

**Iowa City Community School District
Iowa City, Iowa**

Comprehensive Annual Financial Report

Year Ended June 30, 2006

Iowa City Community School District Iowa City, Iowa

Comprehensive Annual Financial Report

Year Ended June 30, 2006

**Official Issuing Report:
Paul Bobek
Executive Director of Administrative Services**

**Office Issuing Report:
Central Administration Office**

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Iowa City Community School District

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December 12, 2006

The Board of Education and Residents
Iowa City Community School District

The Comprehensive Annual Financial Report of the Iowa City Community School District (the District) for the fiscal year ended June 30, 2006 is submitted herewith. The District is an independent entity governed by a seven-member board. Responsibility for the accuracy and completeness of the presentation, including all disclosures, rests with the officials of the District's Central Administration staff. We believe that the data is accurately presented, in all material respects; that the data is presented to fairly set forth the financial position and results of operations of the District as measured by the financial activity of the various funds; and that all necessary disclosures have been included in order to enable the reader to gain the maximum understanding of the District's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit compliance. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal District officials. The financial section includes the Management's Discussion and Analysis, the basic financial statements, the independent auditor's report and the combining and individual fund financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The District was required to undergo a single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U. S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments and Nonprofit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, summary schedule of prior audit findings, the independent auditor's report on internal control over financial reporting and on compliance and other matters, independent auditor's report on compliance with requirements applicable to each major program and internal control over compliance, a schedule of findings and questioned costs and corrective action plan are included in the single audit compliance section of this report.

This report includes all funds of the Iowa City Community School District. The District provides a full range of programs and services including instructional, administrative, transportation, food service, maintenance of sites and facilities, custodial, clerical, extra co-curricular and athletic activities and community education.

Profile of the Government

In Iowa, school districts operate with local control and have fiscal independence from other governmental entities. The District operates in compliance with the accounting principles generally accepted in the United States of America (GAAP) and currently prepares its financial statements per the Governmental Accounting Standards Board (GASB) Statement No. 34.

The Iowa City Community School District serves more than 80,000 people who live in Iowa City, Coralville, University Heights, Hills and North Liberty and the surrounding predominately agricultural territory in central Johnson County. Covering nearly 140 square miles, the District has developed around the City of Iowa City and The University of Iowa. The District has experienced consistent growth over the last fifteen years, growing from 9,559 in 1992 to 11,063 in October 2005.

The District operates two regular high schools, an alternative high school, two junior high schools and eighteen elementary schools. The District also maintains a maintenance/warehouse facility, a print shop, two athletic complexes and a Central Administration Office. The Iowa City Community School District provides a comprehensive educational program appropriate to students in early childhood and grades kindergarten through twelve. These services include basic, regular and enriched academic education, special education, vocational education and numerous individualized programs such as instruction for students at-risk, gifted and talented or extended learning language (ELL).

Relevant financial policies

The Iowa City Community School District operates under the laws as defined in the Code of Iowa and policies as determined by the local Board of Directors. A comprehensive accounting system is promulgated by the Iowa Department of Education including account numbers for revenues and expenditures by function and object. The District additionally tracks revenues and expenditures by location and source of funds. Annual budgets are provided to the Department of Management and annual financial reports are provided to the Iowa Department of Education in their prescribed formats. Periodic financial reports are submitted to the Iowa Department of Education or other granting agencies for many federal and state grants.

The Iowa City Community School District's Board of Education takes its fiduciary responsibility very seriously. It has adopted policies defining a budgeting process, quarterly financial reporting, purchasing, facilities planning, insurance and cash management. Idle cash is invested in Board approved allowable investments which include certificates of deposit, repurchase agreements and obligations of the United States Treasury. A quarterly investment report is provided indicating performance of investments to a comparative benchmark.

Economic Condition and Outlook

The District is located in the eastern part of the state, within the larger Iowa City metropolitan area and ranks as one of the top growth areas of the state. The economic condition and outlook of the District have remained strong during the past ten years, following several years of high economic growth and steady enrollment growth. This growth has had a positive effect on employment and the District's tax base. The District has experienced steady increases in its tax base over the past 25 years and continued with an increase during 2006 at the rate of 3.52 percent.

Major employers within the District include The University of Iowa and The University of Iowa Hospitals and Clinics, American College Testing and Pearson (formerly National Computer Systems) as well as two other hospitals. These employers provide a strong employment base in the education and health care industries. The unemployment rate of Iowa City area is consistently one of the lowest in the state of Iowa and well below national averages.

Based on conservative projections, the tax base is estimated to grow in the 3-4 percent range. While experiencing an enrollment increases the last two years of nearly 320 students, future projections indicate enrollment will continue to increase at slightly slower rates over the next five years.

Retail sales, building permits and population increases in the area have exceeded that of most other areas in the state of Iowa. These increases are projected to continue if economic conditions remain favorable. A large percentage of these increases are occurring within the School District boundaries.

For the years 2001-2004, the state of Iowa experienced an economic downturn that has hampered its ability to fund schools at the same level as in prior years. Beginning in 2005, the economy of the state of Iowa has returned to positive growth conditions. The duration and magnitude of this economic growth may have a significant impact on the District's programs and services and the level of funding for state aid and other state-funded programs.

The District has completed numerous construction projects during the last two years. During 2004-2005, construction was completed on additions to both high schools. Elizabeth Tate High School, an alternative high school and Van Allen Elementary were also completed during this period and opened for classes in August 2005. In addition, renovations to five elementary school buildings were started.

During 2006, the U.S. Green Building Council awarded the District a silver certificate for Leadership in Energy and Environmental Design (LEED) in connection with the construction of James Van Allen Elementary School.

During 2005-2006, the elementary school projects were completed and the construction of North Central Junior High was substantially completed. North Central Junior High opened for classes in August 2006.

The District has recently completed the purchase of two tracts of land, one in the northern portion and one in the western portion of the District for the future construction of elementary schools.

In November 2006, the District approved a resolution for a 1 percent local option sales tax to be voted in February 2007. Any revenues generated from a successful vote would be used for infrastructure needs as allowed in the Code of Iowa and the Board approved the Revenue Purpose Statement.

The two high schools offer athletic programs in nineteen different sports. State championship honors have been earned in boys' soccer, wrestling, girls' cross country and girls track while state placings went to football, boys' cross country, boys' track, girls' golf and girls' swimming.

The high schools also provide a full selection of opportunities in their music departments. Each year, the District has a high number of all-state musicians in addition to consistently earning Division I ratings at state contests. Each of the high schools has earned at least one Grammy Award for their music department in the last five years.

The high schools also support strong programs in math, debate and journalism which regularly receive state, regional and national recognition.

Students of the District continue to achieve high rankings on college entrance exams and are recognized as National Merit Scholars. The composite averages on these exams are consistently in the top 5 percent of the state and significantly exceed the national averages. These students achieved a graduation rate of over 91 percent in 2005 with nearly 86 percent planning to continue their education at colleges and universities.

Other Financial Information

Management of the District is responsible for establishing and maintaining an internal control designed to ensure that its assets are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America. The internal control is designed to provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

Single Audit. As a recipient of federal, state and county financial assistance, the District also is responsible for ensuring that an adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management and external auditors.

As a part of the District's single audit, described earlier, tests are made to determine the adequacy of the internal control over financial reporting and its compliance with applicable laws and regulations, including those related to major federal awards programs. The results of the District's single audit for the fiscal year ended June 30, 2006 provided no instances of material weaknesses in the internal control or violations of applicable laws and regulations.

Budgetary Controls. In addition, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Education. Activities of the General Fund, special revenue funds, Debt Service Fund, enterprise funds and capital projects funds are included in the annual appropriated budget by program. Project length financial plans are adopted for the capital projects funds and budgeted accordingly on an annual basis. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the function level for all funds combined rather than at the individual fund level.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

Basis of Presentation. The charts and accounts used by the District have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants. In addition, the District's accounting records conform with the Uniform Accounting System for Iowa Schools, Chapter 11 of the Code of Iowa and Area Educational Agencies issued by the Department of Education, state of Iowa. The chart of accounts manual is updated annually and the District is in full compliance with these requirements.

Cash Management. Cash, while temporarily idle during the year, was invested in money market deposit accounts and other short term investments as allowed by law. Interest rates ranged from 2.7 percent to 5.10 percent during the year, compared to the highest rate of 2.7 percent of the previous year. This aspect of the District's finances has gained importance in recent years as we have sought to maximize the yield on our investments in accordance with the Board approved investment policy without forfeiting the use of fund balances.

Risk Management. The District has initiated a program to lower the experience modification factor in workers' compensation claims by utilizing a single medical care facility for these claims. A safety committee has been operational for four years and meets quarterly to review the District's facilities and programs.

Awards and Acknowledgments

Independent Audit. The accounting firm of McGladrey & Pullen, LLP was selected to perform the annual audit in accordance with Chapter 11 of the Code of Iowa. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditor's report on the basic financial statements, combining and individual fund statements and other schedules is included in the financial section of this report.

Awards. The Iowa City Community School District is applying for the Certificate of Achievement for Excellence in Financial Reporting as awarded by The Government Finance Officers Association of the United States and Canada (GFOA) for its comprehensive annual financial report for the first time for the fiscal year ended June 30, 2006. The Certificate of Achievement is the highest form of recognition for excellence in state and local financial reporting.

In order to be presented this award, the District must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. We believe our current report conforms to the Certificate of Achievement program requirements and we are submitting it to GFOA.

The School District is also applying for the Certificate of Excellence in Financial Reporting from the Association of School Business Officials (ASBO) for the first time in the current year. The District believes the report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program and we are submitting this report to ASBO to determine its eligibility for a certificate, which is also valid for a period of one year. The Iowa City Community School District has not applied for the Certificate of Excellence in Financial Reporting in any prior years.

Acknowledgment

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated efforts of the accounting staff and our auditors, McGladrey & Pullen, LLP. We would like to express our appreciation to all staff members who assisted and contributed to this report. Also, appreciation is expressed for the interest and support of the Board of Education in conducting the financial operations of the District in a most responsible and progressive manner.

Respectfully submitted,

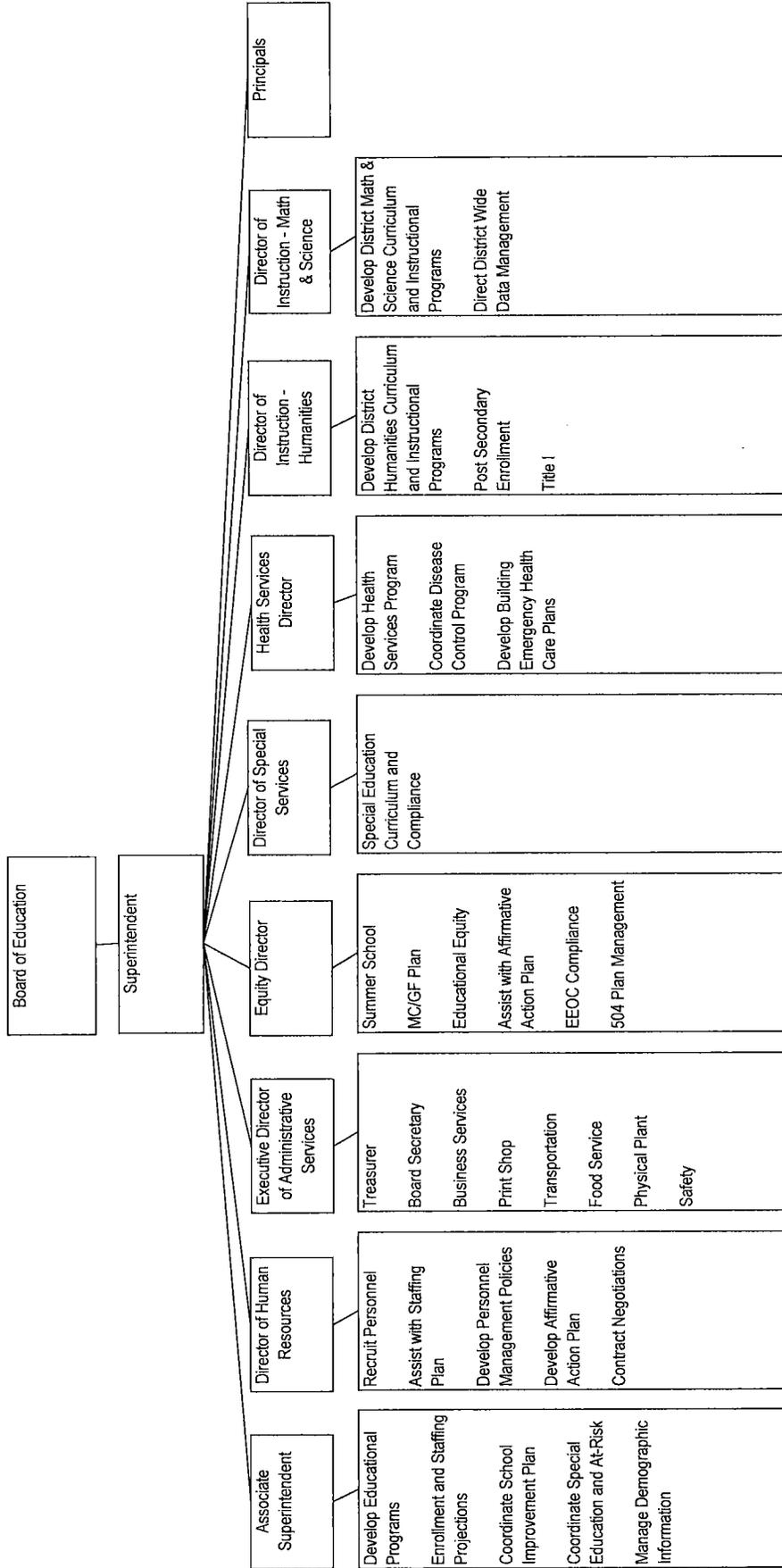


Dr. Lane Plugge
Superintendent



Paul Bobek
Executive Director of Administrative Services

IOWA CITY COMMUNITY SCHOOL DISTRICT ORGANIZATIONAL CHART



Iowa City Community School District

Board of Education and School District Officials
Year Ended June 30, 2006

Name	Title	Term Expires
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Board of Education

Before September 2005 election:

Lauren Reece	President	2005
Don Jackson	Vice President	2005
Toni Cilek	Board Member	2005
Jan Leff	Board Member	2006
Peter Wallace	Board Member	2006
Gayle Klouda	Board Member	2007
Aletia Morgan	Board Member	2007

After September 2005 election:

Peter Wallace	President	2006
Toni Cilek	Vice President	2008
Jan Leff	Board Member	2006
Gayle Klouda	Board Member	2007
Aletia Morgan	Board Member	2007
Elizabeth Crooks	Board Member	2008
Patti Fields	Board Member	2008

School District Officials

Dr. Lane Plugge	Superintendent	
Paul M. Bobek	Secretary and Treasurer	Appointed
Kirsten H. Frey	Attorney	Appointed
Thomas W. Foley	Attorney	Appointed

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Iowa City Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Iowa City Community School District as of June 30, 2006, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15 to the basic financial statements, the District changed its method of accounting for net assets restricted by enabling legislation.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 and budgetary comparison information on pages 46 through 48 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Iowa City Community School District's basic financial statements. The combining nonmajor fund financial statements and other schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information had not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Davenport, Iowa
September 21, 2006

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

Iowa City 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, 2006. We encourage readers to consider this information in conjunction with the District's financial statements.

Financial Highlights

Total net assets increased \$6,723,766 from \$71,728,169 in 2005 to \$78,451,935 in 2006. Total revenues for the fiscal year 2006 increased \$9,119,653 from 2005. Total expenses also increased from \$93,993,427 in 2005 to \$101,614,906 in 2006.

General Fund revenues increased from \$83,604,631 in fiscal year 2005 to \$88,905,992 in fiscal year 2006, while General Fund expenditures increased from \$82,863,472 in fiscal year 2005 to \$89,588,480 in fiscal year 2006. This resulted in a decrease in the District's General Fund balance from \$12,390,078 in fiscal year 2005 to \$11,471,749 in fiscal year 2006.

The increase in General Fund revenues for fiscal year 2006 was attributable to an increase in property tax and state aid as provided in the state funding formula. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and utility costs.

As a result of the improved economy and rising interest rates, the District was able to generate an increase in investment earnings from \$416,108 in fiscal year 2005 to \$1,113,733 in fiscal year 2006.

In summary, Iowa City Community School District's overall financial position remains strong, stable and consistent.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
 - ✓ The governmental fund statements explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
 - ✓ The statements for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
 - ✓ The statements for fiduciary funds provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

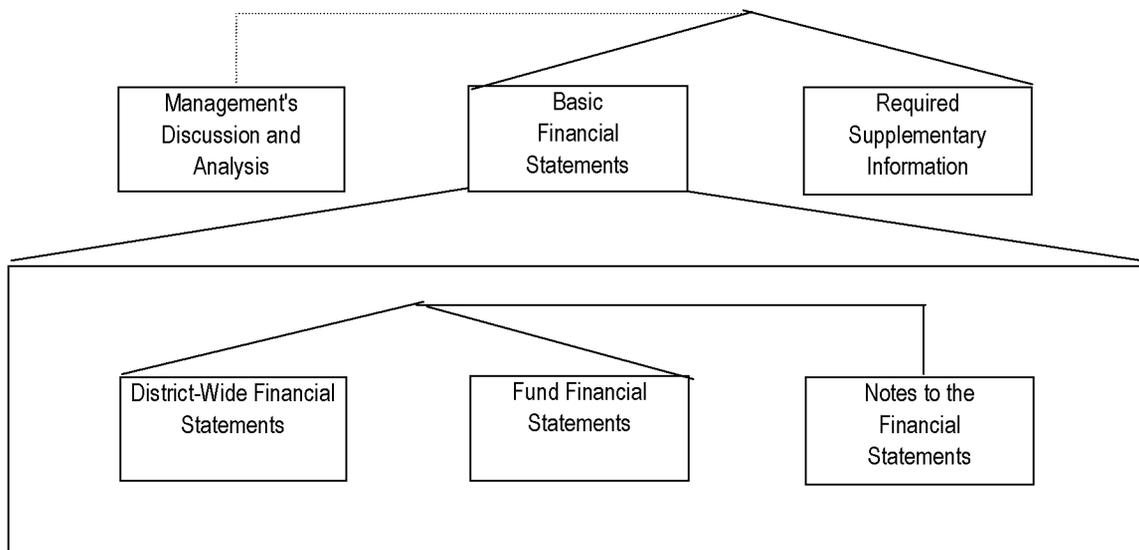
The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Iowa City Community School District

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006**

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

Figure A-1
Iowa City Community School District Annual Financial Report



Iowa City Community School District

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006**

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. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
District-Wide Statements		Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of fund net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position to assess the District's overall health; you need to consider additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

For the District-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 as a business-type activity.

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:

- Governmental funds. Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information following the governmental fund statements explains the relationship or differences between the two statements.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

- The District's governmental funds include the General Fund, Physical Plant & Equipment Levy Fund, Management Fund, Student Activity Fund, Debt Service Fund and Capital Projects Fund.
- 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 District-wide statements.
 - ✓ The District's enterprise funds, one type of proprietary fund, are encompassed in the District's 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.
 - ✓ Internal service funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently uses an Internal Service Fund to account for its self-insured health insurance funds.
- Fiduciary Funds. The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
 - ✓ Private-Purpose Trust Fund – The District accounts for assets for scholarships for individual students in this fund according to the terms of the donor's request.
 - ✓ Agency Fund – These are funds for which the District administers and accounts for certain assets in a fiduciary capacity as an agent on behalf of others.

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

Iowa City Community School District

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006

Financial Analysis of the District as a Whole

Net assets: Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006 compared to 2005:

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change 2005-2006
	2006	2005	2006	2005	2006	2005	
Current and other assets	\$ 76,548,217	\$ 86,846,433	\$ 1,998,520	\$ 1,677,886	\$ 78,546,737	\$ 88,524,319	\$ (9,977,582)
Capital assets	94,922,387	77,957,007	342,565	285,874	95,264,952	78,242,881	17,022,071
Total assets	171,470,604	164,803,440	2,341,085	1,963,760	173,811,689	166,767,200	7,044,489
Long-term obligations	33,359,722	35,940,724	-	-	33,359,722	35,940,724	2,581,002
Other liabilities	61,874,288	58,980,032	125,744	118,275	62,000,032	59,098,307	(2,901,725)
Total liabilities	95,234,010	94,920,756	125,744	118,275	95,359,754	95,039,031	(320,723)
Net assets:							
Invested in capital assets, net of related debt	60,614,632	47,646,574	342,565	285,874	60,957,197	47,932,448	13,024,749
Restricted	7,951,013	6,693,449	-	-	7,951,013	6,693,449	1,257,564
Unrestricted	7,670,949	15,542,661	1,872,776	1,559,611	9,543,725	17,102,272	(7,558,547)
Total net assets	\$ 76,236,594	\$ 69,882,684	\$ 2,215,341	\$ 1,845,485	\$ 78,451,935	\$ 71,728,169	\$ 6,723,766

The District's total net assets were greater as of June 30, 2006 than June 30, 2005. The increase occurred primarily in the governmental funds as a result of revenues in excess of expenses and the reduction in long-term obligations. The District expended over \$19,000,000 in capital assets during the fiscal year ended June 30, 2006. The expenditures made during fiscal year 2006 included the final completion and equipping of a new elementary school, a new alternative high school and renovations to five elementary buildings and the two existing high schools. In addition, construction for a new junior high school was substantially completed and was opened for classes in the fall of 2006.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2006 and 2005:

**Figure A-4
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total School District	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for service and sales	\$ 3,028,363	\$ 3,001,126	\$ 2,094,665	\$ 1,956,544	\$ 5,123,028	\$ 4,957,670
Operating grants and contributions	10,502,795	8,613,823	1,384,365	1,231,176	11,887,160	9,844,999
Capital grants and contributions	457,884	1,536,790	33,057	-	490,941	1,536,790
General revenues:						
Property taxes	48,822,446	44,369,440	-	-	48,822,446	44,369,440
Unrestricted state grants	36,727,158	35,092,649	-	-	36,727,158	35,092,649
Unrestricted investment earnings	989,882	380,544	63,041	24,274	1,052,923	404,818
Other	4,235,016	3,012,653	-	-	4,235,016	3,012,653
Total revenues	104,763,544	96,007,025	3,575,128	3,211,994	108,338,672	99,219,019
Program expenses:						
Governmental activities:						
Instruction	63,495,701	58,885,279	-	-	63,495,701	58,885,279
Support services	28,610,582	26,489,014	-	-	28,610,582	26,489,014
Noninstructional programs	18,775	268,069	-	-	18,775	268,069
Other expenses	6,284,576	5,409,568	-	-	6,284,576	5,409,568
Business-type activities:						
nutritional services	-	-	3,205,272	2,941,497	3,205,272	2,941,497
Total expenses	98,409,634	91,051,930	3,205,272	2,941,497	101,614,906	93,993,427
Change in net assets	\$ 6,353,910	\$ 4,955,095	\$ 369,856	\$ 270,497	\$ 6,723,766	\$ 5,225,592

Property tax and unrestricted state grants account for 79 and 80 percent of the total revenue for the years ended June 30, 2006 and 2005, respectively. The District's expenses primarily relate to instruction and support services which account for 90 and 91 percent of the total expenses for the years ended June 30, 2006 and 2005, respectively.

Governmental Activities

Revenues for governmental activities were \$104,763,544 and expenses were \$98,409,634. This difference of \$6,353,910 was used for the repayment of the general obligations bonds as scheduled in Note 6 to the Basic Financial Statements, approximately \$2,300,000 of physical plant and equipment levy revenues that will be expended on building projects in future years, and self-funded insurance claims being less than the maximum expected level by nearly \$1,400,000.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, noninstructional programs and other expenses.

**Figure A-5
Total and Net Cost of Governmental Activities**

	2006		2005	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 63,495,701	\$ (54,367,051)	\$ 58,885,279	\$ (51,218,019)
Support services	28,610,582	(27,553,482)	26,489,014	(25,837,814)
Noninstructional programs	18,775	(18,775)	268,069	(110,662)
Other expenses	6,284,576	(2,481,284)	5,409,568	(733,696)
Totals	\$ 98,409,634	\$ (84,420,592)	\$ 91,051,930	\$ (77,900,191)

- The cost financed by users of the District's programs was \$3,028,363 for 2006 and \$3,001,126 for 2005.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$10,960,679 for 2006 and \$10,150,613 for 2005.
- The remaining net cost of governmental activities was financed with property tax, state foundation aid and investment earnings.

Business-Type Activities

Revenues of the District's business-type activities were \$3,512,087 excluding \$63,041 of investment earnings and expenses were \$3,205,272. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and interest income.

Financial Analysis of the District's Funds

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

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

Governmental Fund Highlights: The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$12,373,981 which was below last year's ending fund balances of \$26,751,668. However, the primary reason for the decrease in combined fund balances in fiscal year 2006 is due to approximately \$21 million of capital expenditures in fiscal year 2006 being spent on the completion of capital projects.

- The District's General Fund financial position is the product of many factors. The primary factor resulting in the General Fund's decreased balance is attributable to negotiated salary settlements that slightly exceeded the property tax and state foundation aid increases. In addition, the District opened two new buildings, Elizabeth Tate High School and James Van Allen Elementary School, which included additional staff and operating costs.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from a balance of \$2,081,408 in fiscal year 2005 to \$4,345,400 in fiscal year 2006. This increase is primarily due to receiving additional revenues from property taxes from the voted increase in September 2004. The District plans to expend these revenues for the completion of several building projects.
- As previously noted, the Capital Projects Fund balance decreased due to the expenditures of approximately \$17,000,000 in capital outlay. Fiscal year 2006 ended with a deficit balance of (\$7,704,715) in connection with completions of the capital projects identified in the District's February 2003 referendum.

Proprietary Fund Highlights: The School Nutrition Fund's net assets increased from \$1,736,789 as of June 30, 2005 to \$2,059,530 as of June 30, 2006, representing an increase of approximately 18 percent for 2006 compared to an increase of 15 percent for 2005. The District has continued a trend of increased sales of nonproduced foods which typically have higher profit margins. The District has also implemented a computerized point of sale system in all of its facilities which has helped to maximize the revenue margins and the related increase in net assets. The increase in retained earnings will be used to continue the replacement of aging and fully depreciated equipment of the School Nutrition Fund.

The Internal Service Fund, including the District's self-insured health insurance funds, increased net assets from \$2,840,982 in 2005 to \$4,076,159 in 2006. This increase was due to charging the maximum liability premium as calculated by the District's reinsurance carrier for the cost of health insurance and favorable claims experience for the third consecutive year.

Budgetary Highlights

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 its internal service, private-purpose trust, and agency funds. The legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year, the District amended its annual operating budget one time to reflect additional revenue and expenditures associated with programs and activities added or changed during the fiscal year. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Legal Budgetary Highlights: The District's total actual revenues were approximately \$7,094,914 more than the total budgeted revenues, variance of 7 percent from the final budget. Approximately \$4,500,000 of this variance is from local source revenues that exceeded the budgeted amounts primarily from the PPEL property tax revenues discussed previously. In addition, nearly \$2,300,000 of this variance was from federal program revenues that were not anticipated with the original budget.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

Total expenditures were less than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority as defined by the Code of Iowa. 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 the actual expenditures during the year.

Capital Asset and Debt Administration

Capital Assets: As of June 30, 2006, the District had invested \$95 million, net of accumulated depreciation, in the broad range of capital assets, including land, buildings, athletic facilities, computers, and equipment. (See Figure A-6) This amount represents a net increase of \$17 million from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$2,398,726.

The original costs of the District's capital assets was nearly \$145 million. Governmental funds account for approximately \$144 million with the remainder of \$800,000 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction-in-progress and building categories. These categories increased primarily from the completion of a major addition to a high school facility, an alternative high school and elementary building which were opened in August 2005 and significant expenses on the construction of a junior high school building. The junior high building was completed subsequent to June 30, 2006 and opened for classes in August 2006.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-2006
Land	\$ 3,201,598	\$ 3,001,989	\$ -	\$ -	\$ 3,201,598	\$ 3,001,989	\$ 199,609
Construction-in-progress	20,188,182	26,671,063	-	-	20,188,182	26,671,063	(6,482,881)
Buildings	68,421,707	45,684,885	-	-	68,421,707	45,684,885	22,736,822
Improvements other than buildings	1,829,292	1,687,473	-	-	1,829,292	1,687,473	141,819
Furniture and equipment	1,281,608	911,597	342,565	285,874	1,624,173	1,197,471	426,702
Total	\$ 94,922,387	\$ 77,957,007	\$ 342,565	\$ 285,874	\$ 95,264,952	\$ 78,242,881	\$ 17,022,071

Long-Term Debt: As of June 30, 2006, the District had \$35 million in general obligation and other long-term debt outstanding. This represents a decrease of approximately \$2.6 million from last year. (See Figure A-7) More detailed information about the District's long-term liabilities are available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	2005-2006
General obligation bonds	\$ 34,080,000	\$ 36,445,000	\$ (2,365,000)
Early retirement	199,310	549,420	(350,110)
Compensated absences	422,610	363,955	58,655
Totals	\$ 34,701,920	\$ 37,358,375	\$ (2,656,455)

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

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 state and national economies have stabilized and the state of Iowa has established allowable growth percentages for fiscal year 2007. The District has been able to negotiate a significant portion of its salary settlements that match the rate of allowable growth in fiscal year 2007. These settlements are expected to lessen the use of District reserves to fund operating expenses.
- The Iowa school funding formula is highly dependent upon student enrollment. The District has experienced enrollment growth of 116 and 205 students in the last two years. The enrollment growth of 205 students in fiscal year 2007 will assist the District's budget in fiscal year 2008.
- As previously mentioned, the District has completed the construction of several new buildings and significant additions to other buildings in fiscal years 2005 and 2006. The capital expenditures related to these projects was approximately \$7,000,000 higher than originally budgeted. The additional expenditures will be provided for either in the Physical Plant and Equipment Levy Fund as allowed by law or by requesting modified allowable growth (additional spending authority) from the School Budget Review Committee. In addition, the additional square footage added by these projects will result in additional operating costs to the General Fund.
- In the spring of 2006, the Board approved a recommendation from the District's Wellness Committee regarding the options available on ala carte menus of the School Nutrition Fund and vending machines in the District. The options available on the ala carte menus to students beginning in August 2006 is expected to have an adverse impact on School Nutrition Fund revenues and gross profits in fiscal year 2007.
- The District has purchased approximately 13 acres of land for \$199,609 for the construction of a new elementary school in the western portion of the School District. The timeline for this construction has not been established.
- In addition, the District has agreed to purchase approximately 10 acres of land in the northern portion of the District for the purpose of constructing a new elementary school. The purchase price will be 50 percent of the appraised value with the property owner donating the remaining 50 percent to the District. The timeline for this construction has not been established.
- In November 2006, the District approved a resolution for a 1 percent local option sales tax for a period of 10 years to be voted on February 13, 2007. If successful, the sales tax will result in significant new revenues to assist the District with infrastructure needs as allowed in the Code of Iowa and the Board approved the Revenue Purpose Statement.

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 Paul Bobek, District Secretary/Treasurer and Executive Director of Administrative Services, Iowa City Community School District, 509 S. Dubuque Street, Iowa City, Iowa 52240.

Iowa City Community School District

Statement of Net Assets
June 30, 2006

Assets	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and cash equivalents	\$ 23,945,601	\$ 1,701,087	\$ 25,646,688
Receivables:			
Accounts receivable	55,137	-	55,137
Property tax:			
Current year	212,194	-	212,194
Succeeding year	48,720,062	-	48,720,062
Other	209,867	-	209,867
Due from other governments	2,869,399	-	2,869,399
Internal balances	(188,817)	188,817	-
Inventories	-	71,043	71,043
Prepaid expenses	677,515	37,573	715,088
Total current assets	76,500,958	1,998,520	78,499,478
Noncurrent assets:			
Unamortized bond issuance costs	47,259	-	47,259
Capital assets:			
Not depreciable:			
Land	3,201,598	-	3,201,598
Construction-in-progress	20,188,182	-	20,188,182
Depreciable capital assets, net of accumulated depreciation	71,532,607	342,565	71,875,172
Net capital assets	94,922,387	342,565	95,264,952
Total noncurrent assets	94,969,646	342,565	95,312,211
Total assets	\$ 171,470,604	\$ 2,341,085	\$ 173,811,689

Liabilities	Governmental Activities	Business-Type Activities	Total
Current liabilities:			
Accounts payable	\$ 3,386,821	\$ 6,792	\$ 3,393,613
Salaries and benefits payable	4,972,310	118,952	5,091,262
Claims payable	1,266,630	-	1,266,630
Accrued interest payable	99,304	-	99,304
Unearned revenue, succeeding year property tax	48,720,062	-	48,720,062
Grant revenues, unearned	121,124	-	121,124
General obligation bonds	2,380,000	-	2,380,000
Early retirement	505,427	-	505,427
Compensated absences	422,610	-	422,610
Total current liabilities	61,874,288	125,744	62,000,032
Noncurrent liabilities:			
Early retirement	1,384,708	-	1,384,708
Unamortized premium on general obligation bonds	275,014	-	275,014
General obligation bonds	31,700,000	-	31,700,000
Total noncurrent liabilities	33,359,722	-	33,359,722
Total liabilities	95,234,010	125,744	95,359,754
Net Assets			
Invested in capital assets, net of related debt	60,614,632	342,565	60,957,197
Restricted for:			
Debt service	552,899	-	552,899
Management levy	2,658,603	-	2,658,603
Physical plant and equipment levy	4,345,400	-	4,345,400
Other purpose restricted	394,111	-	394,111
Unrestricted	7,670,949	1,872,776	9,543,725
Total net assets	76,236,594	2,215,341	78,451,935
Total liabilities and net assets	\$ 171,470,604	\$ 2,341,085	\$ 173,811,689

Iowa City Community School District

Statement of Activities
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, and Contributions	Capital Grants, and Contributions
Governmental Activities				
Instruction:				
Regular instruction	\$ 39,874,314	\$ 1,661,535	\$ 3,055,937	\$ -
Special instruction	20,406,620	1,350,650	3,055,797	-
Other instruction	3,214,767	4,731	-	-
	<u>63,495,701</u>	<u>3,016,916</u>	<u>6,111,734</u>	<u>-</u>
Support services:				
Student services	2,836,912	-	705,838	-
Instructional services	4,930,194	-	-	-
Administration services	8,047,884	-	114,970	-
Operation and maintenance	9,251,147	5,248	-	-
Transportation services	3,544,445	6,199	224,845	-
	<u>28,610,582</u>	<u>11,447</u>	<u>1,045,653</u>	<u>-</u>
Noninstructional programs	18,775	-	-	-
Other:				
Facilities acquisition	1,760,485	-	-	457,884
Long-term debt interest	1,229,057	-	60,810	-
AEA flowthrough	3,284,598	-	3,284,598	-
Depreciation (unallocated)	10,436	-	-	-
	<u>6,284,576</u>	<u>-</u>	<u>3,345,408</u>	<u>457,884</u>
Total governmental activities	98,409,634	3,028,363	10,502,795	457,884
Business-type activities, nutritional services	3,205,272	2,094,665	1,384,365	33,057
Total primary government	\$ 101,614,906	\$ 5,123,028	\$ 11,887,160	\$ 490,941

General revenues:

- Property taxes levied for:
 - General purposes
 - Debt service
 - Capital outlay
- Unrestricted state grants
- Unrestricted investment earnings
- Other

Total general revenues

Changes in net assets
Net assets, beginning of year
Net assets, end of year

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (35,156,842)	\$ -	\$ (35,156,842)
(16,000,173)	-	(16,000,173)
(3,210,036)	-	(3,210,036)
(54,367,051)	-	(54,367,051)
(2,131,074)	-	(2,131,074)
(4,930,194)	-	(4,930,194)
(7,932,914)	-	(7,932,914)
(9,245,899)	-	(9,245,899)
(3,313,401)	-	(3,313,401)
(27,553,482)	-	(27,553,482)
(18,775)	-	(18,775)
(1,302,601)	-	(1,302,601)
(1,168,247)	-	(1,168,247)
-	-	-
(10,436)	-	(10,436)
(2,481,284)	-	(2,481,284)
(84,420,592)	-	(84,420,592)
-	306,815	306,815
(84,420,592)	306,815	(84,113,777)
39,354,754	-	39,354,754
3,640,090	-	3,640,090
5,827,602	-	5,827,602
36,727,158	-	36,727,158
989,882	63,041	1,052,923
4,235,016	-	4,235,016
90,774,502	63,041	90,837,543
6,353,910	369,856	6,723,766
69,882,684	1,845,485	71,728,169
\$ 76,236,594	\$ 2,215,341	\$ 78,451,935

Iowa City Community School District

Balance Sheet - Governmental Funds
June 30, 2006

Assets	General	Physical Plant and Equipment Levy	Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 12,797,594	\$ 312,302	\$ 807	\$ 3,804,774	\$ 16,915,477
Receivables:					
Property tax:					
Current year	156,933	28,298	-	26,963	212,194
Succeeding year	37,389,951	6,444,769	-	4,885,342	48,720,062
Other	206,877	-	-	2,990	209,867
Due from other funds	1,977,748	4,308,070	-	465,784	6,751,602
Due from other governments	1,797,399	-	1,072,000	-	2,869,399
Prepaid items	677,515	-	-	-	677,515
Total assets	\$ 55,004,017	\$ 11,093,439	\$ 1,072,807	\$ 9,185,853	\$ 76,356,116
Liabilities and Fund Balances (Deficits)					
Liabilities:					
Accounts payable	\$ 999,520	\$ 303,270	\$ 1,993,449	\$ 38,935	\$ 3,335,174
Salaries and benefits payable	4,972,310	-	-	-	4,972,310
Due to other funds	33,006	-	6,751,573	29	6,784,608
Deferred revenue:					
Succeeding year property tax	37,389,951	6,444,769	-	4,885,342	48,720,062
Grant revenues	137,481	-	32,500	-	169,981
Total liabilities	43,532,268	6,748,039	8,777,522	4,924,306	63,982,135
Fund balance (deficits):					
Reserved for:					
Prepaid items	677,515	-	-	-	677,515
Various programs	394,111	-	-	-	394,111
Debt service	-	-	-	552,899	552,899
Unreserved:					
Designated for various programs	952,559	-	-	-	952,559
Undesignated reported in:					
General Fund	9,447,564	-	-	-	9,447,564
Special revenue funds	-	4,345,400	-	3,708,648	8,054,048
Capital Projects Fund	-	-	(7,704,715)	-	(7,704,715)
Total fund balances (deficits)	11,471,749	4,345,400	(7,704,715)	4,261,547	12,373,981
Total liabilities and fund balances (deficits)	\$ 55,004,017	\$ 11,093,439	\$ 1,072,807	\$ 9,185,853	\$ 76,356,116

See Notes to Basic Financial Statements.

Iowa City Community School District

Reconciliation of Total Governmental Fund Balances to Net Assets
of Governmental Activities

June 30, 2006

Total governmental fund balances	\$	12,373,981
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		94,922,387
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		48,857
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets:		
Current assets	\$ 7,085,261	
Current liabilities	<u>(3,009,102)</u>	4,076,159
Internal service funds allocated to business-type activities		(155,811)
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(99,304)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:		
General obligation bonds, current	(2,380,000)	
General obligation bonds, noncurrent	(31,700,000)	
Early retirement, current	(199,310)	
Compensated absences, current	(422,610)	
Unamortized premium on general obligation bonds	(275,014)	
Unamortized bond issuance costs	<u>47,259</u>	(34,929,675)
Net assets of governmental activities		<u><u>\$ 76,236,594</u></u>

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 Governmental Funds
 Year Ended June 30, 2006

	General	Physical Plant and Equipment Levy
Revenues:		
Local sources:		
Local tax	\$ 37,389,776	\$ 5,827,602
Tuition	1,914,671	-
Other	3,169,925	302,721
State sources	42,726,134	-
Federal sources	3,705,486	-
Total revenues	88,905,992	6,130,323
Expenditures:		
Current:		
Instruction:		
Regular instruction	37,734,874	-
Special instruction	20,065,685	-
Other instruction	1,028,790	-
	58,829,349	-
Support services:		
Student services	2,836,912	-
Instructional services	4,923,439	-
Administration services	7,542,711	-
Operation and maintenance	8,829,498	1,456
Transportation services	3,323,011	-
	27,455,571	1,456
Noninstructional programs	18,962	-
Other, AEA flowthrough	3,284,598	-
Capital outlay	-	3,864,875
Debt service:		
Principal	-	-
Interest and fiscal charges	-	-
	-	-
Total expenditures	89,588,480	3,866,331
Excess (deficiency) of revenues over expenditures	(682,488)	2,263,992
Other financing sources (uses):		
Transfers in	-	-
Transfers out	(235,841)	-
Total other financing sources (uses)	(235,841)	-
Net change in fund balances	(918,329)	2,263,992
Fund balances, beginning of year	12,390,078	2,081,408
Fund balances (deficits), end of year	\$ 11,471,749	\$ 4,345,400

See Notes to Basic Financial Statements.

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 5,605,068	\$ 48,822,446
-	-	1,914,671
1,173,587	2,274,150	6,920,383
-	-	42,726,134
317,351	-	4,022,837
1,490,938	7,879,218	104,406,471
-	1,177,229	38,912,103
-	-	20,065,685
-	2,084,861	3,113,651
-	3,262,090	62,091,439
-	-	2,836,912
-	-	4,923,439
117,136	639,671	8,299,518
-	274,211	9,105,165
-	221,434	3,544,445
117,136	1,135,316	28,709,479
-	-	18,962
-	-	3,284,598
17,196,202	-	21,061,077
-	2,365,000	2,365,000
-	1,253,603	1,253,603
-	3,618,603	3,618,603
17,313,338	8,016,009	118,784,158
(15,822,400)	(136,791)	(14,377,687)
-	235,841	235,841
-	-	(235,841)
-	235,841	-
(15,822,400)	99,050	(14,377,687)
8,117,685	4,162,497	26,751,668
\$ (7,704,715)	\$ 4,261,547	\$ 12,373,981

Iowa City Community School District

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2006**

Net change in fund balances, total governmental funds \$ (14,377,687)

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, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as depreciation expense in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period:

Capital outlay	\$ 19,300,592	
Depreciation expense	<u>(2,335,212)</u>	16,965,380

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, change in deferred revenues. (102,846)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 2,365,000

Interest on long-term debt in the statement of activities differs from the amount reported in governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 5,163

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:

Change in early retirement	350,110	
Change in compensated absences	<u>(58,655)</u>	291,455

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets in the internal service fund is reported with governmental activities in the Statement of Activities. 1,235,177

Change in Internal Service Fund allocation to business-type activities. (47,115)

Amortization of bond premium and bond issuance costs. 19,383

Change in net assets of governmental activities \$ 6,353,910

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Net Assets
 Proprietary Funds
 June 30, 2006

	Nonmajor Enterprise Fund - School Nutrition	Internal Service Fund
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,701,087	\$ 7,030,124
Accounts receivable	-	55,137
Due from other funds	33,006	-
Inventories	71,043	-
Prepaid expenses and deposits	37,573	-
Total current assets	<u>1,842,709</u>	<u>7,085,261</u>
Noncurrent assets, capital assets, net of accumulated depreciation	<u>342,565</u>	<u>-</u>
Total assets	<u>\$ 2,185,274</u>	<u>\$ 7,085,261</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 6,792	\$ 51,647
Salaries and benefits payable	118,952	-
Claims payable	-	1,266,630
Early retirement	-	306,117
Total current liabilities	<u>125,744</u>	<u>1,624,394</u>
Noncurrent liabilities, early retirement	<u>-</u>	<u>1,384,708</u>
Total liabilities	<u>125,744</u>	<u>3,009,102</u>
Net Assets		
Invested in capital assets, net of related debt	342,565	-
Unrestricted	1,716,965	4,076,159
Total net assets	<u>2,059,530</u>	<u>4,076,159</u>
Total liabilities and net assets	<u>\$ 2,185,274</u>	<u>\$ 7,085,261</u>
Total enterprise funds net assets	\$ 2,059,530	
Amounts reported for business-type activities in the statement of net assets are different because:		
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
Net assets to business-type activities	<u>155,811</u>	
	<u>\$ 2,215,341</u>	

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Revenues, Expenses and Changes in Net Assets
 Proprietary Funds
 Year Ended June 30, 2006

	Nonmajor Enterprise Fund - School Nutrition	Internal Service Funds
Operating revenue:		
Charges for services:		
Food sales	\$ 2,094,665	\$ -
Internal service charges	-	6,256,134
Employee contributions	-	1,568,032
Total operating revenue	2,094,665	7,824,166
Operating expenses:		
Food consumed	1,627,098	-
Salaries and benefits	1,209,120	-
Supplies, services, and repairs	132,200	-
Administration expense	30,000	-
Depreciation	53,283	-
Food and meal delivery:		
Salaries and benefits	182,055	-
Truck expenses	8,400	-
Depreciation	10,231	-
Claims, losses, and administrative fees	-	6,753,476
Other	-	63,497
Total operating expenses	3,252,387	6,816,973
Operating income (loss)	(1,157,722)	1,007,193
Nonoperating revenues:		
Federal appropriations	1,168,643	-
State appropriations	35,397	-
Federal food commodities	180,325	-
Interest income	63,041	227,984
Total nonoperating revenues	1,447,406	227,984
Contribution revenue	33,057	-
Changes in net assets	322,741	1,235,177
Net assets, beginning of year	1,736,789	2,840,982
Net assets, end of year	\$ 2,059,530	\$ 4,076,159

See Notes to Basic Financial Statements.

Iowa City Community School District

**Reconciliation of Changes in Net Assets of Enterprise Funds to the
Statement of Activities
Year Ended June 30, 2006**

Net changes in net assets in enterprise funds.	\$ 322,741
Amounts reported for proprietary activities in the statement of activities are different because:	
Internal service funds are used by management to charge the costs of various activities internally to individual funds. The net expense of certain activities of internal service funds is reported with business-type activities.	47,115
Change in net assets of business-type activities	<u>\$ 369,856</u>

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Cash Flows Proprietary Funds Year Ended June 30, 2006

	Nonmajor Enterprise Fund - School Nutrition	Internal Service Funds
Cash flows from operating activities:		
Cash received from sales of breakfasts and lunches	\$ 2,094,665	\$ -
Cash received from charges for service	-	6,256,134
Cash received from employees for benefits	-	1,662,042
Cash payments to suppliers for goods and services	(1,656,951)	(15,100)
Cash payments to employees for services	(1,001,996)	-
Cash payments for employee benefits	(381,605)	-
Cash payments for claims, losses and administrative fees	-	(6,663,707)
Net cash provided by (used in) operating activities	(945,887)	1,239,369
Cash flows from noncapital financing activities:		
Operating grants received	1,219,261	-
Payment on interfund accounts	(24,392)	(626)
Net cash provided by (used in) noncapital funding activities	1,194,869	(626)
Cash flows from capital and related financing activities, acquisition of capital assets		
	(87,148)	-
Cash flows from investing activities, interest on cash and cash equivalents		
	63,041	227,984
Net increase in cash and cash equivalents	224,875	1,466,727
Cash and cash equivalents:		
Beginning	1,476,212	5,563,397
Ending	<u>\$ 1,701,087</u>	<u>\$ 7,030,124</u>
Operating income (loss)	\$ (1,157,722)	\$ 1,007,193
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	63,514	-
Federal food commodities consumed	165,104	-
Change in assets and liabilities:		
Decrease in accounts receivable	-	94,010
(Increase) in purchased inventory	(22,661)	-
(Increase) in prepaid expenses and deposits	(1,591)	-
Increase (decrease) in accounts payable	(105)	48,397
Increase in salaries and benefits payable	7,574	-
Increase in claims payable	-	89,769
Total adjustments	211,835	232,176
Net cash provided by (used in) operating activities	\$ (945,887)	\$ 1,239,369
Noncash items:		
Noncapital financing activities, food commodities donated to the District from the U.S. Department of Agriculture	\$ 180,325	\$ -
Capital financing activities, capital assets contributed	33,057	-

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2006

	Private Purpose Trust Fund		Agency Funds
	Winbigler Estate Trust Fund		
Assets , cash and cash equivalents	\$ 71,550	\$	67,406
Liabilities , due to private individuals	-		67,406
Net Assets , reserved for needs of students in need of financial assistance	<u>\$ 71,550</u>	<u>\$</u>	<u>-</u>

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Changes in Fiduciary Net Assets - Fiduciary Funds
Year Ended June 30, 2006

	Private Purpose Trust Fund
	Winbigler Estate Trust Fund
Additions, local sources, interest	\$ 2,969
Deductions, noninstructional programs supplies	2,969
Changes in net assets	-
Net assets, beginning of year	71,550
Net assets, end of year	<u>\$ 71,550</u>

See Notes to Basic Financial Statements.

Iowa City Community School District

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies

Nature of operations:

The Iowa City Community School District (the "District") is a political subdivision of the state of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Iowa City, Coralville, University Heights, Hills and North Liberty and the surrounding predominately agricultural territory in central Johnson County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

Reporting entity:

For financial reporting purposes, the Iowa City Community School District has included all funds, organizations, agencies, boards, commissions and authorities for which the District is financially accountable. 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 (GASB) 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 the organization, or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. In addition, the GASB issued Statement No. 39, in May 2002, which sets forth additional criteria to determine whether certain organizations for which the District is not financially accountable should be reported as component units based on the nature and significance of their relationship with the District. These criteria include 1) the economic resources being received or held by the separate organization being entirely or almost entirely for the direct benefit of the District, its component units, or its constituents, 2) the District being entitled to, or having the ability to otherwise access, a majority of the economic resources received or held by the Organization and 3) the economic resources received or held by an individual organization that the District is entitled to, or has the ability to otherwise access, are significant to the District. Based on these criteria, the District is considered a primary government and there are no other organizations or agencies whose financial statements should be combined and presented with these basic financial statements.

The District participates in several jointly governed organizations for which the District is not financially accountable or that the nature and significance of the relationship with the District are such that exclusion does not cause the District's financial statements to be misleading or incomplete. Among those organizations are the Johnson County Conference Board, Iowa City Conference Board, Johnson County Compensation Board and the Iowa City Assessors Examining Board.

Significant accounting policies:

District-wide financial statements: The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

Iowa City Community School District

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are 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 District-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Fund accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's major governmental funds:

General Fund: is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The general operating expenses of the District, including instructional, support and other costs, are paid from the fund.

Physical Plant and Equipment Levy Fund: accounts for the property taxes levied and collected by the District to be used for the purchase and improvement of grounds; purchase, construction, and remodeling of buildings; and major equipment purchases.

Capital Projects Fund: is used to account for all resources used in the acquisition and construction of major capital facilities as authorized by the voters in the District.

Iowa City Community School District

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

The other governmental funds of the District are considered nonmajor and are as follows:

Special Revenue Funds: Accounts for the revenue sources that are legally restricted to expenditures for specific purposes.

Management Fund: Accounts for tort liability insurance premiums, unemployment compensation insurance claims and early retirement incentive payments.

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

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

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows.

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise fund of the District is considered nonmajor:

School Nutrition Fund: Accounts for the food service operations of the District.

Internal Service Fund: The Internal Service Fund is used to account for goods or services provided by one department to other departments of the District on a cost reimbursement basis. The District's Internal Service Fund is used to account for the premium and claim payments for the self-insured health insurance plan for District employees and retirees.

The District also reports the following fiduciary fund types:

Private Purpose Trust Fund: This fund is utilized to account for assets held by the District in a fiduciary capacity according to the terms of the donor's request.

Agency Funds: These funds are utilized to account for assets held by the District in the fiduciary capacity as an agent on behalf of others. The Agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Iowa City Community School District

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus". The proprietary and private purpose trust fund financial statements are reported using 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 financing and capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and the general revenues.

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 proprietary funds are charges for services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets and claims. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and cash equivalents: The cash balances of most District funds are nonpooled and separately invested. Cash investments in the Iowa Schools Joint Investment Trust are valued at amortized cost and nonnegotiable certificates of deposit and IPAS Education Money Market Fund, are stated at cost which approximates fair value.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Iowa City Community School District

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

The IPAS Education Money Market Fund is a "money market fund" that seeks to maintain a stable net asset value of \$1.00 per share. The Fund qualifies as a legal investment for the District under Iowa Law.

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 receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes for the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-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 becomes due and collectible in September and March of the fiscal year with a 1½ percent per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due from other governments: Due from other governments represents amounts due from the state of Iowa, University of Iowa, other school districts, and other various grants, reimbursements and shared revenues.

Prepaid expenses: Prepaid expenses consist primarily of health and dental costs paid for the succeeding year.

Inventories: Inventories of the enterprise fund consist of food and supplies. The inventories are valued on a first-in, first-out basis, with purchased inventory valued at cost and government-contributed commodities valued at the contributed value as of the date received. The consumption method of accounting is applied to the governmental fund type inventories. Unused commodities at balance sheet date are reported as inventory.

Capital assets: Capital assets, which include land, buildings, improvements, furniture, equipment and vehicles, are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of five years.

Iowa City Community School District

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

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

<u>Description</u>	<u>Threshold</u>
Buildings, and improvements other than buildings	\$ 2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500
Vehicles	2,500

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment:	
School Nutrition Fund equipment	12 years
Other furniture and equipment	5 years
Vehicles:	
School Nutrition Fund vehicles	5 years
Other vehicles	7 years

The District's collection of library books and other similar assets are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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. Earned but unpaid payroll as of June 30, 2006, has also been accrued as a liability as of June 30, 2006.

Deferred and unearned revenue: Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue also consists of the succeeding year's property tax receivable.

Unearned revenue in the statement of net assets consists of the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied and unearned grant proceeds.

Iowa City Community School District

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

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 District-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired which is considered due. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Self-insurance: The District is self-insured for health benefits. The District's premiums and claims are accounted for in the Internal Service Fund. Premiums are charged by the Internal Service Fund to operating funds based upon number of employees and selected coverage in each fund.

Bond issuance costs, premiums and discounts: Bond issuance costs, premiums and discounts are amortized over the life of the contracts using a method which approximates the interest method.

Fund balances: In the governmental fund financial statements, reservations of fund balances are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. A portion of the unreserved fund balance of the General Fund is designated for cash reserve because it may not be spent due to limitations established by the school finance formula (spending authority) as defined by the Code of Iowa. The remainder of the unreserved fund balance is not designated to any program or purpose and may be spent by the District.

Net assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net assets restricted through enabling legislation consists of \$552,899 for debt service, \$2,658,603 for management levy and \$4,345,400 for the physical plant and equipment levy.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

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

Iowa City Community School District

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

Budgets and Budgetary Control:

As allowed by GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*, the District presents budgetary comparison schedules as required supplementary information based on the program structure of functional areas as required by state statute for its legally adopted budget.

Legal Compliance and Accountability:

The Capital Projects Fund has a fund balance deficit as of June 30, 2006 of \$7,704,715. The District plans to eliminate this deficit by requesting modified allowable growth from the School Budget Review Committee (SBRC) and if approved, then through a transfer from the General Fund to the Capital Projects Fund.

Note 2. Cash and Cash Equivalents

Interest rate risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy requires operating funds to be invested in investments that mature within three hundred and ninety-seven days or less. When investing other than operating funds, the investments must mature according to the needs of the funds. Operating funds of the District are funds which are reasonably expected to be used during a current budget year or within fifteen months of receipt.

As of June 30, 2006, the District's investment balances and maturities were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	More than 10
Iowa Schools Joint Investment Trust	\$ 40,962	\$ 40,962	\$ -	\$ -	\$ -
IPAS Education Money Market Fund	12,677,424	12,677,424	-	-	-
Fannie Mae Discount Note	2,484,750	2,484,750	-	-	-
	<u>\$ 15,203,136</u>	<u>\$ 15,203,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Credit risk: The Board authorizes the District to invest funds in excess of current needs in interest-bearing savings, money market and checking accounts at the District's authorized depositories; the Iowa Schools Joint Investment Trust Program; obligations of the United States governments, its agencies and instrumentalities; and certificates of deposit and other evidences of deposit at federally insured Iowa depository institutions. The IPAS Education Money Market Fund meets the requirements of SEC Rule 2a-7.

As of June 30, 2006, the District's investments were rated as follows:

Investment Type	Moody Investor Services	Standard and Poor's
Iowa Schools Joint Investment Trust	Aaa	Not rated
Fannie Mae Discount Note	*	*
IPAS Education Money Market Fund	Not rated	Not rated

* The ratings for this investment was not available to the District as the investment matured in August 2006. The District received the full face value.

Iowa City Community School District

Notes to Basic Financial Statements

Note 2. Cash and Cash Equivalents (Continued)

Concentration of credit risk: The District's general investment policy is to apply the prudent-person rule: In making investments, the District shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use to meet the goals of the investment program.

Custodial credit risk: For deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. It is the District's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. As of June 30, 2006, none of the District's deposit bank balance or investments were exposed to custodial credit risk.

Note 3. Interfund Receivables and Payables

Individual interfund receivable and payable balances as of June 30, 2006, are as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor Enterprise Fund, School Nutrition	Major Fund, General Fund	\$ 33,006
Major Fund, Physical Plant & Equipment Levy Fund	Major Funds, Capital Projects Fund	4,308,070
Major Fund, General Fund	Major Funds, Capital Projects Fund	1,977,719
Nonmajor Fund, Debt Service Fund	Major Funds, Capital Projects Fund	465,784
Major Fund, General Fund	Nonmajor Fund, Student Activity Fund	29

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

The amounts due to the School Nutrition Fund are for lunches for supervisors and lunches and snacks for children of students enrolled in the District.

Note 4. Interfund Transfers

Detail of interfund transfers for the year ended June 30, 2006, is as follows:

Transfer To	Transfer From	Amount
Nonmajor Fund: Special Revenue Fund: Student Activity	Major Fund: General Fund	\$ 235,841

Iowa City Community School District

Notes to Basic Financial Statements

Note 4. Interfund Transfers (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2006, is as follows:

Governmental Activities	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Capital assets not being depreciated:				
Land	\$ 3,001,989	\$ 199,609	\$ -	\$ 3,201,598
Construction-in-progress	26,671,063	14,683,289	(21,166,170)	20,188,182
Total capital assets not being depreciated	<u>29,673,052</u>	<u>14,882,898</u>	<u>(21,166,170)</u>	<u>23,389,780</u>
Capital assets being depreciated:				
Buildings	77,704,865	24,454,898	(27,263)	102,132,500
Improvements other than buildings	4,696,552	313,951	-	5,010,503
Furniture, equipment and vehicles	12,906,700	815,015	(51,750)	13,669,965
Total capital assets being depreciated	<u>95,308,117</u>	<u>25,583,864</u>	<u>(79,013)</u>	<u>120,812,968</u>
Less accumulated depreciation for:				
Buildings	32,019,980	1,718,076	(27,263)	33,710,793
Improvements other than buildings	3,009,079	172,132	-	3,181,211
Furniture, equipment and vehicles	11,995,103	445,004	(51,750)	12,388,357
Total accumulated depreciation	<u>47,024,162</u>	<u>2,335,212</u>	<u>(79,013)</u>	<u>49,280,361</u>
Total capital assets being depreciated, net	<u>48,283,955</u>	<u>23,248,652</u>	<u>-</u>	<u>71,532,607</u>
Governmental activities capital assets, net	<u>\$ 77,957,007</u>	<u>\$ 38,131,550</u>	<u>\$ (21,166,170)</u>	<u>\$ 94,922,387</u>

Business-Type Activities	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Furniture, equipment and vehicles	\$ 655,811	\$ 120,205	\$ (10,429)	\$ 765,587
Less accumulated depreciation	369,937	63,514	(10,429)	423,022
Business-type activities capital assets, net	<u>\$ 285,874</u>	<u>\$ 56,691</u>	<u>\$ -</u>	<u>\$ 342,565</u>

Iowa City Community School District

Notes to Basic Financial Statements

Note 5. Capital Assets (Continued)

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular	\$	1,705,061
Special		340,935
Other		101,116
Support services:		
Instructional services		6,755
Administration services		24,927
Operation and maintenance		145,982
		<u>2,324,776</u>
Unallocated depreciation		10,436
Total governmental activities depreciation expense	\$	<u>2,335,212</u>
Business-type activities, food services	\$	<u>63,514</u>

Note 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006, are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 36,445,000	\$ -	\$ 2,365,000	\$ 34,080,000	\$ 2,380,000
Early retirement	549,420	199,310	549,420	199,310	199,310
Compensated absences	363,955	422,610	363,955	422,610	422,610
Total	\$ 37,358,375	\$ 621,920	\$ 3,278,375	\$ 34,701,920	\$ 3,001,920

Early retirement: The District provides early retirement incentives for certain employees who meet certain qualifications as established by the Board of Education. The cost of the incentives is borne by the District in whole. Eligible participants can not, and do not, contribute to the incentive program.

Early retirement participation is based on the following criteria:

1. It is available to teachers and administrators who are at least 55 years of age. The Board of Directors reserves the right to limit the number of early retirements.
2. The employee has completed at least twenty (20) years of service to the District and has been actively employed during the school year that they request early retirement benefits.

Iowa City Community School District

Notes to Basic Financial Statements

Note 6. Long-Term Liabilities (Continued)

3. The employee must be eligible for the receipt of IPERS retirement benefits or allowance pursuant to Chapter 97B of the Code of Iowa.
4. The employee submits a written notification of their intent to apply for early retirement benefits prior to March 1 in the year the early retirement is to begin.
5. The employee may continue to participate in the District's health and dental insurance programs until eligible to receive medicare benefits, subject to carrier contract requirements and payment of all premiums, if the employee has been participating in District health and dental insurance programs prior to retirement.
6. Benefits offer to teachers and administrators shall be either:
 - A. 70 percent of current year's salary based on average full time equivalence (FTE) status for the past ten years, or
 - B. 50 percent of current year's salary based on average FTE status for the past ten years plus the District paying the single premium for the District's group health insurance program until full retirement age as defined by the Social Security Administration for retirees that are age 59 or older. Retirees under age 59 are responsible for paying their health insurance premium to the District until age 59. Administrators selecting this option will receive 70 percent of current year's salary based on the average FTE for the past ten years, minus 20 percent of the MA+30, 14th step salary on the teachers' salary schedule.

During the year ended June 30, 2006, seven District employees requested early retirement, to be payable during the year ending June 30, 2007. The benefits to be paid to these employees will be made in October 2006, and total \$199,310. During the year ended June 30, 2006, the District paid \$549,420 of early retirement benefits approved during the year ended June 30, 2005 from the Management Fund. In addition, \$1,690,825 of insurance benefits is accrued in the Health Self Insurance Internal Service Fund.

The District has implemented revisions to their early retirement policy to phase out certain pieces of the Plan over the next four years. By the District's year ending June 30, 2009, Option B above will be discontinued.

Compensated absences: Compensated absences are generally liquidated by the General Fund.

Bonds payable: Details of the District's general obligation bond indebtedness as of June 30, 2006 are as follows:

General obligation bonds Series 2003 with an original issue amount of \$10,000,000 maturing through June 2018 with rates ranging from 3.000 percent to 3.875 percent. The proceeds were used to finance the construction of school buildings and acquisition of land for future school building site.

Iowa City Community School District

Notes to Basic Financial Statements

Note 6. Long-Term Liabilities (Continued)

Year Ending June 30,	Bond Issue of May 1, 2003		
	Interest Rates	Principal	Interest
2007	3.000%	\$ 580,000	\$ 287,902
2008	3.000	595,000	270,502
2009	3.000	615,000	252,652
2010	3.250	630,000	234,202
2011	3.400	655,000	213,728
2012	3.400	675,000	191,458
2013	3.400	700,000	168,508
2014	3.500	725,000	144,708
2015	3.600	755,000	119,332
2016	3.650	785,000	92,152
2017	3.750	815,000	63,500
2018	3.875	850,000	32,938
		<u>\$ 8,380,000</u>	<u>\$ 2,071,582</u>

General obligation bond Series 2004 with an original issue amount of \$29,000,000 maturing through June 2018 with rates ranging from 2.5 percent to 4.0 percent. The proceeds were used to finance the construction of school buildings and acquisition of land for future school building site.

Year Ending June 30,	Bond Issue of March 1, 2004		
	Interest Rates	Principal	Interest
2007	2.50%	\$ 1,800,000	\$ 903,750
2008	2.75	1,900,000	858,750
2009	2.75	1,900,000	806,500
2010	3.00	1,900,000	754,250
2011	3.25	2,000,000	697,250
2012	3.25	2,100,000	632,250
2013	4.00	2,100,000	564,000
2014	4.00	2,200,000	480,000
2015	4.00	2,300,000	392,000
2016	4.00	2,400,000	300,000
2017	4.00	2,500,000	204,000
2018	4.00	2,600,000	104,000
		<u>\$ 25,700,000</u>	<u>\$ 6,696,750</u>

Iowa City Community School District

Notes to Basic Financial Statements

Note 6. Long-Term Liabilities (Continued)

As of June 30, 2006, the District did not exceed its legal debt margin computed as follows:

Total assessed valuation	<u>\$ 5,503,958,624</u>
Debt limit, 5% of total assessed valuation	\$ 275,197,931
Amount of debt applicable to debt limitation, general obligation bonds	<u>34,080,000</u>
Excess of debt limit over debt outstanding, legal debt margin	<u>\$ 241,117,931</u>

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.7 percent of their annual covered salary and the District is required to contribute 5.75 percent of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$3,159,265, \$2,991,311 and \$2,869,839, respectively, equal to the required contributions for each year.

Note 8. Risk Management

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

During the year ended June 30, 2006, employees of the District were covered by the District's health self-insurance plan. The contributions made by the District are part of the negotiated agreements with specific employee groups. Employees authorized payroll withholdings to pay contributions for dependents or increased coverage. Claims were paid by a third-party administrator acting on behalf of the District. The plans are authorized by Chapter 509A of the Code of Iowa.

The administrative contract between the District and the third-party administrator is renewable annually and administrative fees and stop loss premiums are included in the contractual provisions. In accordance with state statute, the District was protected against unanticipated catastrophic individual or aggregate loss by stop loss coverage from a private insurance company. Stop loss coverage was in effect for individual claims that exceeded \$100,000 and for an aggregate amount of 125 percent of expected claims.

Iowa City Community School District

Notes to Basic Financial Statements

Note 8. Risk Management (Continued)

All claim handling procedures are performed by an independent claims administrator. Liabilities are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Recognized liabilities include a provision for all estimated claims incurred but not reported. Changes in the medical claims liability amounts for the years ended June 30, 2006 and 2005 were as follows:

Self-Insurance Liability	Beginning	Claims and Changes in Estimates	Claims Payments	Ending
Health:				
2006	\$ 1,026,980	\$ 6,189,834	\$ 5,950,184	\$ 1,266,630
2005	867,507	5,373,417	5,213,944	1,026,980

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of media, educational services and special education services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$3,284,598 for the year ended June 30, 2006. The District's actual constructive revenue and constructive expenses are included in the General Fund.

Note 10. Commitments

As of June 30, 2006, the District had outstanding construction commitments totaling approximately \$1,919,000.

Note 11. Nonvested Employee Benefits

District employees accumulate sick leave hours for subsequent use. Sick leave is payable only when used and can be carried over in limited amounts for use in future years. The contingent liability for this sick leave is approximately \$16,448,000 as of June 30, 2006. This liability does not vest and is not included as a liability in the statement of net assets. This contingent liability has been computed based on rates of pay as of June 30, 2006.

Note 12. Lease Commitments

The District leases a building in Iowa City, Iowa, four special education classrooms, a temporary classroom, a daycare building and land under various leases as of June 30, 2006. Rental expense during the year ended June 30, 2006 was \$113,576.

Lease commitments as of June 30, 2006, for these leases is as follows:

Year ending June 30:

2007	\$ 31,949
2008	25,908
2009	6,477

Iowa City Community School District

Notes to Basic Financial Statements

Note 13. Contingencies

As of June 30, 2006, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time; however, management does not believe they will be material to the basic financial statements.

Note 14. Jointly Governed Organization

The District is a member of a cooperative agreement with the City of Coralville, Iowa organized under 28E of the Code of Iowa to provide for the operation of a joint swimming pool facility. The mayor of the City of Coralville, Iowa is designated as the administrator of the agreement. Under the agreement, the District is responsible for 30 percent of the City's costs and expenses in operating and maintaining the facility payable monthly throughout the year. For the fiscal year 2006, monthly payments were approximately \$7,200 per month.

Note 15. New Governmental Accounting Standards Board (GASB) Statements

The District adopted the following Statements during the year ended June 30, 2006:

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner. The adoption of the Statement had no effect on the District in the current year.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*. This Statement improves the understandability and usefulness of statistical section information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model required by Statement No. 34 and related statements. The District began reporting statistical information during the current year.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No. 34. This Statement establishes and modifies requirements related to restrictions of net assets resulting from enabling legislation. The effect of adopting this Statement was to reclassify \$5,202,635 previously reported as unrestricted to restricted net assets.

GASB Statement No. 47, *Accounting for Termination Benefits*. This Statement establishes accounting standards for termination benefits. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (early retirement incentives) when the offer is accepted and the amount can be estimated. A liability for involuntary termination benefits (severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees and the amount can be estimated. In financial statements prepared on the modified accrual basis of accounting, liabilities and expenditures for termination benefits should be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources. The District is properly recording and reporting termination benefits in accordance with their early retirement plan and this Statement.

Iowa City Community School District

Notes to Basic Financial Statements

Note 15. New Governmental Accounting Standards Board (GASB) Statements (Continued)

As of June 30, 2006, the GASB had issued several Statements not yet implemented by the District. The Statements which might impact the District are as follows:

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued April 2004. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supercedes existing guidance. The provisions of this Statement will be effective for the District beginning with its year ending June 30, 2008.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the District beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports

GASB Statement No 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, is effective for the District with its year ending June 30, 2008. This Statement establishes accounting and financial reporting standards for transactions in which a government receives or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition, this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues.

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

Iowa City Community School District

Required Supplementary Information
 Budgetary Comparison Schedule
 All Governmental Funds and Enterprise Fund
 Year Ended June 30, 2006

	Governmental Fund Types Actual	Enterprise Fund Type Actual	Total Actual
Revenues:			
Local sources	\$ 57,657,500	\$ 2,190,763	\$ 59,848,263
State sources	42,726,134	35,397	42,761,531
Federal sources	4,022,837	1,348,968	5,371,805
Total revenues	104,406,471	3,575,128	107,981,599
Expenditures:			
Instruction	62,091,439	-	62,091,439
Support services	28,709,479	-	28,709,479
Noninstructional programs	18,962	3,252,387	3,271,349
Other expenditures	27,964,278	-	27,964,278
Total expenditures	118,784,158	3,252,387	122,036,545
Excess (deficiency) of revenues over (under) expenditures/expenses	(14,377,687)	322,741	(14,054,946)
Other financing sources (uses), net	-	-	-
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other financing uses	(14,377,687)	322,741	(14,054,946)
Fund balances, beginning of year	26,751,668	1,736,789	28,488,457
Fund balances, end of year	\$ 12,373,981	\$ 2,059,530	\$ 14,433,511

See Note to Required Supplementary Information.

Budgeted Amounts		Final	Final to Actual Variance- Positive (Negative)
Original			
\$ 55,349,904	\$ 55,349,904	\$ 4,498,359	
42,436,781	42,436,781	324,750	
3,100,000	3,100,000	2,271,805	
100,886,685	100,886,685	7,094,914	
60,208,757	62,532,505	441,066	
27,382,000	28,384,150	(325,329)	
3,323,500	3,500,000	228,651	
12,901,345	31,401,345	3,437,067	
103,815,602	125,818,000	3,781,455	
(2,928,917)	(24,931,315)	10,876,369	
8,000	8,000	(8,000)	
\$ (2,920,917)	\$ (24,923,315)	\$ 10,868,369	

Iowa City Community School District

Note to Required Supplementary Information – Budgetary Reporting

The Board of Education annually adopts and certifies a budget by program which includes all funds except for internal service funds, agency funds and private-purpose trust funds on the GAAP basis following required public notice and hearing in accordance with the Code of Iowa. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund. These four functional areas are instruction, support services, noninstructional programs and other expenditures. The legal level of control is at the aggregated functional level, not at the fund or fund type level. During the year ended June 30, 2006, the District overexpended the support service functional area by \$325,329. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula (spending authority).

During the year ended June 30, 2006, the District adopted one budget amendment which increased the budgeted expenditures by \$22,002,398.

During the year ended June 30, 2006, the District's General Fund expenditures did not exceed the authorized spending authority amount.

Iowa City Community School District

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2006

	Special Revenue			Total Nonmajor Governmental Funds
	Management	Student Activity	Debt Service	
Assets				
Cash and cash equivalents	\$ 2,662,058	\$ 1,073,277	\$ 69,439	\$ 3,804,774
Receivables:				
Property tax:				
Current year	9,287	-	17,676	26,963
Succeeding year	1,292,518	-	3,592,824	4,885,342
Other	-	2,990	-	2,990
Due from other funds	-	-	465,784	465,784
Total assets	\$ 3,963,863	\$ 1,076,267	\$ 4,145,723	\$ 9,185,853
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 12,742	\$ 26,193	\$ -	\$ 38,935
Due to other funds	-	29	-	29
Deferred revenue, succeeding year property tax	1,292,518	-	3,592,824	4,885,342
Total liabilities	1,305,260	26,222	3,592,824	4,924,306
Fund balances:				
Reserved for debt service	-	-	552,899	552,899
Unreserved, undesignated, reported in special revenue funds	2,658,603	1,050,045	-	3,708,648
Total fund balances	2,658,603	1,050,045	552,899	4,261,547
Total liabilities and fund balances	\$ 3,963,863	\$ 1,076,267	\$ 4,145,723	\$ 9,185,853

Iowa City Community School District

Combining Statement of Revenues, Expenditures and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2006

	Special Revenue			Total Nonmajor Governmental Funds
	Management	Student Activity	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ 1,964,978	\$ -	\$ 3,640,090	\$ 5,605,068
Other	24,332	2,189,008	60,810	2,274,150
Total revenues	1,989,310	2,189,008	3,700,900	7,879,218
Expenditures:				
Current:				
Instruction:				
Regular	1,177,229	-	-	1,177,229
Other instruction	-	2,084,861	-	2,084,861
Support services:				
Administration services	530,784	108,088	799	639,671
Operations and maintenance	272,520	1,691	-	274,211
Transportation services	-	221,434	-	221,434
Other expenditures:				
Debt service:				
Principal	-	-	2,365,000	2,365,000
Interest and fiscal charges	-	-	1,253,603	1,253,603
Total expenditures	1,980,533	2,416,074	3,619,402	8,016,009
Excess (deficiency) of revenues over expenditures	8,777	(227,066)	81,498	(136,791)
Other financing sources, transfers in	-	235,841	-	235,841
Net change in fund balances	8,777	8,775	81,498	99,050
Fund balances, beginning of year	2,649,826	1,041,270	471,401	4,162,497
Fund balances, end of year	\$ 2,658,603	\$ 1,050,045	\$ 552,899	\$ 4,261,547

Iowa City Community School District

Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances
Special Revenue Fund, Student Activity, by Account
Year Ended June 30, 2006

	City High School	West High School	Northwest Junior High and Elementary Schools	South East Junior High and Elementary Schools
Revenues:				
Local sources:				
Other:				
Interest income	\$ 7,358	\$ 2,858	\$ 2,776	\$ 563
Student activity fees, sales and miscellaneous	835,469	765,099	236,337	120,777
Total revenues	842,827	767,957	239,113	121,340
Expenditures:				
Current:				
Instruction, other instruction	809,509	720,496	243,712	122,701
Support services:				
Administration services	59,074	27,627	15,270	4,715
Operations and maintenance	-	-	-	-
Transportation services	-	-	-	-
Total expenditures	868,583	748,123	258,982	127,416
Excess (deficiency) of revenues over expenditures	(25,756)	19,834	(19,869)	(6,076)
Other financing sources, transfers in	16,000	16,000	-	-
Net change in fund balances	(9,756)	35,834	(19,869)	(6,076)
Fund balances, beginning of year	506,978	337,974	90,956	46,457
Fund balances, end of year	\$ 497,222	\$ 373,808	\$ 71,087	\$ 40,381

North Central Junior High and Elementary Schools	Athletic Fund	District-Wide Activities Account	Vocational Auto Mechanics	Total Student Activity Funds
\$ 47	\$ 155	\$ 222	\$ 28	\$ 14,007
8,498	202,818	4,590	1,413	2,175,001
8,545	202,973	4,812	1,441	2,189,008
1,505	182,074	2,861	2,003	2,084,861
884	-	518	-	108,088
-	1,691	-	-	1,691
-	221,434	-	-	221,434
2,389	405,199	3,379	2,003	2,416,074
6,156	(202,226)	1,433	(562)	(227,066)
-	203,841	-	-	235,841
6,156	1,615	1,433	(562)	8,775
-	12,338	21,614	24,953	1,041,270
\$ 6,156	\$ 13,953	\$ 23,047	\$ 24,391	\$ 1,050,045

Iowa City Community School District

Statement of Changes in Fiduciary
Assets and Liabilities - Agency Funds
Year Ended June 30, 2006

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
Flexible Benefits Account				
Assets,				
cash and cash equivalents	\$ 33,953	\$ 1,378,180	\$ 1,371,684	\$ 40,449
Liabilities,				
due to private individuals	\$ 33,953	\$ 1,378,180	\$ 1,371,684	\$ 40,449
School Children's Aid				
Assets,				
cash and cash equivalents	\$ 20,205	\$ 28,475	\$ 21,723	\$ 26,957
Liabilities,				
due to private individuals	\$ 20,205	\$ 28,475	\$ 21,723	\$ 26,957
Total Agency Funds				
Assets,				
cash and cash equivalents	\$ 54,158	\$ 1,406,655	\$ 1,393,407	\$ 67,406
Liabilities,				
due to private individuals	\$ 54,158	\$ 1,406,655	\$ 1,393,407	\$ 67,406

Iowa City Community School District

Net Assets by Component
Last Four Fiscal Years*
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 45,605,519	\$ 46,666,309	\$ 47,646,574	\$ 60,614,632
Restricted	7,591,623	5,424,194	6,693,449	7,951,013
Unrestricted	10,489,115	12,432,086	15,542,661	7,670,949
Total governmental activities net assets	\$ 63,686,257	\$ 64,522,589	\$ 69,882,684	\$ 76,236,594
Business-type activities:				
Invested in capital assets, net of related debt	\$ 192,320	\$ 186,141	\$ 285,874	\$ 342,565
Restricted	-	-	-	-
Unrestricted	1,083,843	1,388,847	1,559,611	1,872,776
Total business-type activities net assets	\$ 1,276,163	\$ 1,574,988	\$ 1,845,485	\$ 2,215,341
Primary government:				
Invested in capital assets, net of related debt	\$ 45,797,839	\$ 46,852,450	\$ 47,932,448	\$ 60,957,197
Restricted	7,591,623	5,424,194	6,693,449	7,951,013
Unrestricted	11,572,958	13,820,933	17,102,272	9,543,725
Total primary government net assets	\$ 64,962,420	\$ 66,097,577	\$ 71,728,169	\$ 78,451,935

* The District began to report accrual information when it implemented GASB Statement No. 34 in 2003.

Iowa City Community School District

**Expenses, Program Revenues and Net (Expense) Revenue
Last Four Fiscal Years***
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Governmental activities:				
Instruction	\$ 54,192,731	\$ 57,327,726	\$ 58,885,279	\$ 63,495,701
Student services	2,288,553	2,555,746	2,710,002	2,836,912
Instructional services	4,763,351	5,493,335	4,806,321	4,930,194
Administration services	8,849,714	8,655,750	8,410,711	8,047,884
Operation and maintenance of plant	7,082,754	7,257,390	7,891,471	9,251,147
Pupil transportation services	2,541,268	2,794,426	2,670,509	3,544,445
Other, primarily AEA flowthrough	3,888,833	3,163,595	4,101,623	5,055,519
Noninstructional programs	255,004	266,996	268,069	18,775
Interest on long-term debt	144,369	693,336	1,307,945	1,229,057
Total governmental activities expenses	84,006,577	88,208,300	91,051,930	98,409,634
Business-type activities,				
nutrition	2,501,061	2,714,004	2,941,497	3,205,272
Total primary government expenses	\$ 86,507,638	\$ 90,922,304	\$ 93,993,427	\$ 101,614,906
Program revenues:				
Governmental activities:				
Charges for services:				
Instruction	\$ 1,812,378	\$ 2,652,444	\$ 2,821,032	\$ 3,016,916
Support services	168,610	160,929	180,094	11,447
Operating grants and contributions	8,082,908	7,822,835	8,613,823	10,502,795
Capital grants and contributions	33,792	268,404	1,536,790	457,884
Total governmental activities program revenues	10,097,688	10,904,612	13,151,739	13,989,042

(Continued)

Iowa City Community School District

Expenses, Program Revenues and Net (Expense) Revenue (Continued)

Last Four Fiscal Years*

(accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Business-type activities:				
Charges for services, nutrition	1,711,059	1,820,661	1,956,544	2,094,665
Operating grants and contributions	1,029,798	1,181,182	1,231,176	1,384,365
Capital grants and contributions	-	-	-	33,057
Total business-type program revenues	2,740,857	3,001,843	3,187,720	3,512,087
Total primary government program revenues	\$ 12,838,545	\$ 13,906,455	\$ 16,339,459	\$ 17,501,129
Net (expense) revenue:				
Governmental activities	\$ (73,908,889)	\$ (77,303,688)	\$ (77,900,191)	\$ (84,420,592)
Business-type activities	239,796	287,839	246,223	306,815
Total primary government net expense	\$ (73,669,093)	\$ (77,015,849)	\$ (77,653,968)	\$ (84,113,777)

* The District began to report accrual information when it implemented GASB Statement No. 34 in 2003.

Iowa City Community School District

General Revenues and Total Change in Net Assets

Last Four Fiscal Years*

(accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Net (expense) revenue:				
Governmental activities	\$ (73,908,889)	\$ (77,303,688)	\$ (77,900,191)	\$ (84,420,592)
Business-type activities	239,796	287,839	246,223	306,815
Total primary government net expense	(73,669,093)	(77,015,849)	(77,653,968)	(84,113,777)
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes levied for general purposes	34,160,355	38,274,234	37,415,151	39,354,754
Property taxes levied for capital projects	3,096,315	3,198,248	3,349,897	3,640,090
Property taxes levied debt service	1,804,031	913,381	3,604,392	5,827,602
Unrestricted grants and contributions	33,006,442	32,984,278	35,092,649	36,727,158
Investment earnings	317,551	157,253	380,544	989,882
Other	3,303,383	3,017,626	3,012,653	4,235,016
Total governmental activities	75,688,077	78,545,020	82,855,286	90,774,502
Business-type activities, investment earnings	13,962	10,986	24,274	63,041
Total primary government	75,702,039	78,556,006	82,879,560	90,837,543
Change in net assets:				
Governmental activities	1,779,188	1,241,332	4,955,095	6,353,910
Business-type activities	253,758	298,825	270,497	369,856
Total primary government	\$ 2,032,946	\$ 1,540,157	\$ 5,225,592	\$ 6,723,766

* The District began to report accrual information when it implemented GASB Statement No. 34 in 2003.

Iowa City Community School District

**Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)**

	Fiscal Year			
	1997	1998	1999	2000
General Fund:				
Reserved	\$ 206,724	\$ 451,764	\$ 498,870	\$ 584,915
Unreserved	2,953,261	3,917,589	6,619,800	9,162,326
Total General Fund	\$ 3,159,985	\$ 4,369,353	\$ 7,118,670	\$ 9,747,241
All other governmental funds:				
Reserved	\$ 76,256	\$ 120,288	\$ 165,893	\$ 222,933
Unreserved, reported in:				
Special revenue funds	2,889,469	2,279,452	2,739,956	4,180,754
Capital projects funds	526,774	23,597	223,043	214,144
Total all other governmental funds	\$ 3,492,499	\$ 2,423,337	\$ 3,128,892	\$ 4,617,831

Fiscal Year						
2001	2002	2003	2004	2005	2006	
\$ 693,854	\$ 751,948	\$ 753,308	\$ 621,500	\$ 735,539	\$ 1,071,626	
12,108,067	12,589,484	13,119,873	11,243,223	11,654,539	10,400,123	
\$ 12,801,921	\$ 13,341,432	\$ 13,873,181	\$ 11,864,723	\$ 12,390,078	\$ 11,471,749	
<hr/>						
\$ 286,056	\$ 362,131	\$ 370,397	\$ 450,071	\$ 471,401	\$ 552,899	
4,066,434	4,216,995	3,781,113	5,340,982	5,772,504	8,054,048	
201,903	169,130	10,001,895	32,896,901	8,117,685	(7,704,715)	
<hr/>						
\$ 4,554,393	\$ 4,748,256	\$ 14,153,405	\$ 38,687,954	\$ 14,361,590	\$ 902,232	

Iowa City Community School District

Governmental Funds Revenues

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	1997	1998	1999	2000
Federal sources, federal grants	\$ 1,240,996	\$ 1,145,176	\$ 1,143,705	\$ 1,629,379
State sources, state grants and other	28,866,721	30,584,710	32,042,695	34,222,941
Local sources:				
Ad valorem taxes	30,195,721	31,686,606	32,869,299	33,128,222
Interest and other income	501,865	442,225	725,876	1,009,249
Other revenues	4,154,100	4,129,222	5,310,445	5,571,068
Total local sources	34,851,686	36,258,053	38,905,620	39,708,539
Total revenues	\$ 64,959,403	\$ 67,987,939	\$ 72,092,020	\$ 75,560,859

						Fiscal Year					
2001		2002		2003		2004		2005		2006	
\$	1,584,582	\$	1,731,845	\$	2,122,528	\$	2,211,501	\$	3,849,343	\$	4,022,837
	36,153,467		36,682,827		38,424,534		38,088,997		40,391,200		42,726,134
	35,253,249		36,739,202		39,060,701		42,385,863		44,369,440		48,822,446
	1,278,300		629,759		317,551		157,253		380,544		989,882
	5,163,119		5,621,735		5,865,674		6,193,427		6,597,126		7,845,172
	41,694,668		42,990,696		45,243,926		48,736,543		51,347,110		57,657,500
\$	79,432,717	\$	81,405,368	\$	85,790,988	\$	89,037,041	\$	95,587,653	\$	104,406,471

Iowa City Community School District

Governmental Funds Expenditures and Debt Service Ratio

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	1997	1998	1999	2000
Instruction	\$ 37,445,222	\$ 38,513,046	\$ 40,413,626	\$ 42,414,342
Pupil personnel services	2,133,600	2,123,424	2,115,573	2,061,207
Instructional media services	1,991,642	2,094,813	2,189,863	2,248,768
Instruction and curriculum development services	2,421,452	2,097,021	1,871,505	1,921,189
Board of education	87,778	84,080	73,345	89,084
General administration	804,768	871,163	970,219	884,484
School administration	3,044,725	3,241,697	3,166,497	3,257,831
Fiscal services	348,421	361,131	614,580	620,310
Central services	1,968,492	1,914,075	1,895,179	1,985,854
Plant operation and maintenance	6,487,764	6,207,109	6,213,941	6,330,362
Pupil transportation services	1,932,519	1,965,868	2,010,494	2,100,390
AEA flowthrough	2,573,415	2,707,129	2,840,051	2,951,530
Community services	245,641	235,944	258,751	252,062
Capital outlay, facilities acquisition/construction	5,325,541	3,636,682	2,193,063	2,528,923
Debt service:				
Principal	1,225,000	1,375,000	1,450,000	1,500,000
Interest	562,906	419,550	360,462	297,013
Total expenditures	\$ 68,598,886	\$ 67,847,732	\$ 68,637,149	\$ 71,443,349
Debt service as a percentage of noncapital expenditures	2.91%	2.88%	2.80%	2.68%

(1) Upon implementation of GASB Statement No. 34 in 2003 several expenditure functions were combined with other functions.

		Fiscal Year									
		2001	2002	2003 (1)	2004 (1)	2005 (1)	2006 (1)				
\$	45,021,000	\$	48,966,449	\$	51,047,044	\$	54,905,152	\$	56,638,793	\$	62,091,439
	2,057,208		2,137,569		2,288,553		2,555,746		2,710,002		2,836,912
	2,328,958		2,586,598		-		-		-		-
	2,178,254		2,397,475		4,730,821		5,473,625		4,798,911		4,923,439
	77,598		82,037		-		-		-		-
	1,636,358		1,379,233		-		-		-		-
	3,387,778		3,662,790		8,757,421		8,339,612		8,661,234		8,299,518
	622,629		607,940		-		-		-		-
	1,992,381		1,691,849		-		-		-		-
	6,992,160		6,774,076		6,983,505		7,412,390		7,769,887		9,105,165
	2,242,908		2,345,281		2,541,268		2,794,426		2,670,509		3,544,445
	3,104,764		3,099,086		3,187,081		3,035,870		3,127,792		3,284,598
	257,207		231,893		255,004		271,862		271,913		18,962
	2,736,671		2,902,281		4,567,357		9,939,999		28,510,141		21,061,077
	1,575,000		1,650,000		1,865,000		705,000		2,650,000		2,365,000
	230,601		157,437		80,988		404,944		1,579,480		1,253,603
\$	76,441,475	\$	80,671,994	\$	86,304,042	\$	95,838,626	\$	119,388,662	\$	118,784,158
	2.51%		2.38%		2.44%		1.31%		4.88%		3.85%

Iowa City Community School District

Other Financing Sources and Uses and Net Change in Fund Balances

Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	1997	1998	1999	2000
Excess of revenues over (under) expenditures	\$ (3,639,483)	\$ 140,207	\$ 3,454,871	\$ 4,117,510
Other financing sources (uses):				
General long-term debt issued	\$ -	\$ -	\$ -	\$ -
Real estate contract financing	-	-	-	-
Transfers in	179,214	192,638	156,750	171,210
Transfers out	(179,214)	(192,638)	(156,750)	(171,210)
Total other financing sources				
(uses)	-	-	-	-
Net change in fund balances	\$ (3,639,483)	\$ 140,207	\$ 3,454,871	\$ 4,117,510

Fiscal Year						
2001	2002	2003	2004	2005	2006	
\$ 2,991,242	\$ 733,374	\$ (513,054)	\$ (6,801,585)	\$ (23,801,009)	\$ (14,377,687)	
\$ -	\$ -	\$ 10,039,661	\$ 29,327,676	\$ -	\$ -	
-	-	940,000	-	-	-	
185,235	143,456	514,537	455,260	849,694	235,841	
(185,235)	(143,456)	(514,537)	(455,260)	(849,694)	(235,841)	
-	-	10,979,661	29,327,676	-	-	
\$ 2,991,242	\$ 733,374	\$ 10,466,607	\$ 22,526,091	\$ (23,801,009)	\$ (14,377,687)	

Iowa City Community School District

**Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Actual Value			Total Actual Value	Total Taxable Value	Total Direct Rate
	Residential Property	Commercial Property	Agricultural and Other Property			
1997	\$ 2,129,700,434	\$ 830,395,143	\$ 247,141,558	\$ 3,207,237,135	\$ 2,260,146,078	\$ 12.130
1998	2,349,776,524	900,865,820	258,026,620	3,508,668,964	2,320,958,189	12.220
1999	2,449,394,867	907,862,154	250,731,924	3,607,988,945	2,413,360,959	12.075
2000	2,648,706,153	992,875,731	236,793,790	3,878,375,674	2,531,946,390	11.696
2001	2,772,973,062	1,049,963,177	236,836,311	4,059,772,550	2,658,427,882	11.833
2002	3,137,636,012	1,094,298,746	218,785,655	4,450,720,413	2,842,195,646	11.540
2003	3,675,611,858	1,350,035,787	227,848,179	5,253,495,824	2,895,569,238	12.210
2004	3,878,656,641	1,386,667,184	238,634,799	5,503,958,624	3,193,615,988	12.865
2005	4,575,451,659	1,538,874,868	245,618,110	6,359,944,637	3,341,924,947	12.875
2006 *	4,806,327,426	1,600,520,281	116,401,977	6,523,249,684	3,470,635,664	13.582

Source: Johnson County Auditor.

Note: The assessed values are determined as of January 1, of the fiscal year indicated. These assessed values are used to calculate the taxable values for the second budget following assessment date. For example, the total assessed value of \$5,503,958,624 from January 1, 2004 are used for the taxable values for fiscal year 2006.

* Total assessed values for 2006 do not include utility and gas and electric valuations as they have not yet been certified by Iowa Department of Revenue.

Iowa City Community School District

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(rate per \$1,000 of assessed value)

(Unaudited)

Fiscal Year Ended June 30	District Direct Rates				Overlapping Rates			
	General Purposes	Capital Purposes	Debt Service Purposes	Total	County	City of Iowa City	Area School	Other
1997	10.359	\$ 1.000	\$ 0.771	12.130	\$ 5.240	\$ 12.650	\$ -	\$ 0.890
1998	10.475	1.000	0.745	12.220	5.120	12.800	-	0.890
1999	10.352	1.000	0.723	12.075	5.380	13.130	-	0.950
2000	10.018	1.000	0.678	11.696	5.481	13.851	0.613	0.471
2001	10.196	1.000	0.637	11.833	5.539	14.758	0.607	0.367
2002	9.942	1.000	0.598	11.540	5.528	14.850	0.607	0.278
2003	10.627	1.000	0.583	12.210	5.788	16.813	0.666	0.277
2004	11.580	1.000	0.285	12.865	5.830	17.596	0.679	0.281
2005	10.799	1.000	1.076	12.875	5.870	17.310	0.670	0.310
2006	10.869	1.670	1.043	13.582	6.091	17.729	0.649	0.304

Source: Johnson County Auditor and Iowa Department of Management.

Iowa City Community School District

Principal Property Taxpayers
 Current Year and Nine Years Ago
 (Unaudited)

Taxpayer	2006			1997		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
GGP Limited Partnership	\$ 75,640,000	1	2.18%	\$ -		- %
Mid American Energy Co	73,109,253	2	2.11	71,652,101	1	3.17
American College Testing Program, Inc.	31,248,205	3	0.90	9,531,404	10	0.42
Individual	28,655,018	4	0.83	19,696,499	3	0.87
Raycal Iowa LTD	23,403,220	5	0.67	-		-
Qwest (formerly U.S. West, Inc.)	19,996,068	6	0.58	13,732,972	6	0.61
Plaza Towers LLC	19,539,130	7	0.56	-		-
Individual	18,737,770	8	0.54	-		-
Hawkeye Real Estate Investment	18,364,150	9	0.53	-		-
Individual	16,591,630	10	0.48	-		-
Old Capital Center Trust	-		-	22,128,280	2	0.98
Proctor & Gamble Mfg. Co.	-		-	17,825,678	4	0.79
National Computer Systems, Inc.	-		-	14,683,590	5	0.65
Southgate Development Co., Inc.	-		-	11,560,599	7	0.51
Larken Iowa City Ltd. Partnership	-		-	11,477,580	8	0.51
Sycamore Mall Associates	-		-	10,101,470	9	0.45
All other taxpayers	3,145,351,220			2,057,755,905		
Total	\$ 3,470,635,664			\$2,260,146,078		

Source: Johnson County Auditor.

Iowa City Community School District

Property Tax Levies and Collections
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 27,460,376	\$ 27,275,121	99.33%	\$ 188,786	\$ 27,463,907	100.01%
1998	28,411,323	28,506,190	100.33	222,842	28,729,032	101.12
1999	29,206,695	28,475,406	97.50	1,045,628	29,521,034	101.08
2000	29,495,112	29,007,834	98.35	995,082	30,002,916	101.72
2001	30,888,416	31,927,338	103.36	13,833	31,941,171	103.41
2002	33,031,496	33,142,627	100.34	15,143	33,157,770	100.38
2003	35,680,111	35,653,775	99.93	18,178	35,671,953	99.98
2004	38,589,005	38,598,853	100.03	58,358	38,657,211	100.18
2005	40,498,891	40,595,680	100.24	25,217	40,620,897	100.30
2006	44,382,337	44,604,649	100.50	31,754	44,636,403	100.57

Source: Johnson County Auditor and District records.

Iowa City Community School District

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Obligation Bonds Outstanding	Percent of Actual Taxable Value of Property	Per Capita	Percentage of Personal Income
1997	\$ 9,275,000	0.41%	\$ 115.94	*
1998	7,900,000	0.34	98.75	0.377%
1999	6,450,000	0.27	80.63	0.288
2000	4,950,000	0.20	61.88	0.210
2001	3,375,000	0.13	37.50	0.127
2002	1,725,000	0.06	19.17	0.640
2003	-	-	-	-
2004	38,495,000	1.21	427.72	1.361
2005	36,445,000	1.09	396.14	*
2006	34,080,000	0.98	370.43	*

Source: District records

* Information not available

Iowa City Community School District

Direct and Overlapping Governmental Activities Debt
 As of June 30, 2006
 (Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
City of Iowa City	77,795,000	100.000%	\$ 77,795,000
City of Coralville	75,675,000	77.940	58,981,095
City of North Liberty	14,300,000	61.960	8,860,280
Kirkwood Community College	13,840,000	77.120	10,673,408
Subtotal, overlapping debt			156,309,783
District direct debt			34,080,000
Total direct and overlapping debt			\$ 190,389,783

Source: Johnson County Auditor

Iowa City Community School District

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	1997	1998	1999	2000
Debt limit	\$ 136,202,449	\$ 156,275,271	\$ 160,361,857	\$ 175,433,448
Total net debt applicable to limit	9,275,000	7,900,000	6,450,000	4,950,000
Legal debt margin	\$ 126,927,449	\$ 148,375,271	\$ 153,911,857	\$ 170,483,448
Total net debt applicable to the limit as a percentage of debt limit	7.31%	5.32%	4.19%	2.90%

Source: Johnson County Auditor and District records.

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	<u>\$ 5,503,958,624</u>
Debt limit (5% of assessed value)	<u>\$ 275,197,931</u>
Debt applicable to limit	<u>34,080,000</u>
Legal debt margin	<u>\$ 241,117,931</u>

	2001	2002	2003	2004	2005	2006
\$	180,399,447	\$ 193,918,784	\$ 202,988,628	\$ 222,536,021	\$ 262,674,791	\$ 275,197,931
	3,375,000	1,725,000	-	38,495,000	36,445,000	34,080,000
\$	177,024,447	\$ 192,193,784	\$ 202,988,628	\$ 184,041,021	\$ 226,229,791	\$ 241,117,931

	1.91%	0.90%	0.00%	20.92%	16.11%	14.13%
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Iowa City Community School District

Demographic and Economic Statistics
 Last Ten Calendar Years
 (Unaudited)

Calendar Year	Iowa City Population	Total District Population (approximate)	Personal Income (000's)	Per Capita Personal Income	Iowa City MSA Unemployment Rate
1996	60,923	80,000	*	*	2.90%
1997	60,148	80,000	\$ 2,093,760	\$ 26,172	2.40
1998	60,148	80,000	2,237,920	27,974	2.30
1999	60,148	80,000	2,354,000	29,425	2.00
2000	62,220	90,000	2,649,690	29,441	2.10
2001	62,220	90,000	2,690,100	29,890	2.40
2002	62,220	90,000	2,753,730	30,597	2.70
2003	62,220	90,000	2,828,070	31,423	3.20
2004	62,220	92,000	*	*	3.20
2005	62,220	92,000	*	*	3.10

* Information not available

Source: City of Iowa City

Iowa City Community School District

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Employer	2006			1997		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
The University of Iowa (1)	16,360	1	0.19	22,555	1	0.35
The University of Iowa Hospitals and Clinics (1)	7,229	2	0.08	-	-	-
Iowa City Community School District	1,550	3	0.02	1,225	3	0.02
Hy-Vee Food Stores	1,500	4	0.02	-	-	-
American College Testing	1,340	5	0.02	800	7	0.01
Pearson (formerly National Computer Systems)	1,300	6	0.02	857	5	0.01
Mercy Hospital	1,241	7	0.01	1,100	4	0.02
Veterans Administration Hospital	1,232	8	0.01	1,300	2	0.02
Lear (United Technology)	800	9	0.01	810	6	0.01
Systems Unlimited	760	10	0.01	-	-	-
Rockwell Collins	673	11	0.01	-	-	-
Proctor & Gamble Mfg. Co.	-	-	-	602	8	0.01
City of Iowa City	-	-	-	582	9	0.01
Oral B Laboratories	-	-	-	435	10	0.01
All other employers	51,115	-	-	34,553	-	-
Total	85,100		40.00%	64,819		47.00%

(Continued)

Source: City of Iowa City

(1) The University of Iowa and the University of Iowa Hospitals and Clinics reported as one employer until 2002.

Iowa City Community School District

Full-Time Equivalent District Employees By Type
Last Ten Fiscal Years
(Unaudited)

	Full-Time Equivalent Employees as of June 30			
	1997	1998	1999	2000
Supervisory:				
Instructional administrators	2.00	2.00	2.00	2.00
Noninstructional administrators	6.00	6.00	6.00	6.00
Athletic directors	2.00	2.00	2.00	2.00
Principals	22.00	22.00	21.00	21.00
Assistant principals	4.00	6.00	6.00	5.50
Total supervisory	36.00	38.00	37.00	36.50
Instruction:				
Elementary classroom teachers	318.50	299.20	294.91	302.34
Secondary classroom teachers	262.00	230.60	236.59	247.96
Other classroom teachers	103.30	119.70	122.80	123.80
Paraprofessionals	142.00	159.00	160.00	171.00
Total instruction	825.80	808.50	814.30	845.10
Student services:				
Guidance counselors	21.00	22.50	22.50	22.50
Media specialists	21.00	24.50	24.40	24.30
Other professionals (noninstructional)	19.70	19.00	13.10	13.50
Consultants/supervisory	12.00	10.00	10.00	10.00
Total student services	73.70	76.00	70.00	70.30
Support and administration:				
Clerical/secretarial	85.00	86.00	86.00	92.00
Food service workers	60.00	64.00	65.00	64.00
Physical plant	96.00	100.00	104.00	109.00
Other	8.00	8.00	8.00	8.00
Total support and administration	249.00	258.00	263.00	273.00
Total	1,184.50	1,180.50	1,184.30	1,224.90

Source: District records

Full-Time Equivalent Employees as of June 30						Percentage Change 1997 - 2006
2001	2002	2003	2004	2005	2006	
2.00	2.00	2.00	2.00	2.00	2.00	- %
7.00	7.00	7.00	7.00	7.00	7.00	16.70
2.00	2.00	2.00	2.00	2.00	2.00	-
21.00	21.00	21.00	21.00	21.00	22.00	-
6.00	6.00	6.00	6.00	6.00	6.00	50.00
38.00	38.00	38.00	38.00	38.00	39.00	66.70
305.15	308.26	318.74	313.30	314.31	326.95	2.70
238.85	242.04	222.93	231.49	224.64	223.12	(14.80)
125.40	132.20	136.65	143.04	143.66	169.29	63.90
180.00	190.00	200.00	215.00	290.00	313.00	120.40
849.40	872.50	878.32	902.83	972.61	1,032.36	172.10
24.90	25.00	25.60	27.50	27.50	28.30	34.80
23.50	23.30	24.50	24.50	24.00	26.00	23.80
18.40	12.80	14.50	19.30	21.88	20.78	5.50
10.50	12.00	21.99	14.00	14.00	12.00	-
77.30	73.10	86.59	85.30	87.38	87.08	64.10
96.00	102.00	106.00	101.00	103.00	98.00	15.29
65.00	69.00	70.00	69.00	60.00	62.00	3.33
110.00	115.00	105.00	108.00	109.00	116.00	20.83
6.00	8.00	26.00	21.00	34.00	20.00	150.00
277.00	294.00	307.00	299.00	306.00	296.00	189.46
1,241.70	1,277.60	1,309.91	1,325.13	1,403.99	1,454.44	22.79%

Iowa City Community School District

Operating Statistics
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year	Official Enrollment	General Fund Operating Expenditures	Cost Per Pupil	Percentage Change
1997	10,562	\$ 59,363,707	\$ 5,621	- %
1998	10,592	60,013,278	5,666	0.81
1999	10,619	62,016,824	5,840	3.07
2000	10,674	64,470,373	6,040	3.42
2001	10,785	68,755,350	6,375	5.55
2002	10,768	72,905,925	6,770	6.20
2003	10,942	76,330,582	6,976	3.04
2004	10,943	81,215,200	7,422	6.39
2005	10,945	83,079,276	7,590	2.28
2006	11,062	89,588,480	8,099	6.71

Source: District records

School Nutrition Fund Expenses	Cost Per Pupil	Percentage Change	Teaching Staff (in FTE)	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Priced Meals
\$ 1,929,666	\$ 183	- %	683.80	15.45	14.84%
1,910,341	180	(1.28)	649.50	16.31	17.01
2,011,599	189	5.03	654.30	16.23	18.16
2,169,602	203	7.30	674.10	15.83	18.20
2,256,899	209	2.95	667.40	16.16	19.30
2,470,059	229	9.61	682.50	15.78	19.87
2,501,061	229	(0.35)	678.32	16.13	20.09
2,776,666	254	11.01	687.83	15.91	21.38
2,987,531	273	7.57	682.61	16.03	22.43
3,252,387	294	7.72	719.36	15.38	22.65

Iowa City Community School District

School Building Information
Last Ten Fiscal Years
(Unaudited)

School	Fiscal Year				
	1997	1998	1999	2000	2001
Elementary:					
Coralville Central Elementary (1948,1959)					
Square feet	52,967	52,967	52,967	52,967	52,967
Capacity	462	462	462	462	462
Enrollment	440	406	400	423	434
Samuel Kirkwood Elementary (1963,1968,1987)					
Square feet	48,045	48,045	48,045	48,045	48,045
Capacity	352	352	352	352	352
Enrollment	378	350	368	373	373
Herbert Hoover Elementary (1954, 1968, 1986)					
Square feet	36,643	36,643	36,643	36,643	36,643
Capacity	330	330	330	330	330
Enrollment	326	310	314	289	293
Hills Elementary (1965, 1969)					
Square feet	24,449	24,449	24,449	24,449	24,449
Capacity	220	220	220	220	220
Enrollment	189	194	229	228	231
Ernest Horn Elementary (1969, 1978)					
Square feet	35,303	35,303	35,303	35,303	35,303
Capacity	286	286	286	286	286
Enrollment	323	320	298	296	295
Helen Lemme Elementary (1970, 1975, 1998)					
Square feet	30,293	30,293	36,293	36,293	36,293
Capacity	308	308	308	308	308
Enrollment	358	318	319	287	308
Lincoln Elementary (1926, 1988)					
Square feet	25,832	25,832	25,832	25,832	25,832
Capacity	220	220	220	220	220
Enrollment	230	215	216	205	212
Longfellow Elementary (1917)					
Square feet	30,148	30,148	30,148	30,148	30,148
Capacity	308	308	308	308	308
Enrollment	327	326	290	302	281
Robert Lucas Elementary (1962, 1978, 1990)					
Square feet	42,080	42,080	42,080	42,080	42,080
Capacity	418	418	418	418	418
Enrollment	437	418	384	372	381
Horace Mann Elementary (1917)					
Square feet	29,360	29,360	29,360	29,360	29,360
Capacity	286	286	286	286	286
Enrollment	267	254	255	256	270
Penn Elementary (1961, 1985, 1995)					
Square feet	38,838	38,838	38,838	38,838	38,838
Capacity	418	418	418	418	418
Enrollment	545	357	348	370	406

(Continued)

Fiscal Year				
2002	2003	2004	2005	2006
52,967	52,967	52,967	52,967	52,967
462	462	462	462	462
455	430	433	458	437
48,045	48,045	48,045	48,045	48,045
352	352	352	352	352
360	359	376	366	385
36,643	36,643	36,643	36,643	36,643
330	330	330	330	330
286	277	287	275	302
24,449	24,449	24,449	24,449	24,449
220	220	220	220	220
258	247	189	164	140
35,303	35,303	35,303	35,303	35,303
286	286	286	286	286
291	293	315	303	292
36,293	36,293	36,293	36,293	36,293
308	308	308	308	308
269	275	286	273	286
25,832	25,832	25,832	25,832	25,832
220	220	220	220	220
218	241	249	256	244
30,148	30,148	30,148	30,148	30,148
308	308	308	308	308
304	283	289	276	289
42,080	42,080	42,080	42,080	42,080
418	418	418	418	418
364	383	408	420	438
29,360	29,360	29,360	29,360	29,360
286	286	286	286	286
272	259	270	261	258
38,838	38,838	38,838	38,838	38,838
418	418	418	418	418
417	437	456	487	354

Iowa City Community School District

School Building Information
Last Ten Fiscal Years
(Unaudited)

School	Fiscal Year				
	1997	1998	1999	2000	2001
Elementary:					
Theodore Roosevelt Elementary (1931, 1961)					
Square feet	29,008	29,008	29,008	29,008	29,008
Capacity	264	264	264	264	264
Enrollment	320	320	305	285	302
Bouhmil Shimek Elementary (1970, 1991)					
Square feet	28,130	28,130	28,130	28,130	28,130
Capacity	242	242	242	242	242
Enrollment	244	252	244	249	231
Mark Twain Elementary (1954, 1961)					
Square feet	40,204	40,204	40,204	40,204	40,204
Capacity	330	330	330	330	330
Enrollment	335	323	309	309	277
Irving Weber Elementary (1993, 2001)					
Square feet	45,680	45,680	45,680	45,680	45,680
Capacity	440	440	440	440	440
Enrollment	455	403	412	441	453
Grant Wood Elementary (1969, 1993, 2006)					
Square feet	47,190	47,190	47,190	47,190	47,190
Capacity	484	484	484	484	484
Enrollment	455	443	462	476	496
Kate Wickham Elementary (1997)					
Square feet	-	56,049	56,049	56,049	56,049
Capacity	-	418	418	418	418
Enrollment	-	378	448	477	443
James Van Allen Elementary (2005)					
Square feet	-	-	-	-	-
Capacity	-	-	-	-	-
Enrollment	-	-	-	-	-
Junior High:					
Northwest Junior High School (1971, 1995)					
Square feet	124,436	124,436	124,436	124,436	124,436
Capacity	875	875	875	875	875
Enrollment	791	812	806	825	819
South East Junior High School (1959, 1982, 1995)					
Square feet	115,604	115,604	115,604	115,604	115,604
Capacity	775	775	775	775	775
Enrollment	829	827	791	746	731
North Central Junior High School (2006)					
Square feet	-	-	-	-	-
Capacity	-	-	-	-	-
Enrollment (first year of students in attendance will be in fiscal year 2007)	-	-	-	-	-

(Continued)

Fiscal Year				
2002	2003	2004	2005	2006
29,008	29,008	29,008	29,008	29,008
264	264	264	264	264
288	273	264	248	289
28,130	28,130	28,130	28,130	28,130
242	242	242	242	242
246	236	232	224	220
40,204	40,204	40,204	40,204	40,204
330	330	330	330	330
293	242	314	295	264
48,400	48,400	48,400	48,400	47,820
484	484	484	484	484
467	464	492	493	490
47,190	47,190	47,190	47,190	59,890
484	484	484	484	484
439	446	433	432	417
56,049	56,049	56,049	56,049	56,049
418	418	418	418	418
469	492	538	563	447
-	-	-	-	61,081
-	-	-	-	484
-	-	-	-	392
124,436	124,436	124,436	124,436	124,436
875	875	875	875	875
874	912	875	907	912
115,604	115,604	115,604	115,604	115,604
775	775	775	775	775
745	775	727	677	681
-	-	-	-	82,612
-	-	-	-	450
-	-	-	-	-

Iowa City Community School District

School Building Information (Continued)
 Last Ten Fiscal Years
 (Unaudited)

School	Fiscal Year				
	1997	1998	1999	2000	2001
High School:					
City High School (1939, 1974, 1982, 1985, 1990, 1995, 2005)					
Square feet	247,052	247,052	247,052	247,052	247,052
Capacity	1,400	1,400	1,400	1,400	1,400
Enrollment	1,606	1,630	1,611	1,602	1,549
West High School (1969, 1983, 1986, 1993, 1996, 2005)					
Square feet	272,663	272,663	272,663	272,663	272,663
Capacity	1,600	1,600	1,600	1,600	1,600
Enrollment	1,428	1,499	1,543	1,580	1,617
Elizabeth Tate High School (2005)					
Square feet					
Capacity					
Enrollment					
Portable Classrooms (Various)					
Square feet	22,800	22,800	22,800	22,800	22,800
Capacity					
Number	31	31	31	31	31
Other:					
Central Administration Building (1917)					
Square feet	24,588	24,588	24,588	24,588	24,588
Physical Plant Building (1984)					
Square feet	19,638	19,638	19,638	19,638	19,638
Athletics:					
Football fields	4	4	4	4	4
Soccer fields	1	1	1	1	1
Running tracks	2	2	2	2	2
Baseball/softball fields	4	4	4	4	4
Tennis Courts	2	2	2	2	2
Playgrounds	16	17	17	17	17

Source: District records

Fiscal Year				
2002	2003	2004	2005	2006
247,052	247,052	247,052	247,052	267,752
1,400	1,400	1,400	1,400	1,600
1,562	1,527	1,521	1,542	1,438
272,663	272,663	272,663	272,663	309,943
1,600	1,600	1,600	1,600	1,800
1,640	1,648	1,675	1,754	1,755
				19,700
				97
22,800	24,240	24,240	25,744	24,992
31	33	33	35	34
24,588	24,588	24,588	24,588	24,588
19,638	19,638	19,638	19,638	19,638
4	4	4	4	4
1	1	1	1	1
2	2	2	2	2
4	4	4	4	4
2	2	2	2	2
17	17	17	17	18

Iowa City Community School District

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed through the State Department of Agriculture and State Department of Education:			
USDA Commodities	10.550	77-1737	\$ 180,325
National School Lunch Program	10.555	77-1737	997,724
National School Breakfast Program	10.553	77-1737	188,718
Total nutrition cluster			<u>1,186,442</u>
Total U.S. Department of Agriculture			<u>1,366,767</u>
U.S. Army Corps of Engineers:			
Passed through Johnson County, Iowa:			
Flood Control Projects	12.106	N/A	<u>6,024</u>
U.S. Department of Housing and Urban Development:			
Passed through City of Iowa City:			
Community Development Block Grant	14.218	N/A	<u>249,851</u>
U.S. Department of Health and Human Services			
Passed through State of Iowa Department of Economic Development, Refugee and Entrant Assistance - Discretionary Grant			
	93.576	N/A	1,457
Passed through State of Iowa Department of Health and Human Services, Child Care and Development Block Grant			
	93.575	N/A	<u>48,000</u>
			<u>49,457</u>
U.S. Department of Education:			
Passed through State of Iowa Department of Education:			
Title I - Grants to Local Educational Agencies	84.010A	N/A	1,109,936
Title II - Improving Teacher Quality State Grant	84.367	N/A	452,949
Title V, Part A - Innovative Education Program Strategies	84.298A	N/A	29,224
Grants for State Assessments and Related Activities	84.369	N/A	84,761
Safe and Drug-Free Schools and Communities - State Grants	84.186A	77-6957	65,025
Safe and Drug-Free Schools and Communities - Data Grants	84.184R	N/A	8,060
Vocational Education Basic Grants to States	84.048A	77-6957	200,248
Twenty-First Century Learning Centers	84.287A	N/A	472,783
Funding for the Improvement of Education - Smaller Communities	84.215H	N/A	27,719
Advanced Placement Program	84.330	N/A	832
Elementary and Secondary Education Hurricane Relief Programs	84.938	N/A	58,500
Education for Homeless Children & Youth	84.196	N/A	20,213
			<u>2,530,250</u>

(Continued)

Iowa City Community School District

Schedule of Expenditures of Federal Awards (Continued)
 Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Passed through Grant Wood Area Education Agency:			
Title III - English Language Acquisition	84.365	N/A	27,870
Special Education Grants to States	84.027	N/A	593,231
Education Technology Grants	84.318	N/A	96,551
			717,652
Passed through the University of Iowa, Title IIA - SNAG II	84.367	N/A	1,373
Direct Program:			
Impact Aid	84.041	N/A	37,613
Safe and Drug-Free Schools and Communities - National Programs	84.184B	N/A	200,949
Funding for the Improvement of Education - Carol White PE	84.215F	N/A	240,556
			479,118
Total U.S. Department of Education			3,728,393
			\$ 5,400,492

See Notes to Schedule of Expenditures of Federal Awards.

Iowa City Community School District

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Iowa City Community School District for the year ended June 30, 2006. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Significant Accounting Policies

Revenue from federal awards is recognized when the District has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

Note 3. Pass-Through Funding

Of the federal expenditures presented in the schedule, the District provided federal awards to a subrecipient as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipient
Title I - Grants to Local Educational Agencies (LEAs) (Title I, Part A of ESEA)	84.010A	\$ 7,000

Iowa City Community School District

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2006

	Finding	Status	Corrective Action Plan or Other Explanation
Reportable Conditions in Internal Control			
05-II-A	The District has insufficient segregation of duties over the payroll process.	Not corrected.	See corrective action plan at 06-II-A.
05-II-B	The District has insufficient segregation of duties over the cash disbursement function.	Not corrected.	See corrective action plan at 06-II-B.
05-II-C	The District has insufficient segregation of duties over the cash receipts function.	Not corrected.	See corrective action plan at 06-II-C.
05-II-D	The District does not have a formal policy for approving new vendors.	Not corrected.	See corrective action plan at 06-II-D.
05-II-E	The District has insufficient segregation of duties over student activity funds.	Not corrected.	See corrective action plan at 06-II-E.
Reportable Conditions in Administering Federal Awards			
05-III-A	The District does not have a system in place to support the allocation of split funded employees.	Not corrected.	See corrective action plan at 06-III-A.
05-III-B	The District does not have a system in place to ensure employees fully funded by federal programs sign a semiannual certification.	Not corrected.	See corrective action plan at 06-III-B.
05-III-C	The District does not have an adequate system in place for monitoring the subrecipient's activities to provide reasonable assurance that the subrecipient is administering federal awards in compliance with federal requirements.	Partially corrected.	See corrective action plan at 06-III-C.
05-III-D	The District did not provide federal award information and compliance requirements to subrecipients.	Corrected.	
05-III-E	The District did not maintain school eligibility documentation.	Corrected.	
Instances of Noncompliance			
05-III-F	The District did not provide Title II funds to eligible nonpublic schools.	Corrected.	
Other Findings Related to Required Statutory Reporting			
05-IV-A	The District exceeded the maximum deposit amounts stated in the Board resolution.	Not corrected.	See corrective action plan at 06-IV-H.
05-IV-H	The District did not keep adequate documentation supporting the number of open enrollment and dual enrolled students.	Corrected.	
05-IV-J	The District made adjustments to the trial balances subsequent to submission of the CAR.	Corrected.	

McGladrey & Pullen

Certified Public Accountants

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
Iowa City Community School District
Iowa City, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Iowa City Community School District as of and for the year ended June 30, 2006, which collectively comprise Iowa City Community School District's basic financial statements and have issued our report thereon dated September 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iowa City Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as items 06-II-A through 06-II-E.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the Iowa City School District in a separate letter dated September 21, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa City 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the basic 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 interpretation of those statutes.

This report is intended solely for the information of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
September 21, 2006

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Iowa City Community School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Iowa City Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Iowa City Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Iowa City Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Iowa City Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Iowa City Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06-III-A through 06-III-C.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are a material weakness.

This report is intended solely for the information of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
September 21, 2006

Iowa City Community School District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major program:

CFDA Number	Name of Federal Program
10.555	National School Lunch Program
10.553	National School Breakfast Program
84.027	Special Education Grants to States

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

Instances of Noncompliance: There were no instances of noncompliance which were required to be reported in accordance with *Government Auditing Standards*.

Reportable Conditions

06-II-A

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

Condition: Individuals have the capability to change the employee master file, enter time, generate payroll checks and access to the password required for the signature to be imprinted on the check.

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

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

Recommendation: We recommend that the human resources director reviews an edit report to ensure employee names and amounts are proper. The ability to change the master file should be restricted from those with access to enter payroll information into the system. Changes to the master file should be compared to the Board approved hires by an individual separate from the payroll function.

Response and Corrective Action Plan: The District recognizes the importance of good internal controls and adequate segregation of duties. The District also recognizes the potential risks when an inadequate segregation of duties exists due primarily to the limited number of office personnel. The District will continue to monitor the responsibilities and duties assigned to the current office personnel and will make adjustments and changes to mitigate the insufficient segregation of duties.

06-II-B

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

Condition: One position performs the following functions related to cash disbursements: posts to the general ledger, generates accounts payable checks, has access to the password for electronic signature and performs the bank reconciliations

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

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

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

Recommendation: We recommend the District reassign responsibilities so that no more than two of the following functions are performed by the same individual: posting to the general ledger, check signing access and performing the bank reconciliation. In addition, individuals with access to the bank information should not have access to the password for the check signatures or the signature plates. The bank statement and returned checks should be reviewed for valid vendors and proper endorsement by an individual other than the person responsible for cash disbursements.

Response and Corrective Action Plan: The District recognizes the importance of good internal controls and adequate segregation of duties. The District also recognizes the potential risks when an inadequate segregation of duties exists due primarily to the limited number of office personnel. The District will continue to monitor the responsibilities and duties assigned to the current office personnel and will make adjustments and changes to mitigate the insufficient segregation of duties.

06-II-C

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

Condition: One individual has access to cash receipts until the deposit is made, posts to the general ledger and performs the bank reconciliations.

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

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

Recommendation: We recommend that the receptionist receives all cash receipts and maintains a log daily. The receipts should be stamped at the time of receipt with a restrictive endorsement. As currently the process, an individual other than the one with access to post to the general ledger and performing the bank reconciliation responsibilities should make the weekly deposit. The log prepared at the time of the receipt and the deposit slip should be compared by the individual responsible for the bank reconciliation.

Response and Corrective Action Plan: The District recognizes the importance of good internal controls and adequate segregation of duties. The District also recognizes the potential risks when an inadequate segregation of duties exists due primarily to the limited number of office personnel. The District will continue to monitor the responsibilities and duties assigned to the current office personnel and will make adjustments and changes to mitigate the insufficient segregation of duties.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

06-II-D

Finding: The District does not currently have a written formal policy for approving new vendors.

Condition: A position has the ability to create a new vendor and the same position also is able to disburse cash.

Context: A good system of internal controls includes a formal process for approving new vendors.

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

Recommendation: We recommend the District adopt a written policy for approving new vendors and limit access to create vendors to an individual separate from the cash disbursement function.

Response and Corrective Action Plan: The District will review its policy for the approval of new vendors and review the process for the creation of new vendors within the current system. However, the District recognizes that many of the new vendors are the result of reimbursement to new employees, contractors related to capital projects previously approved by the Board of Directors and other contractual relationships.

06-II-E

Finding: The District has insufficient segregation of duties over the student activity funds at junior and senior high schools.

Condition: The financial secretaries at the schools are responsible for the deposits, control of check stock, check writing, and perform the bank reconciliation.

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

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

Recommendation: We recommend the District centralize the preparation of the bank reconciliation.

Response and Corrective Action Plan: The District recognizes the importance of good internal controls and adequate segregation of duties. The District also recognizes the potential risks when an inadequate segregation of duties exists due primarily to the limited number of office personnel.

(Continued)

III. Findings and Questioned Costs for Federal Awards

Reportable Conditions in Administering Federal Awards

06-III-A

**U.S. Department of Education/Passed Through State of Iowa Department of Education
Title I – Grants to Local Educational Agencies (CFDA 84.010A) Federal Award Year: 2004/05,
2005/06
Title II – Improving Teacher Quality State Grant (CFDA 84.367) Federal Award Year: 2004/05, 2005/06
Twenty-First Century Learning Centers (CFDA 84.287A) Federal Award Year: 2004/05, 2005/06**

Finding: The District does not have a system in place as required by Office of Management Budget Circular A-87 to support the allocation of split funded employee payroll costs.

Condition: The employees are not required to complete time studies to support payroll percentages charged to the program. Quarterly comparisons of actual percentages as accumulated by time records were not compared to the budgeted distributions to substantiate the percentage charged to the grant.

Criteria/Context: The Office of Management and Budget Circular A-87 (OMB A-87) requires a distribution of salaries be supported by personnel activity reports or equivalent documentation for all employees who work for more than one cost objective. Also, the circular requires at least quarterly comparisons of actual cost to budgeted distributions be made to reflect adjustments as a result of actual activity performed.

Recommendation: We recommend that the District implement a system to track employees' time by activity. Based on OMB Circular A-87, the employees should submit a signed time study by activity on a monthly basis. If a budget or estimate is determined before the services are performed, comparisons of actual costs to budgeted distributions based on monthly time studies should be done on at least a quarterly basis to substantiate the percentages charged to the grants.

Response and Corrective Action Plan: The District started with time studies for certain positions in December 2004 and will continue to monitor the use of time studies. The District has completed the documentation for split funded employee costs as related to Title I programs for the year ended June 30, 2006. The District will review the allocation of costs related to Title II programs which are completed on a full-time equivalent basis for schools as allowed by grant provisions. Also, the District has elected to reduce their special education deficit with the special education grants to states and thus, the payroll costs are not assigned to specific individuals.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

06-III-B

**U.S. Department of Education/Passed Through State of Iowa Department of Education
Title I – Grants to Local Educational Agencies (CFDA 84.010A) Federal Award Year: 2004/05,
2005/06
Twenty-First Century Learning Centers (CFDA 84.287A) Federal Award Year: 2004/05, 2005/06
Special Education Grants to States (CFDA 84.027) Federal Award Year: 2004/05, 2005/06**

Finding: The District does not have a system in place to obtain semi-annual certification for employees fully funded by a federal program as required by OMB A-87.

Condition: The District does not have a system in place that requires employees to properly sign semi-annual certification letters stating that their duties were exclusively related to Twenty-First Century Learning Centers, Title I, or Special Education Grants to States.

Criteria/Context: The Office of Management and Budget Circular A-87 requires semi-annual certifications to support charges to a single federal award.

Recommendation: We recommend that the District implement a system to obtain semi-annual certifications for personnel funded 100 percent by a federal award.

Response and Corrective Action Plan: The District will work to complete certification for personnel funded 100 percent by federal awards.

06-III-C

**U.S. Department of Education/Passed Through State of Iowa Department of Education
Title I – Grants to Local Educational Agencies (CFDA 84.010A) Federal Award Year: 2004/05,
2005/06**

Finding: The District does not have an adequate system in place for monitoring the subrecipient's activities to provide reasonable assurance that the subrecipient is administering Federal awards in compliance with Federal requirements.

Condition: Currently, the only monitoring procedures performed by the District over the subrecipients are reviewing reimbursement requests submitted by the subrecipient.

Criteria/Context: OMB Circular A-133 requires a pass-through entity to "monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved." The pass-through entity is accountable for the federal awards even though the subrecipient administers them.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

Recommendation: We recommend the District gain an understanding of the subrecipient's controls in place for meeting all requirements of the grant agreement. In addition, we recommend supporting detailed documentation of payroll expenditures should be requested by the District before reimbursement to the subrecipient. The District should review the documentation to support that the subrecipient is meeting the eligibility and reporting requirements. The District should consider obtaining a copy of any on-site visit reports or any audit reports performed in accordance with OMB Circular A-133 from the subrecipient and ensure that any findings are being corrected by the subrecipient. The District should also consider performing site visits to the subrecipients to review financial and programmatic records and observe operations.

Response and Corrective Action: The District recognizes the importance of monitoring the subrecipient's activities. The District will make reasonable attempts to obtain the supporting documentation, copies of audit reports and make site visits to review the subrecipient's operations.

Instances of Noncompliance

None

IV. Other Findings Related to Required Statutory Reporting

06-IV-A – Certified Budget and General Fund Spending Authority

Finding: Expenditures for the year ended June 30, 2006 exceeded the amended certified budget amounts in the support services function by \$325,329.

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

Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

06-IV-B – Questionable Disbursements

We noted no disbursements which did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

06-IV-C – Travel Expenses

No disbursements 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.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

06-IV-D – Business Transactions with District Officials and Employees

No business transactions between the District and District officials and/or employees were noted.

06-IV-E – Bond Coverage

Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

06-IV-F – Board Minutes

No transactions requiring Board approval which had not been approved in the Board minutes were noted.

06-IV-G – Certified Enrollment

No material variances in the basic enrollment data certified to the Department of Education were noted.

06-IV-H – Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted, except as follows:

Finding: The District exceeded the maximum deposit amounts stated in the Board resolution in October 2005 and April 2006 due to significant property tax payment receipts.

Recommendation: The maximum deposit amounts should be reviewed and increased appropriately.

Response and Corrective Action Plan: The District approves maximum deposit amounts at levels appropriate for prudent business practice. On both dates cited above, the timing of the receipt of property tax payments (after weekend or holiday dates) resulted in a delay in the transfer of funds to the appropriate investment accounts. The District executed the proper transactions in accordance with its investment policy when the property tax receipts were available. In addition, the deposits were in interest bearing accounts during the time periods mentioned.

Conclusion: Response and corrective action plan accepted.

06-IV-I – Certified Annual Report

The Certified Annual Report (CAR) was filed with the Department of Education timely.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

06-IV-J – Deficit Balances

Finding: The Capital Projects fund had a deficit fund balance of \$7,704,715 as of June 30, 2006.

Recommendation: The District should continue to investigate alternatives to eliminate this deficit in order to return this account to a sound financial condition.

Response and Corrective Action Plan: The District has incurred a deficit in connection with completions of the capital projects identified in the February 2003 Referendum. The District plans to eliminate this deficit by requesting modified allowable growth from the School Budget Review Committee (SBRC) and then make a transfer from the General Fund to the Capital Projects Fund.

Conclusion: Response accepted.

Iowa City Community School District

Corrective Action Plan
Year Ended June 30, 2006

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Reportable Conditions in Internal Control				
06-II-A	The District has improper segregation of duties over the payroll process.	See corrective action plan at 06-II-A.	June 30, 2007	Paul Bobek
06-II-B	The District has improper segregation of duties over the cash disbursement function.	See corrective action plan at 06-II-B.	June 30, 2007	Paul Bobek
06-II-C	The District has improper segregation of duties over the cash receipts function.	See corrective action plan at 06-II-C.	June 30, 2007	Paul Bobek
06-II-D	The District does not have a formal policy for approving new vendors.	See corrective action plan at 06-II-D.	June 30, 2007	Paul Bobek
06-II-E	The District has improper segregation of duties over student activity funds.	See corrective action plan at 06-II-E.	June 30, 2007	Paul Bobek
Reportable Conditions in Administering Federal Awards				
06-III-A	The District does not have a system in place to support the allocation of split funded employees.	See corrective action plan at 06-III-A.	June 30, 2007	Paul Bobek
06-III-B	The District does not have a system in place to ensure employees fully funded by federal programs sign a semiannual certification.	See corrective action plan at 06-III-B.	June 30, 2007	Paul Bobek
06-III-C	The District does not have an adequate system in place for monitoring the subrecipient's activities to provide reasonable assurance that the subrecipient is administering Federal awards in compliance with Federal requirements.	See corrective action plan at 06-III-C.	June 30, 2007	Paul Bobek

(Continued)

Iowa City Community School District

Corrective Action Plan (Continued)
Year Ended June 30, 2006

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Other Findings Related to Required Statutory Reporting:				
06-IV-A	Expenditures for the year exceeded the amended certified budget amounts in the support services function.	See corrective action plan at 06-IV-A.	June 30, 2007	Paul Bobek
06-IV-H	The District exceeded the maximum deposit amounts stated in the Board resolution.	See corrective action plan at 06-IV-H.	June 30, 2007	Paul Bobek
06-IV-J	The Capital Projects Fund had a deficit fund balance as of June 30, 2006.	See corrective action plan at 06-IV-J.	June 30, 2007	Paul Bobek