Community School District, it is not intended to and does not represent the financial position, changes in financial position or cash flows of Bettendorf Community School District.

**Summary of Significant Accounting Policies** - Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

**Indirect Cost Rate** - Bettendorf Community School District has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance and calculated by the Iowa Department of Education.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

**Independent Auditor's Report 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, 2018, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 16, 2019.

**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 a deficiency in internal control we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

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 deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-18 to be a significant deficiency.

**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, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Bettendorf Community School District's Responses to Findings**

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 result 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.



NOLTE, CORNMAN & JOHNSON, P.C.

January 16, 2019  
Newton, Iowa

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

**Independent Auditor's Report on Compliance**  
**for Each Major Federal Program and on Internal Control over Compliance**  
**Required by the Uniform Guidance**

**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) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 major federal program. 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, 2018.

## Report on Internal Control Over Compliance

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bettendorf Community School District's internal control over compliance.

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

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

January 16, 2019  
Newton, Iowa

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were 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 no audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516(a)
- (g) Major programs were as follows:
  - Child Nutrition Cluster
  - CFDA Number 84.027 - Special Education Grants to States
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Bettendorf Community School District did not qualify as a low-risk auditee.

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

II-A-18 Receipting Procedures

Criteria - The District is responsible for implementing and maintain an internal control system related to the collection and recording of District revenue in a timely manner.

Condition - A cash receipt from a District vendor for a return of prior year expenses was received in the central office but was not receipted by central office staff for approximately three months after the cash was received.

Cause - District procedures do not appear to require all receipts received in the central office to be recorded into the District's accounting records in a timely manner.

Effect - Failure to receipt money into the District's accounting records in a timely manner can result in the District failing to properly record revenue and also prevents the District from having an accurate view of its current financial condition.

Recommendation - The District should review its procedures to ensure all monies received are receipted into the District's accounting records in a timely manner.

Response - The District has revised its procedures for receipting cash. The receptionist opens all mail and records checks in the check log. The receptionist then forwards checks to the Finance Department for receipting.

Conclusion - Response accepted.



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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

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

IV-A-18 Certified Budget - District expenditures for the year ended June 30, 2018 did not exceed the certified budgeted amounts.

IV-B-18 Questionable Disbursements - 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-18 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-18 Business Transactions - Business transactions between the District and District officials and employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Chris Howad, Performing Arts Center Manager Katie Howard, Teacher Father/Father-in-law owns Boylers Ornamental Iron	Supplies	\$23,950
Dallon Christensen, Director of Finance Owns QC Sports Net	Services	\$0

In accordance with Iowa Attorney General’s Opinion dated November 9, 1976, the above transactions with the father/father-in-law of District employees do not appear to represent conflicts of interest.

In accordance with Chapter 301.28 of the Code of Iowa, the transactions with the Director of Finance do not appear to represent a conflict of interest.



IV-E-18 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions.

IV-F-18 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-18 Certified Enrollment - We noted the enrollment data certified to the Iowa Department of Education was overstated by 1.50 students.

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

Response - The District’s auditors will contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Conclusion - Response accepted

IV-H-18 Supplementary Weighting - We noted no variances regarding the supplementary weighting certified to the Iowa Department of Education.

IV-I-18 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-18 Certified Annual Report - The Certified Annual Report was certified timely to the Department of Education and we noted no deficiencies in amounts reported.

IV-K-18 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.

IV-L-18 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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2018, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR.

Beginning balance		\$ 5,157,758
Revenues:		
Sales tax revenues	\$ 3,848,833	
Other local revenues	14,275	3,863,108
		<u>9,020,866</u>
Expenditures:		
School infrastructure construction		<u>8,089,730</u>
Ending balance		<u>\$ 931,136</u>

For the year ended June 30, 2018, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-18 Board Policies - We noted during our audit some of the policies in the District's board policy book appear to have not been kept up to date. All board policies should be reviewed at least every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to ensure board policies are reviewed in a timely manner.

Response - The District is currently reviewing and updating our policy series for non-financial and business services. Several of these policies have only recently fallen outside of the accepted review timeline, and we are reviewing these to ensure they are reviewed and updated in a timely manner in the future.

Conclusion - Response accepted.

IV-N-18 Payroll Procedures - We noted during our audit an instance of an employee being paid through accounts payable for officiating athletic events. Payments to employees for officiating should be made through the payroll system to ensure proper reporting and subjected to applicable withholdings per guidance provided by the Internal Revenue Service.

Recommendation - The District should review its procedures to ensure compliance with guidance provided by the Internal Revenue Service.

Response - The District has reviewed the procedures for paying employees who officiate athletic contests with the Activities Office and the Payroll Department. The Activities Office now cross-references the list of officials to be paid with the list of District employees to ensure that any employees are paid through payroll. The Finance Department will also perform random audits of officiating payments to cross-check employees to bill payments from the Activities Office in order to identify any employees that are being paid as a vendor.

Conclusion - Response accepted.