

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

Comprehensive Annual Financial Report

Year Ended June 30, 2007

Iowa City Community School District Iowa City, Iowa

Comprehensive Annual Financial Report

Year Ended June 30, 2007

**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 3, 2007

The Board of Education and Residents
Iowa City Community School District

We are pleased to submit the Comprehensive Annual Financial Report of the Iowa City Community School District (the District) for the fiscal year ended June 30, 2007. The report has been prepared to conform to guidelines recommended by the Association of School Business Officials International and the Government Finance Officers Association of the United States and Canada. The 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 independent auditor's report, the Management's Discussion and Analysis, the basic financial statements, 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 in accordance with Dillon's Rule 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 is a political subdivision of the state of Iowa and operates public schools for children in grades pre-school through twelve. The District is governed by a seven member Board of Education whose members serve three year terms and are elected on a nonpartisan basis. The Board of Directors is a policy-making and planning body whose decisions are carried out by school administrators.

The Iowa City Community School District serves more than 100,000 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 15 years, growing from 9,559 in 1992 to 11,267 in October 2006. The District is currently the fifth largest public school in the state of Iowa.

The District operates two regular high schools, an alternative high school, three junior high schools and 18 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 pre-school 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 2007 at the rate of approximately nine 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 the Iowa City area is consistently one of the lowest in the state of Iowa and well below national averages. In addition, the Iowa City area is served by two nearby regional airports and two major interstate highways. The economic development organizations of Johnson County have teamed with similar organizations in Linn County to the north to develop a "technology corridor" which combines the strong health care and education industries of Johnson County with numerous manufacturing and financial service organizations in Linn County for a wide range of economic and employment opportunities. Iowa City is also consistently promoted in major business publications as one of the best places in the United States for business, schools and quality of life. These recognitions include a "Sterling's Best Places to Live" 5th national ranking in March 2007 and "Expansion Magazines" ranking of #4 public schools in the nation.

Based on conservative projections, the tax base is estimated to grow in the 2-5 percent range. While experiencing an enrollment increase the last three years of nearly 600 students, future projections indicate enrollment will continue to increase at slightly slower rates over the next five years. The District has experienced a large increase in its October 2007 official enrollment of 448 students though.

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 several 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 completed during the most recent year. North Central Junior High was completed in August 2006 and opened for classes that month.

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.

The District has recently purchased 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 addition, the District recently purchased land that was previously leased by the District and will continue to use this land for its maintenance operations.

In February 2007, the residents of Johnson County approved a resolution for a 1 percent local option sales tax for a period of 10 years that began on July 1, 2007. The sales tax will result in new revenues of approximately \$14 million annually for the first five years and then \$6 million annually for the next five years as determined by the Iowa Department of Revenue and Finance. The District plans to use these revenues for infrastructure needs as allowed in the Code of Iowa and the approved Revenue Purpose Statement.

The two high schools offer athletic programs in 19 different sports. State championship honors have been earned in boys' soccer, wrestling, volleyball, girls' cross country and girls track while state placings went to football, boys' cross country, boys' track and girls' golf.

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 nearly 93 percent in 2007 with nearly 88 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, 2007 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 Fund 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 5.0 percent to 5.20 percent during the year, compared to the rates below 5 percent for most of the previous year. This aspect of the District's finances has gained importance in recent years as the District has 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 five years and meets quarterly to review the District's facilities and programs. The District manages a self-funded insurance plan for its employee medical insurance program. The plan is funded at the maximum expected claim levels and coverage for individual and aggregate stop loss coverage is purchased by the plan.

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 Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement in Financial Reporting and the Association of School Business Officials International, (ASBO) awards a Certificate of Excellence in Financial Reporting. The Iowa City Community School District received both of these Certificates for its comprehensive annual financial report for the fiscal year ended June 30, 2006. Each Certificate is a prestigious national award, recognizing conformance with the highest standards for preparation of government financial reports.

In order to be eligible to receive the Certificates, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) whose contents conform to program standards. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

These Certificates are valid for a period of one year only. The Iowa City Community School District received these awards for the fiscal year 2006 Comprehensive Annual Financial Report. We believe that our current CAFR conforms to the requirements for both awards and, therefore, we are submitting to the GFOA and ASBO to determine its eligibility for each Certificate. The Iowa City Community School District had not applied for the Certificates in any years prior to 2006.

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 as well as members of city and county governments. 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,

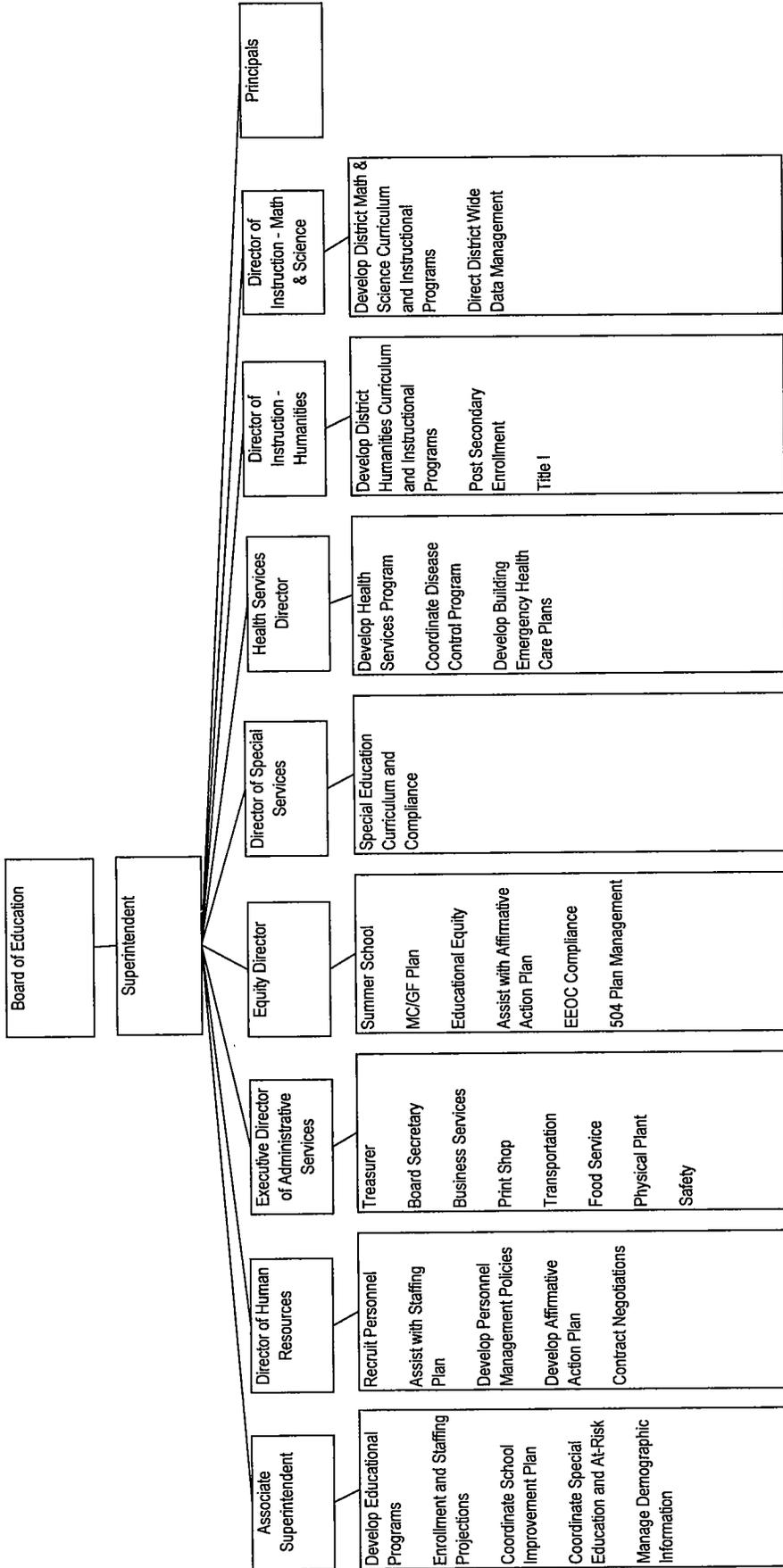


Dr. Lane Plugge
Superintendent



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, 2007**

Name	Title	Term Expires
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Board of Education

Before September 2006 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

After September 2006 election:

Toni Cilek	President	2008
Gayle Klouda	Vice President	2007
Aletia Morgan	Board Member	2007
Elizabeth Crooks	Board Member	2008
Patti Fields	Board Member	2008
Tim Krumm	Board Member	2009
Jan Leff	Board Member	2009

School District Officials

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

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

IOWA CITY COMMUNITY SCHOOL DISTRICT

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2006

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Iowa City
Community School District

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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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, 2007, 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, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2007 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
December 3, 2007

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements.

Financial Highlights

Total net assets increased \$5,168,783 from \$78,451,935 in 2006 to \$83,620,718 in 2007. Total revenues for the fiscal year 2007 increased \$6,259,257 from 2006. Total expenses also increased from \$101,614,906 in 2006 to \$109,429,146 in 2007.

General Fund revenues increased from \$88,905,992 in fiscal year 2006 to \$95,429,758 in fiscal year 2007, while General Fund expenditures increased from \$89,588,480 in fiscal year 2006 to \$96,157,786 in fiscal year 2007. This resulted in a decrease in the District's General Fund balance from \$11,471,749 in fiscal year 2006 to \$10,542,815 in fiscal year 2007.

The increase in General Fund revenues for fiscal year 2007 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 increased expenditures for the opening of a new junior high school.

The District was able to generate an increase in investment earnings from \$1,113,733 in fiscal year 2006 to \$1,309,260 in fiscal year 2007, primarily due to higher balances on deposit in the physical plant and equipment levy and internal service funds.

In summary, Iowa City Community School District's overall financial position remains strong, stable and consistent. However, the District's General Fund has incurred a net loss during three of the last four fiscal years. The District will continue to work on reducing expenditures to match revenues.

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.

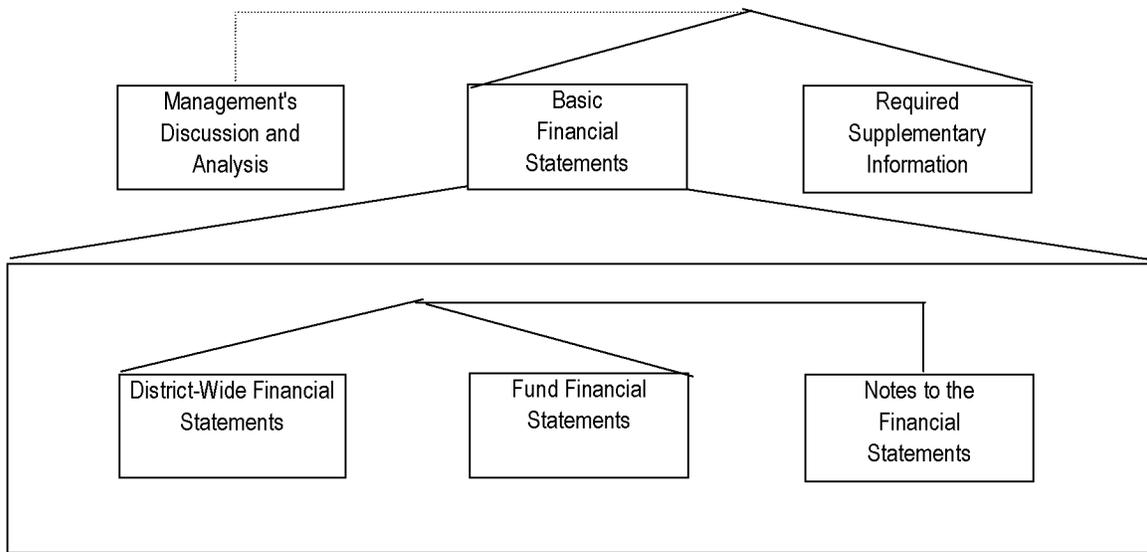
Iowa City Community School District

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

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.

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, 2007

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

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.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

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.
 - ✓ 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 fund, one type of proprietary fund, is 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.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

- 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.

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, 2007 compared to 2006:

**Figure A-3
Condensed Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total School District		Total Change 2006-2007
	2007	2006	2007	2006	2007	2006	
Current and other assets	\$ 80,671,608	\$ 76,548,217	\$ 2,268,001	\$ 1,998,520	\$ 82,939,609	\$ 78,546,737	\$ 4,392,872
Capital assets	96,841,392	94,922,387	456,833	342,565	97,298,225	95,264,952	2,033,273
Total assets	177,513,000	171,470,604	2,724,834	2,341,085	180,237,834	173,811,689	6,426,145
Long-term obligations	30,845,022	33,359,722	-	-	30,845,022	33,359,722	2,514,700
Other liabilities	65,615,487	61,874,288	156,607	125,744	65,772,094	62,000,032	(3,772,062)
Total liabilities	96,460,509	95,234,010	156,607	125,744	96,617,116	95,359,754	(1,257,362)
Net assets:							
Invested in capital assets, net of related debt	64,933,021	60,614,632	456,833	342,565	65,389,854	60,957,197	4,432,657
Restricted	9,460,390	7,951,013	-	-	9,460,390	7,951,013	1,509,377
Unrestricted	6,659,080	7,670,949	2,111,394	1,872,776	8,770,474	9,543,725	(773,251)
Total net assets	\$ 81,052,491	\$ 76,236,594	\$ 2,568,227	\$ 2,215,341	\$ 83,620,718	\$ 78,451,935	\$ 5,168,783

The District's total net assets increased by 6.6 percent during the year ended June 30, 2007. The increase occurred primarily in the governmental funds as a result of revenues in excess of expenses and the reduction in long-term obligations. During the year ended June 30, 2007, the District expended nearly \$5,000,000 in capital assets, primarily from the completion of a new junior high and additions to several elementary schools. In addition, the net assets of the District's internal service fund increased approximately \$2,000,000 due to funding the self-funded insurance fund at the maximum expected liability and favorable claims experience. During 2007, the District's total liabilities increased approximately \$1,300,000 with most of this increase related to the liability for early retirement incentives due to increased participation for the fiscal year ended June 30, 2007.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

The total net assets of the District's business-type activities increased by approximately \$350,000 over the prior year. This increase is due primarily to favorable operating results of nearly \$270,000 in the District's School Nutrition Fund. The remaining increase is from additions to the capital assets of the School Nutrition Fund.

Changes in net assets – Figure A-4 shows the changes in net assets for the years ended June 30, 2007 and 2006:

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

	Governmental Activities		Business-Type Activities		Total School District	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for service and sales	\$ 3,394,803	\$ 3,028,363	\$ 2,153,019	\$ 2,094,665	\$ 5,547,822	\$ 5,123,028
Operating grants and contributions	10,904,544	10,502,795	1,545,561	1,384,365	12,450,105	11,887,160
Capital grants and contributions	709,601	457,884	11,000	33,057	720,601	490,941
General revenues:						
Property taxes	53,327,137	48,822,446	-	-	53,327,137	48,822,446
Unrestricted state grants	38,000,023	36,727,158	-	-	38,000,023	36,727,158
Unrestricted investment earnings	1,214,815	989,882	94,445	63,041	1,309,260	1,052,923
Other	3,242,981	4,235,016	-	-	3,242,981	4,235,016
Total revenues	110,793,904	104,763,544	3,804,025	3,575,128	114,597,929	108,338,672
Program expenses:						
Governmental activities:						
Instruction	67,906,615	63,495,701	-	-	67,906,615	63,495,701
Support services	30,891,662	28,610,582	-	-	30,891,662	28,610,582
Noninstructional programs	13,762	18,775	-	-	13,762	18,775
Other expenses	7,165,968	6,284,576	-	-	7,165,968	6,284,576
Business-type activities:						
nutritional services	-	-	3,451,139	3,205,272	3,451,139	3,205,272
Total expenses	105,978,007	98,409,634	3,451,139	3,205,272	109,429,146	101,614,906
Change in net assets	\$ 4,815,897	\$ 6,353,910	\$ 352,886	\$ 369,856	\$ 5,168,783	\$ 6,723,766

Property tax and unrestricted state grants account for 80 and 79 percent of the total revenue for the years ended June 30, 2007 and 2006, respectively. The District's expenses primarily relate to instruction and support services which account for 90 percent of the total expenses for the years ended June 30, 2007 and 2006.

Governmental Activities

Revenues for governmental activities were \$110,793,904 and expenses were \$105,978,007. This difference of \$4,815,897 was used for the repayment of the general obligations bonds as scheduled in Note 6 to the Basic Financial Statements, approximately \$1,000,000 of physical plant and equipment levy revenues that will be expended on building projects in future years and to defray the deficit in the Capital Projects Fund, and self-funded insurance claims being less than the maximum expected level by nearly \$2,000,000. Revenues in the governmental activities increased approximately \$6,000,000 or 5.8 percent over 2006. Most of this increase is due to property taxes and unrestricted state grants (state aid) as provided in the state funding formula. Operating grants and contributions in the governmental activities increased over \$500,000 primarily from additional revenues provided by the state of Iowa to improve teacher's salaries.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

The increase in expenditures in governmental activities of \$7,568,373 or 7.7 percent is related to instruction and support services. The expenditures in these areas are primarily related to salaries and benefits based upon negotiated salary settlements of 4.5 to 5 percent and the hiring of additional staff due to increasing enrollments and the opening of new facilities during the last two years.

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**

	2007		2006	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 67,906,615	\$ (57,700,869)	\$ 63,495,701	\$ (54,367,051)
Support services	30,891,662	(30,419,206)	28,610,582	(27,553,482)
Noninstructional programs	13,762	(12,929)	18,775	(18,775)
Other expenses	7,165,968	(2,836,055)	6,284,576	(2,481,284)
Totals	\$ 105,978,007	\$ (90,969,059)	\$ 98,409,634	\$ (84,420,592)

- The cost financed by users of the District's programs was \$3,394,803 for 2007 and \$3,028,363 for 2006.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$11,614,145 for 2007 and \$10,960,679 for 2006.
- 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 \$3,709,580, excluding \$94,445 of investment earnings, and expenses were \$3,451,139. 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. Revenues increased by approximately 5.6 percent due to increased participation levels related to higher enrollment levels. Expenditures increased by approximately 7.7 percent primarily due to negotiated salary settlements of 5 percent and higher food costs from the prior year.

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, 2007

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 \$11,534,552 which was below last year's ending fund balances of \$12,373,981. However, the primary reason for the decrease in combined fund balances in fiscal year 2007 is due to approximately \$900,000 from the operations of the General Fund.

- 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 a new building, North Central Junior High School, which included additional staff and operating costs. The District has also experienced an enrollment increase of over 300 students during the last two years which has created the need for additional staff.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from a balance of \$4,345,400 in fiscal year 2006 to \$5,442,545 in fiscal year 2007. 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 several building projects related to the recent enrollment increases and to defray the deficit in the District's Capital Projects Fund.
- As previously noted, the Capital Projects Fund balance decreased due to the expenditures of approximately \$1,650,000 in capital outlay. Fiscal year 2007 ended with a deficit balance of (\$8,986,375) in connection with the capital projects identified in the District's February 2003 referendum. The District plans to fund this deficit with \$4,000,000 of the District's Physical Plant and Equipment Levy Fund as previously discussed and will request modified allowable growth from the School Budget Review Committee to use the District's General Fund to fund the remainder of the deficit.

Proprietary Fund Highlights: The School Nutrition Fund's net assets increased from \$2,059,530 as of June 30, 2006 to \$2,331,435 as of June 30, 2007, representing an increase of approximately 13 percent for 2007 compared to an increase of 18 percent for 2006. The District has continued a trend of increased sales of nonproduced foods which typically have higher profit margins. The District has implemented a computerized point of sale system in all of its facilities in 2006 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 \$4,076,159 in 2006 to \$6,076,649 in 2007. 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 fourth 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.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

Legal Budgetary Highlights: The District's total actual revenues were \$2,255,132 more than the total budgeted revenues, a variance of 2 percent from the final budget. Approximately \$1,000,000 of this variance is from local source revenues that exceeded the budgeted amounts primarily from the investment earnings received that exceeded April 2006 budgeted amounts. In addition, nearly \$600,000 of this variance was from tuition revenues related to open enrollment and special education students that exceeded expected levels. The District also received approximately \$300,000 of revenues from Nutrition Fund sales not originally budgeted as previously discussed. The Nutrition Fund sales increases are the result of higher sales levels of ala carte items and increased lunch sales of nearly 5 percent above the prior year which corresponds with enrollment increases during the last two years.

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, 2007, the District had invested \$97 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 \$2 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 \$2,949,985.

The original costs of the District's capital assets was nearly \$150 million. Governmental funds account for approximately \$149 million with the remainder of \$1,000,000 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building category. This category increased primarily from the completion of three elementary building additions and a junior high school building. The junior high building was opened for classes in August 2006. A significant portion of the building increase from 2006 was classified as construction-in-progress in prior year statements.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-2007
Land	\$ 3,287,154	\$ 3,201,598	\$ -	\$ -	\$ 3,287,154	\$ 3,201,598	\$ 85,556
Construction-in-progress	1,701,639	20,188,182	-	-	1,701,639	20,188,182	(18,486,543)
Buildings	88,420,834	68,421,707	-	-	88,420,834	68,421,707	19,999,127
Improvements other than buildings	2,124,909	1,829,292	-	-	2,124,909	1,829,292	295,617
Furniture and equipment	1,306,856	1,281,608	456,833	342,565	1,763,689	1,624,173	139,516
Total	\$ 96,841,392	\$ 94,922,387	\$ 456,833	\$ 342,565	\$ 97,298,225	\$ 95,264,952	\$ 2,033,273

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

Long-Term Debt: As of June 30, 2007, the District had \$35 million in general obligation and other long-term debt outstanding. This represents a decrease of approximately \$1.6 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
	2007	2006	2006-2007
General obligation bonds	\$ 31,700,000	\$ 34,080,000	\$ (2,380,000)
Early retirement	2,551,212	1,890,135	661,077
Compensated absences	483,549	422,610	60,939
Totals	\$ 34,734,761	\$ 36,392,745	\$ (1,657,984)

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 of 4 percent per year for fiscal years 2008 and 2009. The District has been able to negotiate a significant portion of its salary settlements in multiple year agreements with settlement increases that match the rates of allowable growth to be determined for those future periods. 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 205 and 448 students in the last two years. The enrollment growth of 448 students in fiscal year 2008 will assist the District's budget in fiscal year 2009. This increase in enrollment will continue the need for additional staff and demand for additional space to the existing facilities and construction of new facilities.
- As previously mentioned, the District has completed the construction of several buildings and significant additions to other buildings during the last three fiscal years. The capital expenditures related to these projects was approximately \$9,000,000 higher than originally budgeted. The additional expenditures will be provided by the Physical Plant and Equipment Levy Fund as allowed by law and by requesting modified allowable growth (additional spending authority) from the School Budget Review Committee. The District expects to have this deficit reduced to zero in the fiscal year ending June 30, 2008. In addition, the additional square footage added by these projects has resulted in additional operating costs to the General Fund.
- The District has purchased approximately 42,000 square feet of land for \$263,928 that was previously leased and used by the maintenance operations. The District plans to continue to use this land for its maintenance operations.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

- In February 2007, the residents of Johnson County approved a resolution for a 1 percent local option sales tax for a period of 10 years that began on July 1, 2007. The sales tax will result in new revenues of approximately \$14 million annually for the first five years and then \$6 million annually for the next five years as determined by the Iowa Department of Revenue and Finance. The District plans to use these revenues for infrastructure needs as allowed in the Code of Iowa and the approved 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, 2007

Assets	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and cash equivalents and investments	\$ 25,910,114	\$ 1,911,919	\$ 27,822,033
Receivables:			
Accounts receivable	-	-	-
Property tax:			
Current year	249,519	-	249,519
Succeeding year	51,076,209	-	51,076,209
Other	160,310		160,310
Due from other governments	2,703,273	5,266	2,708,539
Internal balances	(232,874)	232,874	-
Inventories	-	77,322	77,322
Prepaid expenses	761,820	40,620	802,440
Total current assets	80,628,371	2,268,001	82,896,372
Noncurrent assets:			
Unamortized bond issuance costs	43,237	-	43,237
Capital assets:			
Not depreciable:			
Land	3,287,154	-	3,287,154
Construction-in-progress	1,701,639	-	1,701,639
Depreciable capital assets, net of accumulated depreciation	91,852,599	456,833	92,309,432
Net capital assets	96,841,392	456,833	97,298,225
Total noncurrent assets	96,884,629	456,833	97,341,462
Total assets	\$ 177,513,000	\$ 2,724,834	\$ 180,237,834

See Notes to Basic Financial Statements.

Liabilities	Governmental Activities	Business-Type Activities	Total
Current liabilities:			
Accounts payable	\$ 3,653,043	\$ 32,940	\$ 3,685,983
Salaries and benefits payable	5,301,212	123,667	5,424,879
Claims payable	1,266,630	-	1,266,630
Accrued interest payable	94,104	-	94,104
Unearned revenue, succeeding year property tax	51,076,209	-	51,076,209
Grant revenues, unearned	82,942	-	82,942
General obligation bonds	2,495,000	-	2,495,000
Early retirement	1,162,798	-	1,162,798
Compensated absences	483,549	-	483,549
Total current liabilities	65,615,487	156,607	65,772,094
Noncurrent liabilities:			
Early retirement	1,388,414	-	1,388,414
Unamortized premium on general obligation bonds	251,608	-	251,608
General obligation bonds	29,205,000	-	29,205,000
Total noncurrent liabilities	30,845,022	-	30,845,022
Total liabilities	96,460,509	156,607	96,617,116
Net Assets			
Invested in capital assets, net of related debt	64,933,021	456,833	65,389,854
Restricted for:			
Debt service	642,360	-	642,360
Management levy	2,802,798	-	2,802,798
Physical plant and equipment levy	5,442,545	-	5,442,545
Other purpose restricted	572,687	-	572,687
Unrestricted	6,659,080	2,111,394	8,770,474
Total net assets	81,052,491	2,568,227	83,620,718
Total liabilities and net assets	\$ 177,513,000	\$ 2,724,834	\$ 180,237,834

Iowa City Community School District

Statement of Activities
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, and Contributions	Capital Grants, and Contributions
Governmental Activities				
Instruction:				
Regular instruction	\$ 42,605,719	\$ 1,862,697	\$ 3,820,863	\$ -
Special instruction	22,025,571	1,481,899	3,009,781	-
Other instruction	3,275,325	30,506	-	-
	<u>67,906,615</u>	<u>3,375,102</u>	<u>6,830,644</u>	<u>-</u>
Support services:				
Student services	2,945,952	-	254,388	-
Instructional services	5,125,575	-	-	-
Administration services	8,663,947	-	14,196	-
Operation and maintenance	10,391,249	5,410	-	-
Transportation services	3,764,939	14,291	184,171	-
	<u>30,891,662</u>	<u>19,701</u>	<u>452,755</u>	<u>-</u>
Noninstructional programs	13,762	-	833	-
Other:				
Facilities acquisition	2,407,038	-	-	709,601
Long-term debt interest	1,167,068	-	58,732	-
AEA flowthrough	3,561,580	-	3,561,580	-
Depreciation (unallocated)	30,282	-	-	-
	<u>7,165,968</u>	<u>-</u>	<u>3,620,312</u>	<u>709,601</u>
Total governmental activities	105,978,007	3,394,803	10,904,544	709,601
Business-type activities, nutritional services	3,451,139	2,153,019	1,545,561	11,000
Total primary government	\$ 109,429,146	\$ 5,547,822	\$ 12,450,105	\$ 720,601
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
\$ (36,922,159)	\$ -	\$ (36,922,159)
(17,533,891)	-	(17,533,891)
(3,244,819)	-	(3,244,819)
(57,700,869)	-	(57,700,869)
(2,691,564)	-	(2,691,564)
(5,125,575)	-	(5,125,575)
(8,649,751)	-	(8,649,751)
(10,385,839)	-	(10,385,839)
(3,566,477)	-	(3,566,477)
(30,419,206)	-	(30,419,206)
(12,929)	-	(12,929)
(1,697,437)	-	(1,697,437)
(1,108,336)	-	(1,108,336)
-	-	-
(30,282)	-	(30,282)
(2,836,055)	-	(2,836,055)
(90,969,059)	-	(90,969,059)
-	258,441	258,441
(90,969,059)	258,441	(90,710,618)
43,260,607	-	43,260,607
3,603,181	-	3,603,181
6,463,349	-	6,463,349
38,000,023	-	38,000,023
1,214,815	94,445	1,309,260
3,242,981	-	3,242,981
95,784,956	94,445	95,879,401
4,815,897	352,886	5,168,783
76,236,594	2,215,341	78,451,935
\$ 81,052,491	\$ 2,568,227	\$ 83,620,718

Iowa City Community School District

Balance Sheet - Governmental Funds
June 30, 2007

Assets	General	Physical Plant and Equipment Levy	Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents and investments	\$ 11,676,115	\$ 1,116,667	\$ -	\$ 4,066,342	\$ 16,859,124
Receivables:					
Property tax:					
Current year	190,781	33,479	-	25,259	249,519
Succeeding year	39,141,532	6,699,725	-	5,234,952	51,076,209
Other	160,310	-	-	-	160,310
Due from other funds	2,856,511	5,566,597	-	481,485	8,904,593
Due from other governments	2,703,273	-	-	-	2,703,273
Prepaid items	761,820	-	-	-	761,820
Total assets	\$ 57,490,342	\$ 13,416,468	\$ -	\$ 9,808,038	\$ 80,714,848
Liabilities and Fund Balances (Deficits)					
Liabilities:					
Accounts payable	\$ 2,255,126	\$ 1,274,198	\$ 85,726	\$ 37,493	\$ 3,652,543
Salaries and benefits payable	5,301,212	-	-	-	5,301,212
Due to other funds	-	-	8,900,649	26	8,900,675
Deferred revenue:					
Succeeding year property tax	39,141,532	6,699,725	-	5,234,952	51,076,209
Grant revenues	249,657	-	-	-	249,657
Total liabilities	46,947,527	7,973,923	8,986,375	5,272,471	69,180,296
Fund balance (deficits):					
Reserved for:					
Prepaid items	761,820	-	-	-	761,820
Various programs	572,687	-	-	-	572,687
Debt service	-	-	-	642,360	642,360
Unreserved:					
Designated for various programs	1,160,047	-	-	-	1,160,047
Undesignated reported in:					
General Fund	8,048,261	-	-	-	8,048,261
Special revenue funds	-	5,442,545	-	3,893,207	9,335,752
Capital Projects Fund	-	-	(8,986,375)	-	(8,986,375)
Total fund balances (deficits)	10,542,815	5,442,545	(8,986,375)	4,535,567	11,534,552
Total liabilities and fund balances (deficits)	\$ 57,490,342	\$ 13,416,468	\$ -	\$ 9,808,038	\$ 80,714,848

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, 2007

Total governmental fund balances		\$ 11,534,552
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.		96,841,392
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		166,715
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	\$ 9,050,990	
Liabilities	<u>(2,974,341)</u>	6,076,649
Internal service funds allocated to business-type activities		(236,792)
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.		(94,104)
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	(2,495,000)	
General obligation bonds, noncurrent	(29,205,000)	
Early retirement, current	(844,001)	
Compensated absences, current	(483,549)	
Unamortized premium on general obligation bonds	(251,608)	
Unamortized bond issuance costs	43,237	(33,235,921)
Net assets of governmental activities		<u><u>\$ 81,052,491</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, 2007

	General	Physical Plant and Equipment Levy
Revenues:		
Local sources:		
Local tax	\$ 41,963,891	\$ 6,463,349
Tuition	2,118,155	-
Other	2,984,334	259,690
State sources	45,049,784	-
Federal sources	3,313,594	-
Total revenues	95,429,758	6,723,039
Expenditures:		
Current:		
Instruction:		
Regular instruction	40,332,678	-
Special instruction	21,603,297	-
Other instruction	1,127,563	-
	63,063,538	-
Support services:		
Student services	2,945,952	-
Instructional services	5,106,837	-
Administration services	8,101,815	-
Operation and maintenance	9,830,212	43,779
Transportation services	3,534,090	-
	29,518,906	43,779
Noninstructional programs	13,762	-
Other, AEA flowthrough	3,561,580	-
Capital outlay	-	5,582,115
Debt service:		
Principal	-	-
Interest and fiscal charges	-	-
	-	-
Total expenditures	96,157,786	5,625,894
Excess (deficiency) of revenues over expenditures	(728,028)	1,097,145
Other financing sources (uses):		
Transfers in	-	-
Transfers out	(200,906)	-
Total other financing sources (uses)	(200,906)	-
Net change in fund balances	(928,934)	1,097,145
Fund balances (deficits), beginning of year	11,471,749	4,345,400
Fund balances (deficits), end of year	\$ 10,542,815	\$ 5,442,545

See Notes to Basic Financial Statements.

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 4,899,897	\$ 53,327,137
-	-	2,118,155
118,490	2,374,450	5,736,964
-	-	45,049,784
532,500	-	3,846,094
650,990	7,274,347	110,078,134
-	327,830	40,660,508
-	-	21,603,297
-	2,049,216	3,176,779
-	2,377,046	65,440,584
-	-	2,945,952
-	-	5,106,837
281,944	690,815	9,074,574
-	330,871	10,204,862
-	230,849	3,764,939
281,944	1,252,535	31,097,164
-	-	13,762
-	-	3,561,580
1,650,706	-	7,232,821
-	2,380,000	2,380,000
-	1,191,652	1,191,652
-	3,571,652	3,571,652
1,932,650	7,201,233	110,917,563
(1,281,660)	73,114	(839,429)
-	200,906	200,906
-	-	(200,906)
-	200,906	-
(1,281,660)	274,020	(839,429)
(7,704,715)	4,261,547	12,373,981
\$ (8,986,375)	\$ 4,535,567	\$ 11,534,552

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, 2007**

Net change in fund balances, total governmental funds	\$	(839,429)
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	\$	4,825,783
Depreciation expense		<u>(2,906,778)</u>
		1,919,005
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.		117,858
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets.		2,380,000
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.		5,200
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		(644,691)
Change in compensated absences		<u>(60,939)</u>
		(705,630)
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.		2,000,490
Change in Internal Service Fund allocation to business-type activities.		(80,981)
Amortization of bond premium and bond issuance costs.		19,384
Change in net assets of governmental activities	\$	<u><u>4,815,897</u></u>

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Net Assets
 Proprietary Funds
 June 30, 2007

	Nonmajor Enterprise Fund - School Nutrition	Internal Service Fund
Assets		
Current assets:		
Cash and cash equivalents and investments	\$ 1,911,919	\$ 9,050,990
Accounts receivable	5,266	-
Inventories	77,322	-
Prepaid expenses and deposits	40,620	-
Total current assets	<u>2,035,127</u>	<u>9,050,990</u>
Noncurrent assets, capital assets, net of accumulated depreciation	<u>456,833</u>	<u>-</u>
Total assets	<u>\$ 2,491,960</u>	<u>\$ 9,050,990</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 32,940	\$ 500
Salaries and benefits payable	123,667	-
Due to other funds	3,918	-
Claims payable	-	1,266,630
Early retirement	-	318,797
Total current liabilities	<u>160,525</u>	<u>1,585,927</u>
Noncurrent liabilities, early retirement	<u>-</u>	<u>1,388,414</u>
Total liabilities	<u>160,525</u>	<u>2,974,341</u>
Net Assets		
Invested in capital assets	456,833	-
Unrestricted	1,874,602	6,076,649
Total net assets	<u>2,331,435</u>	<u>6,076,649</u>
Total liabilities and net assets	<u>\$ 2,491,960</u>	<u>\$ 9,050,990</u>
Total enterprise funds net assets	\$ 2,331,435	
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>236,792</u>	
	<u>\$ 2,568,227</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, 2007

	Nonmajor Enterprise Fund - School Nutrition	Internal Service Fund
Operating revenue:		
Charges for services:		
Food sales	\$ 2,153,019	\$ -
Internal service charges	-	6,619,647
Employee contributions	-	1,864,660
Total operating revenue	<u>2,153,019</u>	<u>8,484,307</u>
Operating expenses:		
Food consumed	1,722,470	-
Salaries and benefits	1,262,426	-
Supplies, services and repairs	269,467	-
Administration expense	30,000	-
Depreciation	31,671	-
Food and meal delivery:		
Salaries and benefits	196,150	-
Truck expenses	8,400	-
Depreciation	11,536	-
Claims, losses and administrative fees	-	6,821,111
Other	-	31,375
Total operating expenses	<u>3,532,120</u>	<u>6,852,486</u>
Operating income (loss)	<u>(1,379,101)</u>	<u>1,631,821</u>
Nonoperating revenues:		
Federal appropriations	1,312,245	-
State appropriations	37,901	-
Federal food commodities	195,415	-
Interest income	94,445	368,669
Total nonoperating revenues	<u>1,640,006</u>	<u>368,669</u>
Contribution revenue	<u>11,000</u>	-
Changes in net assets	271,905	2,000,490
Net assets, beginning of year	2,059,530	4,076,159
Net assets, end of year	<u>\$ 2,331,435</u>	<u>\$ 6,076,649</u>

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, 2007

Net changes in net assets in enterprise funds. \$ 271,905

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.

Change in net assets of business-type activities

80,981
\$ 352,886

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2007

	Nonmajor Enterprise Fund - School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sales of breakfasts and lunches	\$ 2,147,753	\$ -
Cash received from charges for service	-	6,619,647
Cash received from employees for benefits	-	1,919,797
Cash payments to suppliers for goods and services	(1,825,292)	(82,522)
Cash payments to employees for services	(1,032,008)	-
Cash payments for employee benefits	(421,853)	-
Cash payments for claims, losses and administrative fees	-	(6,804,725)
Net cash provided by (used in) operating activities	<u>(1,131,400)</u>	<u>1,652,197</u>
Cash flows from noncapital financing activities:		
Operating grants received	1,357,338	-
Proceeds from interfund accounts	36,924	-
Net cash provided by noncapital funding activities	<u>1,394,262</u>	<u>-</u>
Cash flows from capital and related financing activities, acquisition of capital assets		
	(146,475)	-
Cash flows from investing activities, interest on cash and cash equivalents		
	94,445	368,669
Net increase in cash and cash equivalents	210,832	2,020,866
Cash and cash equivalents:		
Beginning	1,701,087	7,030,124
Ending	<u>\$ 1,911,919</u>	<u>\$ 9,050,990</u>
Operating income (loss)		
	\$ (1,379,101)	\$ 1,631,821
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	43,207	-
Federal food commodities consumed	188,223	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(5,266)	55,137
(Increase) in purchased inventory	(6,279)	-
(Increase) in prepaid expenses and deposits	(3,047)	-
Increase (decrease) in accounts payable	26,148	(51,147)
Increase in salaries and benefits payable	4,715	-
Increase in early retirement	-	16,386
Total adjustments	<u>247,701</u>	<u>20,376</u>
Net cash provided by (used in) operating activities	<u>\$ (1,131,400)</u>	<u>\$ 1,652,197</u>
Noncash items:		
Noncapital financing activities, food commodities donated to the District from the U.S. Department of Agriculture	\$ 195,415	\$ -
Capital financing activities, capital assets contributed	11,000	-

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2007

	Private Purpose Trust Fund		Agency Funds
	Winbigler Estate Trust Fund		
Assets , cash and cash equivalents and investments	\$ 75,270	\$	83,333
Liabilities , due to private individuals	3,720		83,333
Net Assets , reserved for needs of students in need of financial assistance	\$ 71,550	\$	-

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Changes in Fiduciary Net Assets - Fiduciary Funds
Year Ended June 30, 2007

	Private Purpose Trust Fund
	Winbigler Estate Trust Fund
Additions, local sources, interest	\$ 3,720
Deductions, noninstructional programs supplies	3,720
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 pre-school 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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

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, 2007, has also been accrued as a liability as of June 30, 2007.

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, 2007. 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 various programs, which may include 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 \$642,360 for debt service, \$2,802,798 for management levy and \$5,442,545 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, 2007 of \$8,986,375. The District plans to fund this deficit with \$4,000,000 of the District's Physical Plant and Equipment Levy Fund and will request modified allowable growth from the School Budget Review Committee (SBRC) to use the District's General Fund for the remainder of the deficit.

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 397 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 15 months of receipt.

As of June 30, 2007, 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	\$ 40,683	\$ 40,683	\$ -	\$ -	\$ -
IPAS Education Money Market Fund	18,545,740	18,545,740	-	-	-
Federal Home Loan Discount Note	2,493,372	2,493,372	-	-	-
	<u>\$ 21,079,795</u>	<u>\$ 21,079,795</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, 2007, 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
Federal Home Loan 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 July 2007. 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.

More than 5 percent of the District's investments are in a Federal Home Loan Discount Note. This investment is 12 percent of the District's total investments. The investments in Iowa Schools Joint Investment Trust and IPAS Education Money Market Fund are not subject to concentration of credit risk.

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, 2007, 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, 2007, are as follows:

Receivable Fund	Payable Fund	Amount
Major Fund, General Fund	Nonmajor Enterprise Fund, School Nutrition	\$ 3,918
Major Fund, Physical Plant & Equipment Levy Fund	Major Funds, Capital Projects Fund	5,566,597
Major Fund, General Fund	Major Funds, Capital Projects Fund	2,852,567
Nonmajor Fund, Debt Service Fund	Major Funds, Capital Projects Fund	481,485
Major Fund, General Fund	Nonmajor Fund, Student Activity Fund	26

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.

Iowa City Community School District

Notes to Basic Financial Statements

Note 4. Interfund Transfers

Detail of interfund transfers for the year ended June 30, 2007, is as follows:

Transfer To	Transfer From	Amount
Nonmajor Fund, Special Revenue Fund, Student Activity	Major Fund, General Fund	\$ 200,906

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, 2007, is as follows:

Governmental Activities	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Capital assets not being depreciated:				
Land	\$ 3,201,598	\$ 85,556	\$ -	\$ 3,287,154
Construction-in-progress	20,188,182	1,673,529	20,160,072	1,701,639
Total capital assets not being depreciated	23,389,780	1,759,085	20,160,072	4,988,793
Capital assets being depreciated:				
Buildings	102,132,500	22,186,725	-	124,319,225
Improvements other than buildings	5,010,503	466,728	-	5,477,231
Furniture, equipment and vehicles	13,669,965	573,317	95,042	14,148,240
Total capital assets being depreciated	120,812,968	23,226,770	95,042	143,944,696
Less accumulated depreciation for:				
Buildings	33,710,793	2,187,598	-	35,898,391
Improvements other than buildings	3,181,211	171,111	-	3,352,322
Furniture, equipment and vehicles	12,388,357	548,069	95,042	12,841,384
Total accumulated depreciation	49,280,361	2,906,778	95,042	52,092,097
Total capital assets being depreciated, net	71,532,607	20,319,992	-	91,852,599
Governmental activities capital assets, net	\$ 94,922,387	\$ 22,079,077	\$ 20,160,072	\$ 96,841,392
Business-Type Activities				
Furniture, equipment and vehicles	\$ 765,587	\$ 157,475	\$ 36,472	\$ 959,534
Less accumulated depreciation	423,022	43,207	36,472	502,701
Business-type activities capital assets, net	\$ 342,565	\$ 114,268	\$ -	\$ 456,833

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	\$ 2,120,959
Special	422,274
Other	98,546

Support services:

Instructional services	18,738
Administration services	29,592
Operation and maintenance	186,387
	2,876,496

Unallocated depreciation	30,282
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Total governmental activities depreciation expense \$ 2,906,778

Business-type activities, food services \$ 43,207

Note 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 34,080,000	\$ -	\$ 2,380,000	\$ 31,700,000	\$ 2,495,000
Early retirement	1,890,135	844,001	182,924	2,551,212	1,162,798
Compensated absences	422,610	483,549	422,610	483,549	483,549
Total	<u><u>\$ 36,392,745</u></u>	<u><u>\$ 1,327,550</u></u>	<u><u>\$ 2,985,534</u></u>	<u><u>\$ 34,734,761</u></u>	<u><u>\$ 4,141,347</u></u>

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, 2007, 23 District employees requested early retirement, to be payable during the year ending June 30, 2008. The benefits to be paid to these employees will be made in October 2007, and total \$844,001. During the year ended June 30, 2007, the District paid \$199,310 of early retirement benefits approved during the year ended June 30, 2006 from the Management Fund. In addition, \$1,707,211 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 three years. By the District's year ending June 30, 2009, the provision for contributions to the District's group health insurance will be discontinued.

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

Iowa City Community School District

Notes to Basic Financial Statements

Note 6. Long-Term Liabilities (Continued)

Bonds payable: Details of the District's general obligation bond indebtedness as of June 30, 2007 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 3.00 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.

Year Ending June 30,	Bond Issue of May 1, 2003		
	Interest Rates	Principal	Interest
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>\$ 7,800,000</u>	<u>\$ 1,783,680</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
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>\$ 23,900,000</u>	<u>\$ 5,793,000</u>

Iowa City Community School District

Notes to Basic Financial Statements

Note 6. Long-Term Liabilities (Continued)

As of June 30, 2007, the District did not exceed its legal debt margin computed as follows:

Total assessed valuation	<u>\$ 6,359,944,637</u>
Debt limit, 5% of total assessed valuation	\$ 317,997,232
Amount of debt applicable to debt limitation, general obligation bonds	<u>31,700,000</u>
Excess of debt limit over debt outstanding, legal debt margin	<u>\$ 286,297,232</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, 2007, 2006 and 2005 were \$3,425,186, \$3,159,265 and \$2,991,311, 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, 2007, 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 authorize 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, 2007 and 2006 were as follows:

Self-Insurance Liability	Beginning	Claims and Changes in Estimates	Claims Payments	Ending
Health:				
2007	\$ 1,266,630	\$ 5,980,624	\$ 5,980,624	\$ 1,266,630
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 \$3,561,580 for the year ended June 30, 2007. The District's actual constructive revenue and constructive expenses are included in the General Fund.

Note 10. Commitments

As of June 30, 2007, the District had outstanding construction commitments totaling approximately \$3,268,000.

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 \$17,208,000 as of June 30, 2007. 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, 2007.

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, 2007. Rental expense during the year ended June 30, 2007 was \$116,379.

Lease commitments as of June 30, 2007, for these leases is as follows:

Year ending June 30:

2008	\$ 87,439
2009	20,467

Iowa City Community School District

Notes to Basic Financial Statements

Note 13. Contingencies

As of June 30, 2007, 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 2007, monthly payments were approximately \$7,200 per month.

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

As of June 30, 2007, 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.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the District beginning with its year ending June 30, 2009. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This standard requires the District to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

Iowa City Community School District

Notes to Basic Financial Statements

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

GASB Statement No. 50, *Pension Disclosures*, an amendment of GASB Statement Nos. 25 and 27, issued May 2007, will be effective for the District beginning with its year ending June 30, 2008. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the District beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.

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, 2007

	Governmental Fund Types Actual	Enterprise Fund Type Actual	Total Actual
Revenues:			
Local sources	\$ 61,182,256	\$ 2,258,464	\$ 63,440,720
State sources	45,049,784	37,901	45,087,685
Federal sources	3,846,094	1,507,660	5,353,754
Total revenues	110,078,134	3,804,025	113,882,159
Expenditures:			
Instruction	65,440,584	-	65,440,584
Support services	31,097,164	-	31,097,164
Noninstructional programs	13,762	3,532,120	3,545,882
Other expenditures	14,366,053		14,366,053
Total expenditures	110,917,563	3,532,120	114,449,683
Excess (deficiency) of revenues over (under) expenditures/expenses	(839,429)	271,905	(567,524)
Other financing sources (uses), net	-	-	-
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other financing uses	(839,429)	271,905	(567,524)
Fund balances, beginning of year	12,373,981	2,059,530	14,433,511
Fund balances, end of year	\$ 11,534,552	\$ 2,331,435	\$ 13,865,987

See Note to Required Supplementary Information.

Budgeted Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 61,420,102	\$ 61,420,102	\$ 2,020,618
45,806,925	45,806,925	(719,240)
4,400,000	4,400,000	953,754
<u>111,627,027</u>	<u>111,627,027</u>	<u>2,255,132</u>
63,821,000	66,132,625	692,041
29,654,000	30,847,029	(250,135)
3,492,000	3,600,000	54,118
18,536,952	19,818,000	5,451,947
<u>115,503,952</u>	<u>120,397,654</u>	<u>5,947,971</u>
(3,876,925)	(8,770,627)	8,203,103
<u>12,000</u>	<u>12,000</u>	<u>(12,000)</u>
<u>\$ (3,864,925)</u>	<u>\$ (8,758,627)</u>	<u>\$ 8,191,103</u>

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, 2007, the District overexpended the support service functional area by \$250,135. 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, 2007, the District adopted one budget amendment which increased the budgeted expenditures by \$4,893,702.

During the year ended June 30, 2007, 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, 2007

	Special Revenue			Total Nonmajor Governmental Funds
	Management	Student Activity	Debt Service	
Assets				
Cash and cash equivalents and investments	\$ 2,817,947	\$ 1,106,184	\$ 142,211	\$ 4,066,342
Receivables:				
Property tax:				
Current year	6,595	-	18,664	25,259
Succeeding year	2,124,956	-	3,109,996	5,234,952
Due from other funds	-	-	481,485	481,485
Total assets	\$ 4,949,498	\$ 1,106,184	\$ 3,752,356	\$ 9,808,038
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 21,744	\$ 15,749	\$ -	\$ 37,493
Due to other funds	-	26	-	26
Deferred revenue, succeeding year property tax	2,124,956	-	3,109,996	5,234,952
Total liabilities	2,146,700	15,775	3,109,996	5,272,471
Fund balances:				
Reserved for debt service	-	-	642,360	642,360
Unreserved, undesignated, reported in special revenue funds	2,802,798	1,090,409	-	3,893,207
Total fund balances	2,802,798	1,090,409	642,360	4,535,567
Total liabilities and fund balances	\$ 4,949,498	\$ 1,106,184	\$ 3,752,356	\$ 9,808,038

Iowa City Community School District

Combining Statement of Revenues, Expenditures and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2007

	Special Revenue			Total Nonmajor Governmental Funds
	Management	Student Activity	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ 1,296,716	\$ -	\$ 3,603,181	\$ 4,899,897
Other	60,281	2,255,437	58,732	2,374,450
Total revenues	1,356,997	2,255,437	3,661,913	7,274,347
Expenditures:				
Current:				
Instruction:				
Regular	327,830	-	-	327,830
Other instruction	-	2,049,216	-	2,049,216
Support services:				
Administration services	554,389	135,626	800	690,815
Operations and maintenance	330,583	288	-	330,871
Transportation services	-	230,849	-	230,849
Other expenditures:				
Debt service:				
Principal	-	-	2,380,000	2,380,000
Interest and fiscal charges	-	-	1,191,652	1,191,652
Total expenditures	1,212,802	2,415,979	3,572,452	7,201,233
Excess (deficiency) of revenues over expenditures	144,195	(160,542)	89,461	73,114
Other financing sources, transfers in	-	200,906	-	200,906
Net change in fund balances	144,195	40,364	89,461	274,020
Fund balances, beginning of year	2,658,603	1,050,045	552,899	4,261,547
Fund balances, end of year	\$ 2,802,798	\$ 1,090,409	\$ 642,360	\$ 4,535,567

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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, 2007

	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	\$ 9,631	\$ 3,048	\$ 2,359	\$ 516
Student activity fees, sales and miscellaneous	722,263	895,418	184,364	127,323
Total revenues	731,894	898,466	186,723	127,839
Expenditures:				
Current:				
Instruction, other instruction	670,946	868,845	167,249	118,233
Support services:				
Administration services	71,705	34,680	6,154	5,860
Operations and maintenance	-	-	-	-
Transportation services	-	-	-	-
Total expenditures	742,651	903,525	173,403	124,093
Excess (deficiency) of revenues over expenditures	(10,757)	(5,059)	13,320	3,746
Other financing sources, transfers in	16,000	16,000	-	-
Net change in fund balances	5,243	10,941	13,320	3,746
Fund balances, beginning of year	497,222	373,808	71,087	40,381
Fund balances, end of year	\$ 502,465	\$ 384,749	\$ 84,407	\$ 44,127

North Central Junior High and Elementary Schools	Athletic Fund	District-Wide Activities Account	Vocational Auto Mechanics	Total Student Activity Funds
\$ 1,110	\$ 143	\$ 258	\$ 21	\$ 17,086
64,917	238,380	5,686	-	2,238,351
66,027	238,523	5,944	21	2,255,437
32,919	183,818	4,336	2,870	2,049,216
16,903	-	324	-	135,626
-	288	-	-	288
-	230,849	-	-	230,849
49,822	414,955	4,660	2,870	2,415,979
16,205	(176,432)	1,284	(2,849)	(160,542)
-	168,906	-	-	200,906
16,205	(7,526)	1,284	(2,849)	40,364
6,156	13,953	23,047	24,391	1,050,045
\$ 22,361	\$ 6,427	\$ 24,331	\$ 21,542	\$ 1,090,409

Iowa City Community School District

Statement of Changes in Fiduciary
Assets and Liabilities - Agency Funds
Year Ended June 30, 2007

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
Flexible Benefits Account				
Assets,				
cash and cash equivalents	\$ 40,449	\$ 1,619,165	\$ 1,602,851	\$ 56,763
Liabilities,				
due to private individuals	\$ 40,449	\$ 1,619,165	\$ 1,602,851	\$ 56,763
School Children's Aid				
Assets,				
cash and cash equivalents	\$ 26,957	\$ 23,587	\$ 41,476	\$ 9,068
Liabilities,				
due to private individuals	\$ 26,957	\$ 23,587	\$ 41,476	\$ 9,068
Opportunity Funds				
Assets,				
cash and cash equivalents	\$ -	\$ 4,000	\$ 1,774	\$ 2,226
Liabilities,				
due to private individuals	\$ -	\$ 4,000	\$ 1,774	\$ 2,226
School Based Health Clinics				
Assets,				
cash and cash equivalents	\$ -	\$ 18,714	\$ 3,438	\$ 15,276
Liabilities,				
due to private individuals	\$ -	\$ 18,714	\$ 3,438	\$ 15,276
Total Agency Funds				
Assets,				
cash and cash equivalents	\$ 67,406	\$ 1,665,466	\$ 1,649,539	\$ 83,333
Liabilities,				
due to private individuals	\$ 67,406	\$ 1,665,466	\$ 1,649,539	\$ 83,333

Iowa City Community School District

**Statistical Section
Contents**

The statistical section of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the District's overall financial health.

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	55 - 68
Revenue Capacity	
These schedules contain information to help the reader assess the District's most significant local revenue sources, the property tax (or sales tax).	69 - 72
Debt Capacity	
These schedules present information to help the reader assess the affordability of the District's current level of outstanding debt and the District's ability to issue additional debt in the future.	73 - 76
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	77 - 78
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	79 - 88

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual report for the relevant year. The District implemented GASB Statement No. 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

Iowa City Community School District

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

	Fiscal Year	
	2003	2004
Governmental activities:		
Invested in capital assets, net of related debt	\$ 45,605,519	\$ 46,666,309
Restricted	7,591,623	5,424,194
Unrestricted	10,489,115	12,432,086
Total governmental activities		
net assets	\$ 63,686,257	\$ 64,522,589
Business-type activities:		
Invested in capital assets, net of related debt	\$ 192,320	\$ 186,141
Restricted	-	-
Unrestricted	1,083,843	1,388,847
Total business-type activities		
net assets	\$ 1,276,163	\$ 1,574,988
Primary government:		
Invested in capital assets, net of related debt	\$ 45,797,839	\$ 46,852,450
Restricted	7,591,623	5,424,194
Unrestricted	11,572,958	13,820,933
Total primary government		
net assets	\$ 64,962,420	\$ 66,097,577

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

			Fiscal Year		
2005		2006		2007	
\$	47,646,574	\$	60,614,632	\$	64,933,021
	6,693,449		7,951,013		9,460,390
	15,542,661		7,670,949		6,659,080
\$	69,882,684	\$	76,236,594	\$	81,052,491
\$	285,874	\$	342,565	\$	456,833
	-		-		-
	1,559,611		1,872,776		2,111,394
\$	1,845,485	\$	2,215,341	\$	2,568,227
\$	47,932,448	\$	60,957,197	\$	65,389,854
	6,693,449		7,951,013		9,460,390
	17,102,272		9,543,725		8,770,474
\$	71,728,169	\$	78,451,935	\$	83,620,718

Iowa City Community School District

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

	Fiscal Year	
	2003	2004
Expenses:		
Governmental activities:		
Instruction	\$ 54,192,731	\$ 57,327,726
Support services:		
Student services	2,288,553	2,555,746
Instructional services	4,763,351	5,493,335
Administration services	8,849,714	8,655,750
Operation and maintenance of plant	7,082,754	7,257,390
Pupil transportation services	2,541,268	2,794,426
Other, primarily AEA flowthrough	3,888,833	3,163,595
Noninstructional programs	255,004	266,996
Interest on long-term debt	144,369	693,336
Total governmental activities expenses	84,006,577	88,208,300
Business-type activities, nutrition	2,501,061	2,714,004
Total primary government expenses	\$ 86,507,638	\$ 90,922,304
Program revenues:		
Governmental activities:		
Charges for services:		
Instruction	\$ 1,812,378	\$ 2,652,444
Support services	168,610	160,929
Operating grants and contributions	8,082,908	7,822,835
Capital grants and contributions	33,792	268,404
Total governmental activities program revenues	10,097,688	10,904,612
Business-type activities:		
Charges for services, nutrition	1,711,059	1,820,661
Operating grants and contributions	1,029,798	1,181,182
Capital grants and contributions	-	-
Total business-type program revenues	2,740,857	3,001,843
Total primary government program revenues	\$ 12,838,545	\$ 13,906,455
Net (expense) revenue:		
Governmental activities	\$ (73,908,889)	\$ (77,303,688)
Business-type activities	239,796	287,839
Total primary government net expense	\$ (73,669,093)	\$ (77,015,849)

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

			Fiscal Year		
2005		2006		2007	
\$	58,885,279	\$	63,495,701	\$	67,906,615
	2,710,002		2,836,912		2,945,952
	4,806,321		4,930,194		5,125,575
	8,410,711		8,047,884		8,663,947
	7,891,471		9,251,147		10,391,249
	2,670,509		3,544,445		3,764,939
	4,101,623		5,055,519		5,998,900
	268,069		18,775		13,762
	1,307,945		1,229,057		1,167,068
	91,051,930		98,409,634		105,978,007
	2,941,497		3,205,272		3,451,139
\$	93,993,427	\$	101,614,906	\$	109,429,146
\$	2,821,032	\$	3,016,916	\$	3,375,102
	180,094		11,447		19,701
	8,613,823		10,502,795		10,904,544
	1,536,790		457,884		709,601
	13,151,739		13,989,042		15,008,948
	1,956,544		2,094,665		2,153,019
	1,231,176		1,384,365		1,545,561
	-		33,057		11,000
	3,187,720		3,512,087		3,709,580
\$	16,339,459	\$	17,501,129	\$	18,718,528
\$	(77,900,191)	\$	(84,420,592)	\$	(90,969,059)
	246,223		306,815		258,441
\$	(77,653,968)	\$	(84,113,777)	\$	(90,710,618)

Iowa City Community School District

**General Revenues and Total Change in Net Assets
Last Five Fiscal Years*
(accrual basis of accounting)
(Unaudited)**

	Fiscal Year	
	2003	2004
Net (expense) revenue:		
Governmental activities	\$ (73,908,889)	\$ (77,303,688)
Business-type activities	239,796	287,839
Total primary government net expense	(73,669,093)	(77,015,849)
General revenues and other changes in net assets:		
Governmental activities:		
Taxes:		
Property taxes levied for general purposes	34,160,355	38,274,234
Property taxes levied for capital projects	3,096,315	3,198,248
Property taxes levied debt service	1,804,031	913,381
Unrestricted grants and contributions	33,006,442	32,984,278
Investment earnings	317,551	157,253
Other	3,303,383	3,017,626
Total governmental activities	75,688,077	78,545,020
Business-type activities, investment earnings	13,962	10,986
Total primary government	75,702,039	78,556,006
Change in net assets:		
Governmental activities	1,779,188	1,241,332
Business-type activities	253,758	298,825
Total primary government	\$ 2,032,946	\$ 1,540,157

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

			Fiscal Year		
2005		2006	2007		
\$	(77,900,191)	\$ (84,420,592)	\$	(90,969,059)	
	246,223	306,815		258,441	
	(77,653,968)	(84,113,777)		(90,710,618)	
	37,415,151	39,354,754		43,260,607	
	3,349,897	3,640,090		3,603,181	
	3,604,392	5,827,602		6,463,349	
	35,092,649	36,727,158		38,000,023	
	380,544	989,882		1,214,815	
	3,012,653	4,235,016		3,242,981	
	82,855,286	90,774,502		95,784,956	
	24,274	63,041		94,445	
	82,879,560	90,837,543		95,879,401	
	4,955,095	6,353,910		4,815,897	
	270,497	369,856		352,886	
\$	5,225,592	\$ 6,723,766	\$	5,168,783	

Iowa City Community School District

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

	1998	1999	2000	2001
General Fund:				
Reserved	\$ 451,764	\$ 498,870	\$ 584,915	\$ 693,854
Unreserved	3,917,589	6,619,800	9,162,326	12,108,067
Total General Fund	\$ 4,369,353	\$ 7,118,670	\$ 9,747,241	\$ 12,801,921
All other governmental funds:				
Reserved	\$ 120,288	\$ 165,893	\$ 222,933	\$ 286,056
Unreserved, reported in:				
Special revenue funds	2,279,452	2,739,956	4,180,754	4,066,434
Capital projects funds	23,597	223,043	214,144	201,903
Total all other governmental funds	\$ 2,423,337	\$ 3,128,892	\$ 4,617,831	\$ 4,554,393

		Fiscal Year									
		2002	2003	2004	2005	2006	2007				
\$	751,948	\$	753,308	\$	621,500	\$	735,539	\$	1,071,626	\$	1,334,507
	12,589,484		13,119,873		11,243,223		11,654,539		10,400,123		9,208,308
\$	13,341,432	\$	13,873,181	\$	11,864,723	\$	12,390,078	\$	11,471,749	\$	10,542,815
\$	362,131	\$	370,397	\$	450,071	\$	471,401	\$	552,899	\$	642,360
	4,216,995		3,781,113		5,340,982		5,772,504		8,054,048		9,335,752
	169,130		10,001,895		32,896,901		8,117,685		(7,704,715)		(8,986,375)
\$	4,748,256	\$	14,153,405	\$	38,687,954	\$	14,361,590	\$	902,232	\$	991,737

Iowa City Community School District

Governmental Funds Revenues
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (Unaudited)

	1998	1999	2000	2001
Federal sources, federal grants	\$ 1,145,176	\$ 1,143,705	\$ 1,629,379	\$ 1,584,582
State sources, state grants and other	30,584,710	32,042,695	34,222,941	36,153,467
Local sources:				
Ad valorem taxes	31,686,606	32,869,299	33,128,222	35,253,249
Interest and other income	442,225	725,876	1,009,249	1,278,300
Other revenues	4,129,222	5,310,445	5,571,068	5,163,119
Total local sources	36,258,053	38,905,620	39,708,539	41,694,668
Total revenues	\$ 67,987,939	\$ 72,092,020	\$ 75,560,859	\$ 79,432,717

						Fiscal Year					
2002		2003		2004		2005		2006		2007	
\$	1,731,845	\$	2,122,528	\$	2,211,501	\$	3,849,343	\$	4,022,837	\$	3,846,094
	36,682,827		38,424,534		38,088,997		40,391,200		42,726,134		45,049,784
	36,739,202		39,060,701		42,385,863		44,369,440		48,822,446		53,327,137
	629,759		317,551		157,253		380,544		989,882		1,214,815
	5,621,735		5,865,674		6,193,427		6,597,126		7,845,172		6,640,304
	42,990,696		45,243,926		48,736,543		51,347,110		57,657,500		61,182,256
\$	81,405,368	\$	85,790,988	\$	89,037,041	\$	95,587,653	\$	104,406,471	\$	110,078,134

Iowa City Community School District

Governmental Funds Expenditures and Debt Service Ratio

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	1998	1999	2000	2001
Instruction	\$ 38,513,046	\$ 40,413,626	\$ 42,414,342	\$ 45,021,000
Pupil personnel services	2,123,424	2,115,573	2,061,207	2,057,208
Instructional media services	2,094,813	2,189,863	2,248,768	2,328,958
Instruction and curriculum development services	2,097,021	1,871,505	1,921,189	2,178,254
Board of education	84,080	73,345	89,084	77,598
General administration	871,163	970,219	884,484	1,636,358
School administration	3,241,697	3,166,497	3,257,831	3,387,778
Fiscal services	361,131	614,580	620,310	622,629
Central services	1,914,075	1,895,179	1,985,854	1,992,381
Plant operation and maintenance	6,207,109	6,213,941	6,330,362	6,992,160
Pupil transportation services	1,965,868	2,010,494	2,100,390	2,242,908
AEA flowthrough	2,707,129	2,840,051	2,951,530	3,104,764
Community services	235,944	258,751	252,062	257,207
Noncapital facilities acquisition/construction	-	-	-	-
Capital outlay, facilities acquisition/construction	3,636,682	2,193,063	2,528,923	2,736,671
Debt service:				
Principal	1,375,000	1,450,000	1,500,000	1,575,000
Interest	419,550	360,462	297,013	230,601
Total expenditures	\$ 67,847,732	\$ 68,637,149	\$ 71,443,349	\$ 76,441,475
Debt service as a percentage of noncapital expenditures	2.79%	2.72%	2.61%	2.45%

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

		Fiscal Year									
		2002	2003 (1)	2004 (1)	2005 (1)	2006 (1)	2007 (1)				
\$	48,966,449	\$	51,047,044	\$	54,905,152	\$	56,638,793	\$	62,091,439	\$	65,440,584
	2,137,569		2,288,553		2,555,746		2,710,002		2,836,912		2,945,952
	2,586,598		-		-		-		-		-
	2,397,475		4,730,821		5,473,625		4,798,911		4,923,439		5,106,837
	82,037		-		-		-		-		-
	1,379,233		-		-		-		-		-
	3,662,790		8,757,421		8,339,612		8,661,234		8,299,518		9,074,574
	607,940		-		-		-		-		-
	1,691,849		-		-		-		-		-
	6,774,076		6,983,505		7,412,390		7,769,887		9,105,165		10,204,862
	2,345,281		2,541,268		2,794,426		2,670,509		3,544,445		3,764,939
	3,099,086		3,187,081		3,035,870		3,127,792		3,284,598		3,561,580
	231,893		255,004		271,862		271,913		18,962		13,762
	-		-		-		902,669		1,760,485		2,407,038
	2,902,281		4,567,357		9,939,999		27,607,472		19,300,592		4,825,783
	1,650,000		1,865,000		705,000		2,650,000		2,365,000		2,380,000
	157,437		80,988		404,944		1,579,480		1,253,603		1,191,652
\$	80,671,994	\$	86,304,042	\$	95,838,626	\$	119,388,662	\$	118,784,158	\$	110,917,563
		2.32%	2.38%	1.29%	4.61%	3.64%	3.37%				

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)

	1998	1999	2000	2001
Excess of revenues over (under) expenditures	\$ 140,207	\$ 3,454,871	\$ 4,117,510	\$ 2,991,242
Other financing sources (uses):				
General long-term debt issued	\$ -	\$ -	\$ -	\$ -
Real estate contract financing	-	-	-	-
Transfers in	192,638	156,750	171,210	185,235
Transfers out	(192,638)	(156,750)	(171,210)	(185,235)
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ 140,207	\$ 3,454,871	\$ 4,117,510	\$ 2,991,242

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 733,374	\$ (513,054)	\$ (6,801,585)	\$ (23,801,009)	\$ (14,377,687)	\$ (839,429)
\$ -	\$ 10,039,661	\$ 29,327,676	\$ -	\$ -	\$ -
-	940,000	-	-	-	-
143,456	514,537	455,260	849,694	235,841	200,906
(143,456)	(514,537)	(455,260)	(849,694)	(235,841)	(200,906)
-	10,979,661	29,327,676	-	-	-
\$ 733,374	\$ 10,466,607	\$ 22,526,091	\$ (23,801,009)	\$ (14,377,687)	\$ (839,429)

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			
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	1,600,143,891	162,857,057	6,569,328,374	3,470,635,664	13.582
2007	5,289,104,944	1,715,633,816	123,868,204	7,128,606,964	3,855,126,078	13.632

Source: Johnson County Auditor.

Note: The actual values are determined as of January 1, of the fiscal year indicated. These actual values are used to calculate the taxable values for the second budget following assessment date. For example, the total actual value of \$6,359,944,637 from January 1, 2005 are used for the taxable values for fiscal year 2007.

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
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
2007	11.031	1.670	0.931	13.632	6.113	17.302	0.872	0.307

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	2007			1998		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Mid American Energy Co	\$ 78,594,797	1	2.04%	\$ 80,633,402	1	0.03
GGP Limited Partnership	75,640,000	2	1.96	-		-
American College Testing Program, Inc.	34,669,777	3	0.90	-		-
Individual	30,052,327	4	0.78	20,968,864	2	0.90
City of Coralville	24,831,820	5	0.64			
Raycal Iowa LTD	24,547,440	6	0.64	-		-
Southgate Development Co., Inc.	23,975,684	7	0.62	12,869,930	8	0.55
Individual	19,795,050	8	0.51	-		-
Plaza Towers LLC	19,403,630	9	0.50	-		-
Hawkeye Real Estate Investment	18,301,800	10	0.47	-		-
Old Capital Center Trust	-		-	20,805,240	3	0.90
Proctor & Gamble Mfg. Co.	-		-	18,186,866	4	0.78
National Computer Systems, Inc.	-		-	14,683,590	5	0.63
Qwest (formerly U.S. West, Inc.)	-		-	14,552,349	6	0.63
Larken Iowa City Ltd. Partnership	-		-	13,362,260	7	0.58
The Eastlake Partnership	-		-	11,554,680	9	0.50
Sycamore Mall Associates	-		-	9,879,450	10	0.43
All other taxpayers	3,505,313,753			2,103,461,558		
Total	\$ 3,855,126,078			\$2,320,958,189		

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
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
2007	48,721,318	48,621,898	99.80	10,614	48,632,512	99.82

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
1998	\$ 7,900,000	0.34%	\$ 98.75	0.285%
1999	6,450,000	0.27	80.63	0.217
2000	4,950,000	0.20	61.88	0.152
2001	3,375,000	0.13	37.50	0.100
2002	1,725,000	0.06	19.17	0.049
2003	-	-	-	-
2004	38,495,000	1.21	427.72	0.993
2005	36,445,000	1.09	396.14	0.900
2006	34,080,000	0.98	370.43	*
2007	31,700,000	0.82	317.00	*

Source: District records

* Information not available

Iowa City Community School District

Direct and Overlapping Governmental Activities Debt
 As of June 30, 2007
 (Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
City of Iowa City	76,970,000	100.000%	\$ 76,970,000
City of Coralville	84,575,000	76.710	64,877,483
City of North Liberty	13,566,000	77.240	10,478,378
Kirkwood Community College	13,795,000	76.640	10,572,488
Subtotal, overlapping debt			162,898,349
District direct debt			31,700,000
Total direct and overlapping debt			\$ 194,598,349

Source: Johnson County Auditor

Iowa City Community School District

Legal Debt Margin Information

Last Ten Fiscal Years

(Unaudited)

	1998	1999	2000	2001
Debt limit	\$ 156,275,271	\$ 160,361,857	\$ 175,433,448	\$ 180,399,447
Total net debt applicable to limit	7,900,000	6,450,000	4,950,000	3,375,000
Legal debt margin	\$ 148,375,271	\$ 153,911,857	\$ 170,483,448	\$ 177,024,447
Total net debt applicable to the limit as a percentage of debt limit	5.32%	4.19%	2.90%	1.91%

Source: Johnson County Auditor and District records.

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value \$ 6,359,944,637

Debt limit (5% of assessed value) \$ 317,997,232

Debt applicable to limit 31,700,000

Legal debt margin \$ 286,297,232

	2002	2003	2004	2005	2006	2007
\$	193,918,784	\$ 202,988,628	\$ 222,536,021	\$ 262,674,791	\$ 275,197,931	\$ 317,997,232
	1,725,000	-	38,495,000	36,445,000	34,080,000	31,700,000
\$	192,193,784	\$ 202,988,628	\$ 184,041,021	\$ 226,229,791	\$ 241,117,931	\$ 286,297,232
	0.90%	0.00%	20.92%	16.11%	14.13%	11.07%

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) (Johnson County)	Per Capita Personal Income (Johnson County)	Iowa City MSA Unemployment Rate
1997	60,148	80,000	2,093,760	26,172	2.40%
1998	60,148	80,000	2,771,666	25,707	2.30
1999	60,148	80,000	2,970,649	27,052	2.00
2000	62,220	90,000	3,250,811	29,212	2.10
2001	62,220	90,000	3,372,889	29,868	2.40
2002	62,220	90,000	3,500,272	30,721	2.70
2003	62,220	90,000	3,591,393	31,236	3.20
2004	62,220	92,000	3,875,547	33,295	3.20
2005	62,220	98,000	4,049,711	34,556	3.40
2006	62,220	98,000	*	*	2.70

* Information not available

Source: City of Iowa City and Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce and Iowa Workforce Development.

Iowa City Community School District

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Employer	2007			1998		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
The University of Iowa (1)	17,855	1	20.55%	22,250	1	34.18%
The University of Iowa Hospitals and Clinics (1)	7,638	2	8.79	-		-
Hy-Vee Food Stores	1,500	3	1.73	-		-
American College Testing	1,426	4	1.64	1,400	2	2.15
Mercy Hospital	1,262	5	1.45	1,100	5	1.69
Veterans Administration Hospital	1,232	6	1.42	1,216	4	1.87
Iowa City Community School District	1,200	7	1.38	1,300	3	2.00
Pearson (formerly National Computer Systems)	1,101	8	1.27	1,000	6	1.54
Riverside Casino & Golf Resort	950	9	1.09	-		-
Rockwell Collins	828	10	0.95	760	8	1.17
Lear (United Technology)	772	11	0.89	800	7	1.23
Systems Unlimited	760	12	0.87	-		-
Proctor & Gamble Mfg. Co.	-		-	600	9	0.92
City of Iowa City	-		-	580	10	0.89
Oral B Laboratories	-		-	-		-
All other employers	50,376		-	34,094		-
Total	86,900		42.03%	65,100		47.64%

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)

	1998	1999	2000	2001
Supervisory:				
Instructional administrators	2.00	2.00	2.00	2.00
Noninstructional administrators	6.00	6.00	6.00	7.00
Athletic directors	2.00	2.00	2.00	2.00
Principals	22.00	21.00	21.00	21.00
Assistant principals	6.00	6.00	5.50	6.00
Total supervisory	38.00	37.00	36.50	38.00
Instruction:				
Elementary classroom teachers	299.20	294.91	302.34	305.15
Secondary classroom teachers	230.60	236.59	247.96	238.85
Other classroom teachers	119.70	122.80	123.80	125.40
Paraprofessionals	159.00	160.00	171.00	180.00
Total instruction	808.50	814.30	845.10	849.40
Student services:				
Guidance counselors	22.50	22.50	22.50	24.90
Media specialists	24.50	24.40	24.30	23.50
Other professionals (noninstructional)	19.00	13.10	13.50	18.40
Consultants/supervisory	10.00	10.00	10.00	10.50
Total student services	76.00	70.00	70.30	77.30
Support and administration:				
Clerical/secretarial	86.00	86.00	92.00	96.00
Food service workers	64.00	65.00	64.00	65.00
Physical plant	100.00	104.00	109.00	110.00
Other	8.00	8.00	8.00	6.00
Total support and administration	258.00	263.00	273.00	277.00
Total	1,180.50	1,184.30	1,224.90	1,241.70

Source: District records

Full-Time Equivalent Employees as of June 30							Percentage Change 1998 - 2007
2002	2003	2004	2005	2006	2007		
2.00	2.00	2.00	2.00	2.00	2.00	0.00%	
7.00	7.00	7.00	7.00	7.00	7.00	16.67%	
2.00	2.00	2.00	2.00	2.00	2.00	0.00%	
21.00	21.00	21.00	21.00	22.00	24.00	9.09%	
6.00	6.00	6.00	6.00	6.00	6.00	0.00%	
38.00	38.00	38.00	38.00	39.00	41.00	7.89%	
308.26	318.74	313.30	314.31	326.95	337.84	12.91%	
242.04	222.93	231.49	224.64	223.12	223.55	-3.06%	
132.20	136.65	143.04	143.66	169.29	182.58	52.53%	
190.00	200.00	215.00	290.00	313.00	347.00	118.24%	
872.50	878.32	902.83	972.61	1,032.36	1,090.97	34.94%	
25.00	25.60	27.50	27.50	28.30	28.30	25.78%	
23.30	24.50	24.50	24.00	26.00	26.00	6.12%	
12.80	14.50	19.30	21.88	20.78	24.23	27.53%	
12.00	21.99	14.00	14.00	12.00	12.00	20.00%	
73.10	86.59	85.30	87.38	87.08	90.53	19.12%	
102.00	106.00	101.00	103.00	98.00	96.50	12.21%	
69.00	70.00	69.00	60.00	62.00	65.00	1.56%	
115.00	105.00	108.00	109.00	116.00	122.00	22.00%	
8.00	26.00	21.00	34.00	20.00	19.00	137.50%	
294.00	307.00	299.00	306.00	296.00	302.50	17.25%	
1,277.60	1,309.91	1,325.13	1,403.99	1,454.44	1,525.00	29.18%	

Iowa City Community School District

Operating Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Official Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change
1998	10,592	*	*	*
1999	10,619	*	*	*
2000	10,674	*	*	*
2001	10,785	*	*	*
2002	10,768	*	*	*
2003	10,942	83,862,208	7,664	-
2004	10,943	87,514,964	7,997	4.34
2005	10,945	89,743,985	8,199	2.53
2006	11,062	97,180,577	8,785	7.15
2007	11,267	104,810,939	9,302	5.89

Source: District records

Note: Operating expenditures represents governmental activity expenditures less interest on long-term debt. Expenses represent business-type activity expenses, which includes the District's School Nutrition Fund.

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

Expenses	Cost Per Pupil	Percentage Change	Teaching Staff (in FTE)	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Priced Meals
*	*	*	649.50	*	17.01%
*	*	*	654.30	*	18.16
*	*	*	674.10	*	18.20
*	*	*	667.40	*	19.30
*	*	*	682.50	*	19.87
2,501,061	229	-	678.32	16.13	20.09
2,714,004	248	8.30	687.83	15.91	21.38
2,941,497	269	8.47	682.61	16.03	22.43
3,205,272	290	7.81	719.36	15.38	22.65
3,451,139	306	5.52	743.97	15.14	28.28

Iowa City Community School District

School Building Information
Last Ten Fiscal Years
(Unaudited)

School	1998	1999	2000	2001	2002
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	406	400	423	434	455
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	350	368	373	373	360
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	310	314	289	293	286
Hills Elementary (1965, 1969)					
Square feet	24,449	24,449	24,449	24,449	24,449
Capacity	220	220	220	220	220
Enrollment	194	229	228	231	258
Ernest Horn Elementary (1969, 1978)					
Square feet	35,303	35,303	35,303	35,303	35,303
Capacity	286	286	286	286	286
Enrollment	320	298	296	295	291
Helen Lemme Elementary (1970, 1975, 1998)					
Square feet	30,293	36,293	36,293	36,293	36,293
Capacity	308	308	308	308	308
Enrollment	318	319	287	308	269
Lincoln Elementary (1926, 1988)					
Square feet	25,832	25,832	25,832	25,832	25,832
Capacity	220	220	220	220	220
Enrollment	215	216	205	212	218
Longfellow Elementary (1917)					
Square feet	30,148	30,148	30,148	30,148	30,148
Capacity	308	308	308	308	308
Enrollment	326	290	302	281	304
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	418	384	372	381	364
Horace Mann Elementary (1917)					
Square feet	29,360	29,360	29,360	29,360	29,360
Capacity	286	286	286	286	286
Enrollment	254	255	256	270	272
Penn Elementary (1961, 1985, 1995)					
Square feet	38,838	38,838	38,838	38,838	38,838
Capacity	418	418	418	418	418
Enrollment	357	348	370	406	417

(Continued)

Fiscal Year				
2003	2004	2005	2006	2007
52,967	52,967	52,967	52,967	52,967
462	462	462	462	462
430	433	458	437	448
48,045	48,045	48,045	48,045	48,045
352	352	352	352	352
359	376	366	385	441
36,643	36,643	36,643	36,643	36,643
330	330	330	330	330
277	287	275	302	306
24,449	24,449	24,449	24,449	24,449
220	220	220	220	220
247	189	164	140	152
35,303	35,303	35,303	35,303	35,303
286	286	286	286	286
293	315	303	292	288
36,293	36,293	36,293	36,293	36,293
308	308	308	308	308
275	286	273	286	283
25,832	25,832	25,832	25,832	25,832
220	220	220	220	220
241	249	256	244	256
30,148	30,148	30,148	30,148	30,148
308	308	308	308	308
283	289	276	289	284
42,080	42,080	42,080	42,080	42,080
418	418	418	418	418
383	408	420	438	426
29,360	29,360	29,360	29,360	29,360
286	286	286	286	286
259	270	261	258	249
38,838	38,838	38,838	38,838	38,838
418	418	418	418	418
437	456	487	354	391

Iowa City Community School District

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

School	1998	1999	2000	2001	2002
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	305	285	302	288
Bouhmil Shimek Elementary (1970, 1991)					
Square feet	28,130	28,130	28,130	28,130	28,130
Capacity	242	242	242	242	242
Enrollment	252	244	249	231	246
Mark Twain Elementary (1954, 1961)					
Square feet	40,204	40,204	40,204	40,204	40,204
Capacity	330	330	330	330	330
Enrollment	323	309	309	277	293
Irving Weber Elementary (1993, 2001)					
Square feet	45,680	45,680	45,680	45,680	48,400
Capacity	440	440	440	440	484
Enrollment	403	412	441	453	467
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	443	462	476	496	439
Kate Wickham Elementary (1997)					
Square feet	56,049	56,049	56,049	56,049	56,049
Capacity	418	418	418	418	418
Enrollment	378	448	477	443	469
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	812	806	825	819	874
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	827	791	746	731	745
North Central Junior High School (2006)					
Square feet	-	-	-	-	-
Capacity	-	-	-	-	-
Enrollment	-	-	-	-	-

(Continued)

Fiscal Year				
2003	2004	2005	2006	2007
29,008	29,008	29,008	29,008	29,008
264	264	264	264	264
273	264	248	289	298
28,130	28,130	28,130	28,130	28,130
242	242	242	242	242
236	232	224	220	220
40,204	40,204	40,204	40,204	40,204
330	330	330	330	330
242	314	295	264	220
48,400	48,400	48,400	47,820	47,820
484	484	484	484	484
464	492	493	490	494
47,190	47,190	47,190	59,890	59,890
484	484	484	484	484
446	433	432	417	486
56,049	56,049	56,049	56,049	56,049
418	418	418	418	418
492	538	563	447	452
-	-	-	61,081	61,081
-	-	-	484	484
-	-	-	392	484
124,436	124,436	124,436	124,436	124,436
875	875	875	875	875
912	875	907	912	620
115,604	115,604	115,604	115,604	115,604
775	775	775	775	775
775	727	677	681	660
-	-	-	82,612	82,612
-	-	-	450	450
-	-	-	-	308

Iowa City Community School District

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

School	1998	1999	2000	2001	2002
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	1,630	1,611	1,602	1,549	1,562
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	1,499	1,543	1,580	1,617	1,640
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	17	17	17	17	17

Source: District records

Fiscal Year				
2003	2004	2005	2006	2007
247,052	247,052	247,052	267,752	267,752
1,400	1,400	1,400	1,600	1,600
1,527	1,521	1,542	1,438	1,356
272,663	272,663	272,663	309,943	309,943
1,600	1,600	1,600	1,800	1,800
1,648	1,675	1,754	1,755	1,838
			19,700	19,700
			97	121
24,240	24,240	25,744	24,992	24,992
33	33	35	34	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	5
1	1	1	1	1
2	2	2	2	2
4	4	4	4	4
2	2	2	2	2
17	17	17	18	18

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Iowa City Community School District

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

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	\$ 195,415
National School Lunch Program	10.555	77-1737	1,123,360
National School Breakfast Program	10.553	77-1737	203,133
Total nutrition cluster			1,326,493
Total U.S. Department of Agriculture			1,521,908
U.S. Army Corps of Engineers:			
Passed through Johnson County, Iowa:			
Flood Control Projects	12.106	N/A	5,633
U.S. Department of Health and Human Services			
Passed through State of Iowa Department of Health and Human Services, Child Care and Development Block Grant			
	93.575	N/A	48,000
Corporation for National Community Service			
Passed through State of Iowa Department of Education, Learn and Serve America - School and Community			
	94.004	N/A	833
U.S. Department of Education:			
Passed through State of Iowa Department of Education:			
Title I - Grants to Local Educational Agencies	84.010A	N/A	1,214,805
Title II - Improving Teacher Quality State Grant	84.367	N/A	410,759
Title V, Part A - Innovative Education Program Strategies	84.298A	N/A	11,393
Grants for State Assessments and Related Activities	84.369	N/A	83,389
Safe and Drug-Free Schools and Communities - State Grants	84.186A	77-6957	75,642
Safe and Drug-Free Schools and Communities - Data Grants	84.184R	N/A	5,000
Vocational Education Basic Grants to States	84.048A	77-6957	134,250
Twenty-First Century Learning Centers	84.287A	N/A	398,590
Funding for the Improvement of Education - Smaller Communities	84.215H	N/A	42,840
Advanced Placement Program	84.330	N/A	901
Education for Homeless Children & Youth	84.196	N/A	24,500
Special Education Grants to States	84.027	N/A	29,308
			2,431,377

(Continued)

Iowa City Community School District

Schedule of Expenditures of Federal Awards (Continued)
 Year Ended June 30, 2007

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	38,615
Special Education Grants to States	84.027	N/A	596,002
Education Technology Grants	84.318	N/A	31,217
			665,834
Direct Program:			
Impact Aid	84.041	N/A	33,998
Safe and Drug-Free Schools and Communities - National Programs	84.184B	N/A	144,879
Funding for the Improvement of Education - Carol White PE	84.215F	N/A	120,315
			299,192
Total U.S. Department of Education			3,396,403
			\$ 4,972,777

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, 2007

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, 2007. 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	\$ 6,000

Iowa City Community School District

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

Finding		Status	Corrective Action Plan or Other Explanation
Reportable Conditions in Internal Control			
06-II-A	The District has insufficient segregation of duties over the payroll process.	Not corrected.	See corrective action plan at 07-II-A.
06-II-B	The District has insufficient segregation of duties over the cash disbursement function.	Not corrected.	See corrective action plan at 07-II-B.
06-II-C	The District has insufficient segregation of duties over the cash receipts function.	Not corrected.	See corrective action plan at 07-II-C.
06-II-D	The District does not have a formal policy for approving new vendors.	Not corrected.	See corrective action plan at 07-II-D.
06-II-E	The District has improper segregation of duties over student activity funds.	Not corrected.	See corrective action plan at 07-II-E.
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.	Corrected.	
06-III-B	The District does not have a system in place to ensure employees fully funded by federal programs sign a semiannual certification.	Partially corrected.	See corrective action plan at 07-III-A.
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.	Corrected.	
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.	Not corrected.	See corrective action plan at 07-IV-A.
06-IV-H	The District exceeded the maximum deposit amounts stated in the Board resolution.	Not corrected.	See corrective action plan at 07-IV-H.
06-IV-J	The Capital Projects Fund had a deficit fund balance as of June 30, 2006.	Not corrected.	See corrective action plan at 07-IV-J.

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, 2007, which collectively comprise Iowa City Community School District's basic financial statements and have issued our report thereon dated December 3, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iowa City Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Iowa City Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 07-II-A through 07-II-E.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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, 2007 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.

We noted certain matters that we reported to management of Iowa City Community School District in a separate letter dated December 3, 2007.

Iowa City Community School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Iowa City Community School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, 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
December 3, 2007

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on 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, 2007. 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 Iowa City Community School District's management. Our responsibility is to express an opinion on Iowa City Community School 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 Iowa City Community School 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, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 07-III-C.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-III-A and 07-III-B.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Iowa City Community School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Iowa City Community School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education and 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
December 3, 2007

Iowa City Community School District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

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
- Significant deficiency(ies) 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
- Significant deficiency(ies) 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
84.010A	Title I - Grants to Local Educational Agencies
84.367	Title II - Improving Teacher Quality State Grant
84.287A	Twenty-First Century Learning Centers

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, 2007

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*.

Significant Deficiencies

07-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 have 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 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.

07-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, 2007

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.

07-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 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, 2007

07-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 responsible for the entire disbursement function.

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. In addition, the District has implemented an additional review of the data input process to verify the vendor and payment amounts agree to the supporting documents.

07-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)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2007

III. Findings and Questioned Costs for Federal Awards

Significant Deficiencies in Administering Federal Awards

07-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, 2006/07
Twenty-First Century Learning Centers (CFDA 84.287A)
Federal Award Year: 2004/05, 2005/06, 2006/07**

Finding: The District does not have a system in place to obtain semi-annual certifications for employees fully funded by a federal program as required by the Office of Management and Budget Circular A-87 (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 Title 1 or Twenty-First Century Community Learning Centers.

Criteria/Context: The OMB A-87 requires semi-annual certifications for personnel funded 100 percent by a 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 certifications for personnel funded 100 percent by federal awards.

**U.S. Department of Education
Passed Through State of Iowa Department of Education
Demonstration Construction Grant (CFDA 84.215)
Federal Award Year: 2005/2006**

07-III-B

Finding: The District's system for capturing federal expenditures for the 2006 schedule of federal awards and data collection form was inadequate.

Condition: The Office of Management and Budget Circular A-133 require entities that receive federal funding to report the amount of federal expenditures, the funding agency and the CFDA number for single audit purposes. In 2006, the District had reported inaccurate information when completing the schedule of federal awards and data collection form.

Context: Pervasive to the schedule of expenditures of federal awards and the data collection form.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Effect: Misstatement of the District's schedule of expenditures of federal awards and the data collection form.

Recommendation: We recommend the District implement controls to prepare and report a complete and accurate schedule of expenditures of federal awards.

Response and Corrective Action Plan: The District identified and communicated the federal award in question to McGladrey & Pullen during planning meetings on May 23, 2005 and May 31, 2006. The federal award was also included in revenue reports provided during audit fieldwork. The District will submit a corrected data collection form as required.

Instances of Noncompliance

07-III-C

U.S. Department of Education/Passed Through State of Iowa Department of Education Title II – Improving Teacher Quality (CFDA 84.367) Federal Award Year: 2006/07

Finding: The District did not expend Title II funds to eligible nonpublic schools. In addition, unspent funds were not transferred to the Area Education Agency.

Condition: Title II nonpublic allocation was made available to Regina Elementary School; however, the amount was not requisitioned by the nonpublic school. These unspent funds were not returned to the Area Education Agency.

Questioned Costs: \$3,960

Criteria: A local education agency participating in the Title II program receiving financial assistance must provide eligible private school children and their teachers or other educational personnel with equitable services or other benefits under these programs. Any unspent funds should be transferred to the Area Education Agency.

Recommendation: We recommend the District contact the Area Education Agency when the District is unable to coordinate the spending of the funds with the nonpublic school. We recommend the contact with the Area Education Agency be written.

Response and Corrective Action: The District will continue to make these funds available to eligible nonpublic schools. All communication with the nonpublic school and Area Education Agency will be documented in writing. The District will issue a check for \$3,960 to Grant Wood Area Agency in November 2007.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2007

IV. Other Findings Related to Required Statutory Reporting

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

Finding: Expenditures for the year ended June 30, 2007 exceeded the amended certified budget amounts in the support services function by \$250,135.

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

Response: The District amended the budget in May 2007, but its amended amounts were not sufficient to reflect actual expenditures incurred for the fiscal year ended June 30, 2007. The District will continue to monitor its expenditure and budget levels.

Conclusion: Response accepted.

07-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.

07-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.

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

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

07-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.

07-IV-F – Board Minutes

No transactions requiring Board approval which had not been approved in the Board minutes were noted except as follows:

Finding: The Board approves all expenditures of the District, but documentation of approval of Athletic and Nutrition expenditures are not published in board minutes.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Recommendation: Iowa Code section 279.35 requires publication of the schedule of the bills allowed, which shall include a list of claims allowed. We recommend the District publish the approval of Nutrition and Athletic expenditures in the board minutes.

Response and Corrective Action Plan: The District's Board receives a packet of all expenditures. However; approval for athletic and nutrition weren't reported in the minutes. The District has implemented a procedure to include the approval of these expenditures in the board minutes in September 2007.

Conclusion: Response and corrective action plan accepted.

07-IV-G – Certified Enrollment

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

07-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 2006 and April 2007 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 amounts noted above exceeded the maximum deposit amount when using the highest balance during any one day during the month; however, the maximum amounts were not exceeded on one specific day. The timing of certain receipts (after weekend or holiday dates) and the transfer of invested funds for payroll expenditures resulted in the large balances. 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.

07-IV-I – Certified Annual Report

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

07-IV-J – Deficit Balances

Finding: The Capital Projects Fund had a deficit fund balance of \$8,986,375 as of June 30, 2007.

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

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Response and Corrective Action Plan: The District has incurred a deficit in connection with the completion of the capital projects identified in the February 2003 Referendum. The District plans to fund this deficit with \$4,000,000 of the District's Physical Plant and Equipment Levy Fund and will request modified allowable growth from the School Budget Review Committee (SBRC) to use the District's General Fund for the remainder of the deficit.

Conclusion: Response and corrective action plan accepted.

07-IV-K – Transfers

Finding: The District approves transfers through the budgetary process. However, any changes in actual dollar amounts transferred from the original budget are not subsequently reviewed and approved by the Board. We noted the actual amount of a transfer from the General Fund to the Student Activity Fund was higher than the amount budgeted.

Recommendation: We recommend any transfers exceeded the original amount budgeted be subsequently reviewed and approved by the Board.

Response and Corrective Action Plan: The transfer amount was estimated during the budgetary process in April 2006; however, the final expenditures were determined in June 2007. The District will continue to review and monitor the budgetary amounts and the transfer process.

Conclusion: Response and corrective action plan accepted.

Iowa City Community School District

**Corrective Action Plan
Year Ended June 30, 2007**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Significant Deficiencies in Internal Control				
07-II-A	The District has insufficient segregation of duties over the payroll process.	See corrective action plan at 07-II-A.	June 30, 2008	Paul Bobek
07-II-B	The District has insufficient segregation of duties over the cash disbursement function.	See corrective action plan at 07-II-B.	June 30, 2008	Paul Bobek
07-II-C	The District has insufficient segregation of duties over the cash receipts function.	See corrective action plan at 07-II-C.	June 30, 2008	Paul Bobek
07-II-D	The District does not have a formal policy for approving new vendors.	See corrective action plan at 07-II-D.	June 30, 2008	Paul Bobek
07-II-E	The District has improper segregation of duties over student activity funds.	See corrective action plan at 07-II-E.	June 30, 2008	Paul Bobek
Significant Deficiencies in Administering Federal Awards				
07-III-A	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 07-III-A.	June 30, 2008	Paul Bobek
07-III-B	The District's system for capturing federal expenditures for the 2006 schedule of federal awards and data collection form was inadequate.	See corrective action plan at 07-III-B.	June 30, 2008	Paul Bobek
Instance of Noncompliance				
07-III-C	The District did not provide Title II funds to eligible nonpublic schools. In addition, unspent funds were not transferred to the Area Education Agency.	See corrective action plan at 07-III-C.	June 30, 2008	Paul Bobek

(Continued)

Iowa City Community School District

Corrective Action Plan (Continued)
Year Ended June 30, 2007

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Other Findings Related to Required Statutory Reporting:				
07-IV-A	Expenditures for the year exceeded the amended certified budget amounts in the support services function.	See corrective action plan at 07-IV-A.	June 30, 2008	Paul Bobek
07-IV-F	The documentation of approval of Athletic and Nutrition expenditures are not published in the board minutes.	See corrective action plan at 07-IV-F.	June 30, 2008	Paul Bobek
07-IV-H	The District exceeded the maximum deposit amounts stated in the Board resolution.	See corrective action plan at 07-IV-H.	June 30, 2008	Paul Bobek
07-IV-J	The Capital Projects Fund had a deficit fund balance as of June 30, 2007.	See corrective action plan at 07-IV-J.	June 30, 2008	Paul Bobek
07-IV-K	The actual amount of a transfer from the General Fund to the Student Activity Fund was higher than the amount budgeted. The change in dollar amount was not subsequently approved.	See corrective action plan at 07-IV-K.	June 30, 2008	Paul Bobek

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