

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

Comprehensive Annual Financial Report

Year Ended June 30, 2009

Iowa City Community School District Iowa City, Iowa

Comprehensive Annual Financial Report

Year Ended June 30, 2009

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

**Office Issuing Report:
Central Administration Office**

Contents

Introductory Section

Table of contents	i- ii
Letter of transmittal	iii - vii
Organizational chart	viii
Board of education and school district officials	ix
Certificate of excellence in financial reporting	x
Certificate of achievement for excellence in financial reporting	xi

Financial Section

Independent auditor's report	1 – 2
Management's discussion and analysis (MD&A)	3 – 13
Basic financial statements:	
District-wide financial statements:	
Statement of net assets	14 – 15
Statement of activities	16 – 17
Governmental fund financial statements:	
Balance sheet	18
Reconciliation of total governmental fund balances to net assets of governmental activities	19
Statement of revenues, expenditures and changes in fund balances	20 – 21
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	22
Proprietary fund financial statements:	
Statement of net assets	23
Statement of revenues, expenses and changes in net assets	24
Reconciliation of changes in net assets of enterprise funds to the statement of activities	25
Statement of cash flows	26
Fiduciary fund financial statements:	
Statement of fiduciary net assets	27
Statement of changes in fiduciary net assets	28
Notes to basic financial statements	29 – 47
Required supplementary information:	
Other Postemployment Benefits Plan	48
Budgetary comparison schedule	49 – 50
Note to required supplementary information – budgetary reporting	51
Other supplementary information:	
Nonmajor governmental funds:	
Combining balance sheet	52
Combining statement of revenues, expenditures and changes in fund balances	53
Combining schedule of revenues, expenditures and change in fund balances (deficits) – Special Revenue Fund, student activity, by account	54 – 55
Statement of changes in fiduciary assets and liabilities – agency funds	56

Contents

Statistical Section (unaudited)

Statistical section contents	57
Net assets by component	58 – 59
Expenses, program revenues and net (expense) revenue	60 – 61
General revenues and total change in net assets	62 – 63
Fund balances, governmental funds	64 – 65
Governmental funds revenues	66 – 67
Governmental funds expenditures and debt service ratio	68 – 69
Other financing sources and uses and net change in fund balances – governmental funds	70 – 71
Assessed value and actual value of taxable property	72
Direct and overlapping property tax rates	73
Principal property taxpayers	74
Property tax levies and collections	75
Ratios of general bonded debt outstanding	76
Direct and overlapping governmental activities debt	77
Legal debt margin information	78 – 79
Demographic and economic statistics	80
Principal employers	81
Full-time equivalent district employees by type	82 – 83
Operating statistics	84 – 85
School building information	86 – 91

Compliance Section

Schedule of expenditures of federal awards	92 – 93
Notes to schedule of expenditures of federal awards	94
Summary schedule of prior audit findings	95
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	96 – 97
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	98 – 99
Schedule of findings and questioned costs	100 – 108
Corrective action plan	109

Iowa City Community School District

Lane Plugge, Ph.D.
Superintendent
Fax (319) 688-1009

509 S. Dubuque St.
Iowa City, IA 52240
Tel (319) 688-1000

December 2, 2009

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, 2009. 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 four 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 nearly 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 11,750 in October 2008. 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 limited English proficiency (LEP).

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 by source of funds and expenditures by location, curricular program and funding source. 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, money markets, pooled investment trusts and obligations of the United States Treasury or its agencies. 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 2009 at the rate of slightly over six 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 even during periods of recessionary trends. 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.

The tax base for the area is estimated to continue to grow in the 2-5 percent range. The District has experienced an enrollment growth of nearly 800 students over the last four years. Future projections indicate a continued trend for enrollment increase, but at slower rates over the next five years. The District has experienced an increase in its October 2009 official enrollment of 150 students.

Retail sales, building permits and population increases in the area have exceeded that of most other areas in the state of Iowa. Future increases are projected to continue, however current economic conditions on the national and state levels and several natural disasters in the area are likely to affect local growth. A large percentage of the past increases have occurred within the School District boundaries.

For the years 2001-2004, the state of Iowa experienced an economic downturn that hampered its ability to fund schools at the same level as in prior years. In 2005, the economy of the state of Iowa returned to positive growth conditions. However, the current economic recession affecting both state and national economies 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 impact of this recessionary period on current and future periods is unknown. The State of Iowa has also experienced several widespread natural disasters in the past two years which may impact the level of resources available for the funding of school 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 fiscal year 2006. North Central Junior High was completed in August 2006 and opened for classes that month. A large fine arts addition at Iowa City West High School was completed in January 2008. A new gymnasium and classroom addition at South East Junior High was completed and placed in service in October 2008.

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 three parcels of land in the northern portion and western portions of the District for the future construction of elementary schools. The District started construction of a new elementary school in March 2009 with an expected occupancy in August 2010 on one of these parcels. In addition, the District purchased land in January 2008 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 is using 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, boys' basketball, wrestling, volleyball, girls' cross country, girls' basketball 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 recent 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 2009 with over 85 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, 2009 provided no instances of violations of applicable laws and regulations. However, significant deficiencies and material weaknesses were reported.

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 statutory 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.

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 were primarily less than 2 percent during the year, compared to the rates near 4 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 several years and meets periodically 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, 2008. 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 years 2006, 2007 and 2008 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,

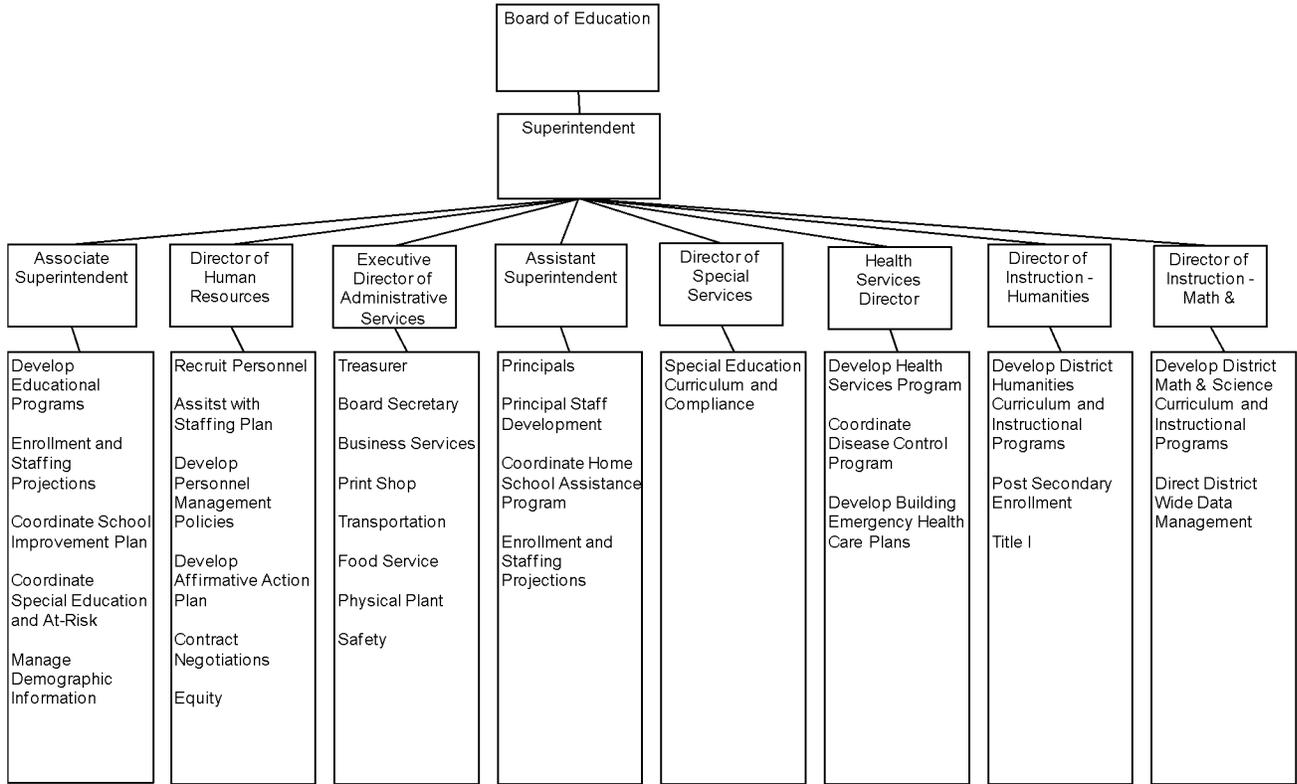


Dr. Lane Plugge
Superintendent



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, 2009**

Name	Title	Term Expires
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Board of Education

Before September 2008 election:

Toni Cilek	President	2008
Gayle Klouda	Vice President	2010
Mike Cooper	Board Member	2009
Elizabeth Crooks	Board Member	2008
Patti Fields	Board Member	2008
Tim Krumm	Board Member	2009
Jan Leff	Board Member	2009

After September 2008 election:

Toni Cilek	President	2011
Gayle Klouda	Vice President	2011
Mike Cooper	Board Member	2010
Michael Shaw	Board Member	2011
Patti Fields	Board Member	2011
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, 2008

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

Iowa

For its Comprehensive Annual

Financial Report

for the Fiscal Year Ended

June 30, 2008

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.



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

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 the Iowa City Community School District as of and for the year ended June 30, 2009, 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, 2009, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 15 to the basic financial statements, the District changed its method of accounting for other post employment benefits.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2009 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, budgetary comparison information on pages 49 through 51 and other postemployment benefit plan schedule of funding progress on page 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 2, 2009

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements.

Financial Highlights

Total net assets increased \$20,929,452 from \$99,949,883 in 2008 to \$120,879,335 in 2009. Total revenues for the fiscal year 2009 increased \$10,815,934 from 2008. Total expenses also increased from \$119,579,429 in 2008 to \$125,795,076 in 2009.

General Fund revenues increased from \$103,699,028 in fiscal year 2008 to \$114,189,361 in fiscal year 2009, while General Fund expenditures increased from \$103,990,975 in fiscal year 2008 to \$112,228,711 in fiscal year 2009. In addition, the District transferred \$182,000 to other funds during fiscal year 2009. This resulted in an increase in the District's General Fund balance from \$5,100,912 in fiscal year 2008 to \$6,879,562 in fiscal year 2009.

The increase in General Fund revenues for fiscal year 2009 was attributable to an increase in property tax and state aid as provided in the state funding formula and federal funding provided by the American Recovery and Reinvestment Act of 2009. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits for all employee groups. The increase in total revenues, was primarily in the General Fund revenues. Investment earnings decreased from \$818,982 in fiscal year 2008 to \$340,280 in fiscal year 2009, primarily due to a decreasing interest rate environment in the general and physical plant and equipment levy funds.

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.

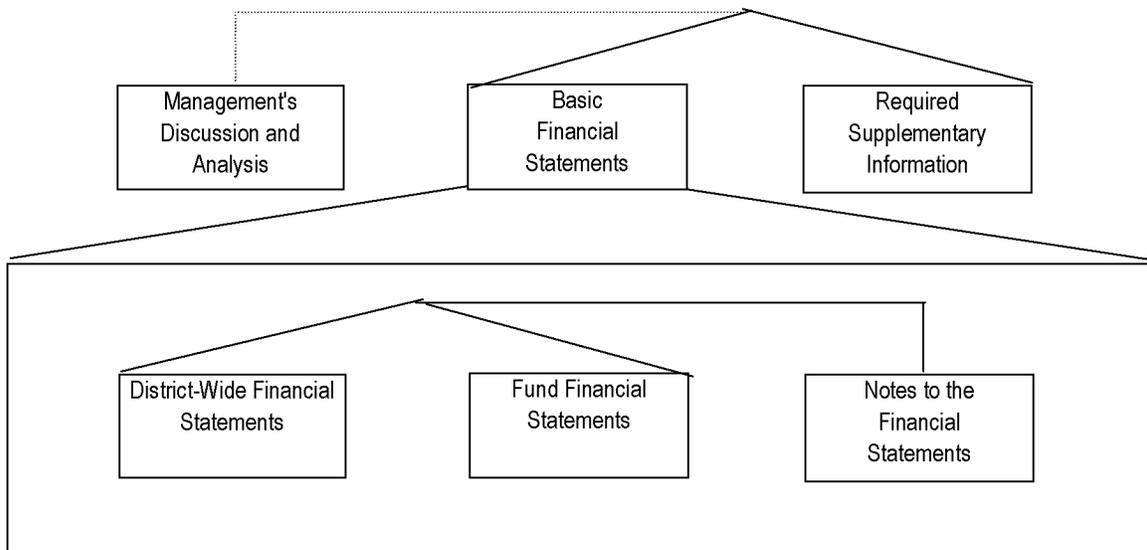
Iowa City Community School District

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2009**

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, 2009**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

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

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

District-Wide Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

- 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 and dental insurance funds.
- Fiduciary Funds. The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
 - ✓ Private-Purpose Trust Fund – The District accounts for assets for scholarships for individual students in this fund according to the terms of the donor's request.
 - ✓ Agency Fund – These are funds for which the District administers and accounts for certain assets in a fiduciary capacity as an agent on behalf of others.

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

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, 2009 compared to 2008:

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

	Governmental Activities		Business-Type Activities		Total School District		Total Change 2008-2009
	2009	2008	2009	2008	2009	2008	
Current and other assets	\$ 112,221,172	\$ 93,858,714	\$ 2,759,550	\$ 2,512,418	\$ 114,980,722	\$ 96,371,132	\$ 18,609,590
Capital assets	107,235,503	102,942,923	490,509	496,000	107,726,012	103,438,923	4,287,089
Total assets	219,456,675	196,801,637	3,250,059	3,008,418	222,706,734	199,810,055	22,896,679
Long-term obligations	25,902,610	28,752,859	-	-	25,902,610	28,752,859	2,850,249
Other liabilities	75,725,493	70,940,712	199,296	166,601	75,924,789	71,107,313	(4,817,476)
Total liabilities	101,628,103	99,693,571	199,296	166,601	101,827,399	99,860,172	(1,967,227)
Net assets:							
Invested in capital assets, net of related debt	80,393,020	73,555,648	490,509	496,000	80,883,529	74,051,648	6,831,881
Restricted	5,416,705	5,669,654	-	-	5,416,705	5,669,654	(252,949)
Unrestricted	32,018,847	17,882,764	2,560,254	2,345,817	34,579,101	20,228,581	14,350,520
Total net assets	\$ 117,828,572	\$ 97,108,066	\$ 3,050,763	\$ 2,841,817	\$ 120,879,335	\$ 99,949,883	\$ 20,929,452

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

The District's total net assets increased by 20.9 percent during the year ended June 30, 2009. The increase occurred primarily in the governmental funds as a result of revenues as provided in the state funding formula and the reduction in long-term obligations. During the year ended June 30, 2009, the District expended nearly \$5,000,000 in capital assets, primarily from the completion of a junior high fine arts classroom and gymnasium addition and the purchase of land for the future construction of elementary school buildings.

The total net assets of the District's business-type activities increased by approximately \$209,000 over the prior year. This increase is due primarily to favorable operating results of the District's School Nutrition Fund.

Changes in net assets – Figure A-4 shows the changes in net assets for the years ended June 30, 2009 and 2008:

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

	Governmental Activities		Business-Type Activities		Total School District	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for service and sales	\$ 3,989,044	\$ 3,556,826	\$ 2,321,754	\$ 2,258,569	\$ 6,310,798	\$ 5,815,395
Operating grants and contributions	17,401,300	13,447,339	1,906,739	1,759,123	19,308,039	15,206,462
Capital grants and contributions	326,887	181,603	-	-	326,887	181,603
General revenues:						
Property taxes	60,985,955	55,989,033	-	-	60,985,955	55,989,033
Sales tax	12,870,778	13,952,660	-	-	12,870,778	13,952,660
Unrestricted state grants	43,398,531	40,899,909	-	-	43,398,531	40,899,909
Unrestricted investment earnings	315,709	756,496	24,571	62,486	340,280	818,982
Other	3,183,260	3,044,550	-	-	3,183,260	3,044,550
Total revenues	142,471,464	131,828,416	4,253,064	4,080,178	146,724,528	135,908,594
Program expenses:						
Governmental activities:						
Instruction	80,135,420	75,311,719	-	-	80,135,420	75,311,719
Support services	35,556,623	34,189,344	-	-	35,556,623	34,189,344
Noninstructional programs	44,222	17,660	-	-	44,222	17,660
Other expenses	6,014,693	6,254,118	-	-	6,014,693	6,254,118
Business-type activities,						
nutritional services	-	-	4,044,118	3,806,588	4,044,118	3,806,588
Total expenses	121,750,958	115,772,841	4,044,118	3,806,588	125,795,076	119,579,429
Change in net assets	\$ 20,720,506	\$ 16,055,575	\$ 208,946	\$ 273,590	\$ 20,929,452	\$ 16,329,165

Property and sales taxes and unrestricted state grants account for 80 and 82 percent of the total revenue for the years ended June 30, 2009 and 2008, respectively. The District's expenses primarily relate to instruction and support services which account for at least 90 percent of the total expenses for the years ended June 30, 2009 and 2008.

Iowa City Community School District

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2009**

Governmental Activities

Revenues for governmental activities were \$142,471,464 and expenses were \$121,750,958. This difference of \$20,720,506 was used for the repayment of the general obligations bonds as scheduled in Note 6 to the basic financial statements, approximately \$10,000,000 of capital project revenues that will be expended on building projects in future years and favorable claims experience of certain activities of the internal service funds. Revenues in the governmental activities increased approximately \$10,600,000 or 8 percent over 2008. 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 approximately \$4,000,000 primarily from additional revenues provided by the state of Iowa to improve teacher's salaries and federal programs including the American Recovery and Reinvestment Act of 2009.

The increase in expenditures in governmental activities of \$5,978,117 or 5.2 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 approximately five percent and the hiring of additional staff due to increasing enrollments and the expenditures of two new federal programs. The District also recorded \$143,000 in the current year for other postemployment benefit obligations.

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**

	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 80,135,420	\$ (63,998,657)	\$ 75,311,719	\$ (62,754,416)
Support services	35,556,623	(34,580,851)	34,189,344	(33,636,530)
Noninstructional programs	44,222	(43,068)	17,660	(12,360)
Other expenses	6,014,693	(1,411,151)	6,254,118	(2,183,767)
Totals	\$ 121,750,958	\$ (100,033,727)	\$ 115,772,841	\$ (98,587,073)

- The cost financed by users of the District's programs was \$3,989,044 for 2009 and 3,556,826 for 2008.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$17,728,187 for 2009 and \$13,628,942 for 2008.
- The remaining net cost of governmental activities was financed with property tax, sales tax, state foundation aid and investment earnings.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

Business-Type Activities

Revenues of the District's business-type activities were \$4,228,493, excluding \$24,571 of investment earnings, and expenses were \$4,044,118. 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 4.2 percent due to increased participation levels related to higher enrollment levels and increased charges for service of 10 to 15 percent. Expenditures increased by approximately 6.2 percent primarily due to negotiated salary settlements of five percent and higher food costs of 5 to 10 percent 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.

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 \$29,578,245 which was above last year's ending fund balances of \$19,205,011. The primary reason for the increase in combined fund balances in fiscal year 2009 is due to significant increases in the District's Capital Projects Fund.

- The District's General Fund financial position is the product of many factors. The primary factor resulting in the General Fund's increased balance is attributable to negotiated salary settlements that slightly exceeded the property tax and state foundation aid increases. In addition, the District was able to transfer approximately \$1,500,000 of operating costs for leased properties and transportation costs to the Physical Plant and Equipment Levy Fund as approved by the Board of Directors. The District has also experienced an enrollment increase of over 800 students during the last four years which has created the need for additional staff.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from a balance of \$1,863,512 in fiscal year 2008 to \$3,146,493 in fiscal year 2009. This increase is primarily due to the timing of certain construction projects in future periods.
- The Capital Projects Fund balance increased from a balance of \$8,161,146 in fiscal year 2008 to \$17,028,974 in fiscal year 2009. This increase is primarily due to the accumulation of sales tax revenues for future construction projects.

Proprietary Fund Highlights: The School Nutrition Fund's net assets increased from \$2,586,091 as of June 30, 2008 to \$2,652,588 as of June 30, 2009, representing an increase of approximately 2.6 percent for 2009 compared to an increase of 10.9 percent for 2008. The District experienced this small increase as a result of increasing their charges for services for the fiscal year ending June 30, 2009 to offset the increasing costs of food and supplies. The District will continue to replace aging and fully depreciated equipment of the School Nutrition Fund with the increase in net assets.

The Internal Service Fund for the District's self-insured health insurance fund and dental insurance funds increased net assets from \$5,298,329 in 2008 to \$8,364,544 in 2009. This increase was due to the favorable experience for health insurance claims and a reduction in the liability due for future premiums of the early retirement incentives.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

Budgetary Highlights

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

Legal Budgetary Highlights: The District's total actual revenues were \$3,602,830 more than the total budgeted revenues, a variance of 2.5 percent from the final budget. Approximately \$600,000 of this variance is from local sources that exceeded the budgeted amounts primarily from income taxes that exceeded the April 2008 budgeted amounts. In addition, nearly \$2,400,000 of this variance was from federal revenues related to additional program revenues that exceeded budgeted levels. The District also received approximately \$200,000 of revenues from Nutrition Fund sales not originally budgeted as a result of the increased charges for services that were approved subsequent to the April 2008 budget.

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, 2009, the District had invested \$108 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 \$4 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 \$3,862,220.

The original costs of the District's capital assets was nearly \$167 million. Governmental funds account for approximately \$166 million with the remainder of \$900,000 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 a junior high fine classroom and gymnasium addition. Significantly all of the building increase from 2008 was classified as construction-in-progress in prior year statements. In addition, the District purchased 12.62 acres of land at a cost of \$906,170 for the future construction of an elementary school building.

Iowa City Community School District

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2009

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 4,477,319	\$ 3,571,149	\$ -	\$ -	\$ 4,477,319	\$ 3,571,149	\$ 906,170
Construction-in-progress	2,568,636	4,062,498	-	-	2,568,636	4,062,498	(1,493,862)
Buildings	94,573,972	90,616,079	-	-	94,573,972	90,616,079	3,957,893
Improvements other than buildings	3,309,752	2,595,179	-	-	3,309,752	2,595,179	714,573
Furniture and equipment	2,305,824	2,098,018	490,509	496,000	2,796,333	2,594,018	202,315
Total	\$ 107,235,503	\$ 102,942,923	\$ 490,509	\$ 496,000	\$ 107,726,012	\$ 103,438,923	\$ 4,287,089

Long-Term Debt: As of June 30, 2009, the District had \$29 million in general obligation and other long-term debt outstanding. This represents a decrease of approximately \$4 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
	2009	2008	2008-2009
General obligation bonds	\$ 26,690,000	\$ 29,205,000	\$ (2,515,000)
Early retirement	2,122,866	3,297,902	(1,175,036)
Compensated absences	589,665	552,634	37,031
Totals	\$ 29,402,531	\$ 33,055,536	\$ (3,653,005)

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 are currently experiencing recession type conditions. As a result of sharply declining state revenues, the Governor of the State of Iowa issued an executive order for an across the board reduction of state funding by 10 percent on October 8, 2009. The impact to the District's budget is expected to reduce General Fund revenues by approximately \$5,600,000 for fiscal year 2010. The District anticipates that it will use cash reserves to absorb this reduction and consider a cash reserve levy for the next fiscal year to replenish these balances. At this time, the likelihood of further reduction, the timing and amounts of payments from the State of Iowa and the impact on future fiscal periods cannot be determined. In addition, the impact on property values may have an effect on the property taxes collected in the District's General Fund, Physical Plant and Equipment Levy Fund, Management Fund and Debt Service Fund. The state of Iowa has established allowable growth percentages of 4 percent per year for fiscal year 2010 and two percent for fiscal year 2011. The District's General Fund budget is comprised of approximately 80 percent salary and benefits so the ability to negotiate future salary settlements will have a significant impact on future budget decisions.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

- The Iowa school funding formula is highly dependent upon student enrollment. The District has experienced enrollment growth of 205, 451, 32 and 158 students in the last four years. The enrollment growth of 158 students in fiscal year 2010 will assist the District's budget in fiscal year 2011. These increases in enrollment will continue the need for additional staff and demand for additional space to the existing facilities and construction of new facilities.
- The District has purchased parcels of land covering 12.46, 12.19 and 12.62 acres for the possible future construction of elementary school buildings. The District began construction of a new elementary school building in March 2009 at an expected cost of approximately \$10,000,000 plus the cost of furniture and fixtures. The District plans to open this building to students in August 2010. The construction expenditures of these facilities will be paid from the local option sales taxes as approved by county residents in February 2007. The sales taxes will be collected for a period of 10 years beginning July 1, 2007.
- During the fiscal year 2008, the District conducted an extensive review of its current facilities with the assistance of outside consultants. The review included an assessment of the current usage, infrastructure and costs of remodeling for further use. Using information from this review and the district's projected enrollment growth, the District has implemented a plan to close one elementary school building and begin construction of another building. The District has hired an architect for the design of the new building. This plan will also include an addition to an existing elementary school building at a cost of approximately \$2,200,000 with these expenditures to be paid from the local option sales tax revenues. The District will also pursue options to repurpose the closed building for other district programs.
- In October 2009, the District's Board of Directors hired a consultant to begin a comprehensive process for redistricting enrollment for all District schools and study the need for a third high school facility. The consultant will work with a committee of approximately 30 community members and district administrators to complete this process. This redistricting process is expected to be completed and implemented in August 2010 and provide opportunities for more efficient building operations and effective instructional conditions.
- The United States Government approved the American Recovery and Reinvestment Act in February 2009 in an effort to avoid severe economic conditions in the country. This legislation will provide significant resources to state and local governments through September 2010. The District is anticipating the receipt of nearly \$9,000,000 from this legislative action. The impact on the District's budget when this source of funding ends is unknown at this time.

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, 2009

Assets	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and cash equivalents and investments	\$ 46,330,936	\$ 2,145,167	\$ 48,476,103
Receivables:			
Accounts receivable			
Property tax:			
Current year	441,820	-	441,820
Succeeding year	58,798,118	-	58,798,118
Sales taxes	550,000	-	550,000
Other	10,825	-	10,825
Due from other governments	5,755,270	40,875	5,796,145
Internal balances	(420,405)	420,405	-
Inventories	-	95,523	95,523
Prepaid expenses	728,401	57,580	785,981
Total current assets	112,194,965	2,759,550	114,954,515
Noncurrent assets:			
Unamortized bond issuance costs	26,207	-	26,207
Capital assets:			
Not depreciable:			
Land	4,477,319	-	4,477,319
Construction-in-progress	2,568,636	-	2,568,636
Depreciable capital assets, net of accumulated depreciation	100,189,548	490,509	100,680,057
Net capital assets	107,235,503	490,509	107,726,012
Total noncurrent assets	107,261,710	490,509	107,752,219
Total assets	\$ 219,456,675	\$ 3,250,059	\$ 222,706,734

See Notes to Basic Financial Statements.

Liabilities	Governmental Activities	Business-Type Activities	Total
Current liabilities:			
Accounts payable	\$ 4,138,603	\$ 17,528	\$ 4,156,131
Salaries and benefits payable	7,083,438	176,609	7,260,047
Claims payable	1,272,000	-	1,272,000
Accrued interest payable	82,371	-	82,371
Unearned revenue, succeeding year property tax	58,798,118	-	58,798,118
Grant revenues, unearned	555,559	5,159	560,718
General obligation bonds	2,530,000	-	2,530,000
Early retirement	675,739	-	675,739
Compensated absences	589,665	-	589,665
Total current liabilities	75,725,493	199,296	75,924,789
Noncurrent liabilities:			
Other postemployment benefit	143,000	-	143,000
Early retirement	1,447,127	-	1,447,127
General obligation bonds, net of unamortized premium	24,312,483	-	24,312,483
Total noncurrent liabilities	25,902,610	-	25,902,610
Total liabilities	101,628,103	199,296	101,827,399
Net Assets			
Invested in capital assets, net of related debt	80,393,020	490,509	80,883,529
Restricted for:			
Debt service	178,454	-	178,454
Management levy	1,285,320	-	1,285,320
Physical plant and equipment levy	3,146,493	-	3,146,493
Federal and state programs	806,438	-	806,438
Unrestricted	32,018,847	2,560,254	34,579,101
Total net assets	117,828,572	3,050,763	120,879,335
Total liabilities and net assets	\$ 219,456,675	\$ 3,250,059	\$ 222,706,734

Iowa City Community School District

Statement of Activities
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, and Contributions	Capital Grants, and Contributions
Governmental Activities				
Instruction:				
Regular instruction	\$ 50,743,699	\$ 2,263,926	\$ 8,200,867	\$ -
Special instruction	25,760,400	1,603,825	3,913,750	-
Other instruction	3,631,321	8,000	146,395	-
	<u>80,135,420</u>	<u>3,875,751</u>	<u>12,261,012</u>	<u>-</u>
Support services:				
Student services	3,410,990	-	619,255	-
Instructional services	6,277,063	-	-	-
Administration services	9,177,313	-	67,253	-
Operation and maintenance	11,020,902	112,498	56,097	-
Transportation services	5,670,355	795	119,874	-
	<u>35,556,623</u>	<u>113,293</u>	<u>862,479</u>	<u>-</u>
Noninstructional programs	44,222	-	1,154	-
Other:				
Facilities acquisition	674,733	-	-	326,887
Long-term debt interest	1,028,590	-	11,405	-
AEA flowthrough	4,265,250	-	4,265,250	-
Depreciation (unallocated)	46,120	-	-	-
	<u>6,014,693</u>	<u>-</u>	<u>4,276,655</u>	<u>326,887</u>
Total governmental activities	121,750,958	3,989,044	17,401,300	326,887
Business-type activities, nutritional services	4,044,118	2,321,754	1,906,739	-
Total primary government	\$ 125,795,076	\$ 6,310,798	\$ 19,308,039	\$ 326,887
General revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Sales taxes provided for 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
\$ (40,278,906)	\$ -	\$ (40,278,906)
(20,242,825)	-	(20,242,825)
(3,476,926)	-	(3,476,926)
(63,998,657)	-	(63,998,657)
(2,791,735)	-	(2,791,735)
(6,277,063)	-	(6,277,063)
(9,110,060)	-	(9,110,060)
(10,852,307)	-	(10,852,307)
(5,549,686)	-	(5,549,686)
(34,580,851)	-	(34,580,851)
(43,068)	-	(43,068)
(347,846)	-	(347,846)
(1,017,185)	-	(1,017,185)
-	-	-
(46,120)	-	(46,120)
(1,411,151)	-	(1,411,151)
(100,033,727)	-	(100,033,727)
-	184,375	184,375
(100,033,727)	184,375	(99,849,352)
50,280,460	-	50,280,460
3,573,769	-	3,573,769
7,131,726	-	7,131,726
12,870,778	-	12,870,778
43,398,531	-	43,398,531
315,709	24,571	340,280
3,183,260	-	3,183,260
120,754,233	24,571	120,778,804
20,720,506	208,946	20,929,452
97,108,066	2,841,817	99,949,883
\$ 117,828,572	\$ 3,050,763	\$ 120,879,335

Iowa City Community School District

Balance Sheet - Governmental Funds
June 30, 2009

Assets	General	Physical Plant and Equipment Levy	Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents and investments	\$ 14,393,308	\$ 2,856,630	\$ 15,677,066	\$ 2,530,977	\$ 35,457,981
Receivables:					
Property tax:					
Current year	346,106	57,638	-	38,076	441,820
Succeeding year	46,542,017	7,470,726	-	4,785,375	58,798,118
Sales tax	-	-	550,000	-	550,000
Other	-	10,825	-	-	10,825
Due from other funds	-	1,003,172	-	-	1,003,172
Due from other governments	3,390,773	-	2,364,497	-	5,755,270
Prepaid items	728,401	-	-	-	728,401
Total assets	\$ 65,400,605	\$ 11,398,991	\$ 18,591,563	\$ 7,354,428	\$ 102,745,587
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 2,328,527	\$ 781,772	\$ 982,467	\$ 45,837	\$ 4,138,603
Salaries and benefits payable	7,083,438	-	-	-	7,083,438
Due to other funds	1,610,824	-	30,122	-	1,640,946
Deferred revenue:					
Succeeding year property tax	46,542,017	7,470,726	-	4,785,375	58,798,118
Sales tax	-	-	550,000	-	550,000
Grant revenues	956,237	-	-	-	956,237
Total liabilities	58,521,043	8,252,498	1,562,589	4,831,212	73,167,342
Fund balance (deficits):					
Reserved for:					
Prepaid items	728,401	-	-	-	728,401
Federal and state programs	806,438	-	-	-	806,438
Debt service	-	-	-	178,454	178,454
Unreserved:					
Designated for federal and state programs	2,244,697	-	-	-	2,244,697
Undesignated reported in:					
General Fund	3,100,026	-	-	-	3,100,026
Special revenue funds	-	3,146,493	-	2,344,762	5,491,255
Capital Projects Fund	-	-	17,028,974	-	17,028,974
Total fund balances	6,879,562	3,146,493	17,028,974	2,523,216	29,578,245
Total liabilities and fund balances	\$ 65,400,605	\$ 11,398,991	\$ 18,591,563	\$ 7,354,428	\$ 102,745,587

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, 2009

Total governmental fund balances		\$	29,578,245
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.			107,235,503
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			950,678
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	\$	11,488,499	
Liabilities		(3,123,955)	8,364,544
Internal service funds allocated to business-type activities			(398,175)
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.			(82,371)
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		(2,530,000)	
General obligation bonds, noncurrent		(24,160,000)	
Early retirement, current		(270,911)	
Other postemployment benefits		(143,000)	
Compensated absences, current		(589,665)	
Unamortized premium on general obligation bonds		(152,483)	
Unamortized bond issuance costs		26,207	(27,819,852)
Net assets of governmental activities			<u>\$ 117,828,572</u>

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2009

	General	Physical Plant and Equipment Levy
Revenues:		
Local sources:		
Local tax	\$ 48,948,796	\$ 7,131,726
Tuition	2,245,194	-
Other	3,087,951	31,619
State sources	54,506,988	-
Federal sources	5,400,432	39,908
Total revenues	114,189,361	7,203,253
Expenditures:		
Current:		
Instruction:		
Regular instruction	48,861,850	-
Special instruction	25,224,477	-
Other instruction	1,287,576	-
	75,373,903	-
Support services:		
Student services	3,405,973	-
Instructional services	6,221,272	-
Administration services	8,864,585	-
Operation and maintenance	10,027,275	235,239
Transportation services	4,045,911	1,429,038
	32,565,016	1,664,277
Noninstructional programs	24,542	-
Other, AEA flowthrough	4,265,250	-
Capital outlay	-	4,255,995
Debt service:		
Principal	-	-
Interest and fiscal charges	-	-
	-	-
Total expenditures	112,228,711	5,920,272
Excess (deficiency) of revenues over expenditures	1,960,650	1,282,981
Other financing sources (uses):		
Transfers in	-	-
Transfers out	(182,000)	-
Total other financing sources (uses)	(182,000)	-
Net change in fund balances	1,778,650	1,282,981
Fund balances, beginning of year	5,100,912	1,863,512
Fund balances, end of year	\$ 6,879,562	\$ 3,146,493

See Notes to Basic Financial Statements.

	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$	13,018,411	\$ 4,736,764	\$ 73,835,697
	-	-	2,245,194
	350,968	2,471,587	5,942,125
	-	-	54,506,988
	-	-	5,440,340
	13,369,379	7,208,351	141,970,344
	-	1,887,346	50,749,196
	-	-	25,224,477
	-	2,208,059	3,495,635
	-	4,095,405	79,469,308
	-	-	3,405,973
	-	-	6,221,272
	-	760,381	9,624,966
	-	321,231	10,583,745
	-	195,406	5,670,355
	-	1,277,018	35,506,311
	-	-	24,542
	-	-	4,265,250
	4,501,551	-	8,757,546
	-	2,515,000	2,515,000
	-	1,059,153	1,059,153
	-	3,574,153	3,574,153
	4,501,551	8,946,576	131,597,110
	8,867,828	(1,738,225)	10,373,234
	-	182,000	182,000
	-	-	(182,000)
	-	182,000	-
	8,867,828	(1,556,225)	10,373,234
	8,161,146	4,079,441	19,205,011
\$	17,028,974	\$ 2,523,216	\$ 29,578,245

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, 2009

Net change in fund balances, total governmental funds		\$	10,373,234
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	\$	8,082,813	
Depreciation expense		<u>(3,790,233)</u>	4,292,580
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.			7,893
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets.			2,515,000
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.			5,892
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 other postemployment benefits		(143,000)	
Change in early retirement		757,501	
Change in compensated absences		<u>(37,031)</u>	577,470
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.			3,066,215
Change in Internal Service Fund allocation to business-type activities.			(142,449)
Amortization of bond premium and bond issuance costs.			24,671
Change in net assets of governmental activities		<u>\$</u>	<u>20,720,506</u>

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Net Assets
 Proprietary Funds
 June 30, 2009

	Nonmajor Enterprise Fund - School Nutrition	Internal Service Fund
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,145,167	\$ 10,872,955
Accounts receivable	40,875	-
Inventories	95,523	-
Due from other funds	22,230	615,544
Prepaid expenses and deposits	57,580	-
Total current assets	<u>2,361,375</u>	<u>11,488,499</u>
Noncurrent assets, capital assets, net of accumulated depreciation	<u>490,509</u>	<u>-</u>
Total assets	<u>\$ 2,851,884</u>	<u>\$ 11,488,499</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 17,528	\$ -
Salaries and benefits payable	176,609	-
Grant revenues, unearned	5,159	-
Claims payable	-	1,272,000
Early retirement	-	404,828
Total current liabilities	<u>199,296</u>	<u>1,676,828</u>
Noncurrent liabilities, early retirement	<u>-</u>	<u>1,447,127</u>
Total liabilities	<u>199,296</u>	<u>3,123,955</u>
Net Assets		
Invested in capital assets	490,509	-
Unrestricted	2,162,079	8,364,544
Total net assets	<u>2,652,588</u>	<u>8,364,544</u>
Total liabilities and net assets	<u>\$ 2,851,884</u>	<u>\$ 11,488,499</u>
Total enterprise funds net assets	\$ 2,652,588	
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>398,175</u>	
	<u>\$ 3,050,763</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, 2009

	Nonmajor Enterprise Fund - School Nutrition	Internal Service Fund
Operating revenue:		
Charges for services:		
Food sales	\$ 2,321,754	\$ -
Internal service charges	-	8,175,946
Employee contributions	-	2,231,993
Total operating revenue	2,321,754	10,407,939
Operating expenses:		
Food consumed	1,965,404	-
Salaries and benefits	1,631,447	-
Supplies, services and repairs	212,216	-
Administration expense	30,000	-
Depreciation	58,537	-
Food and meal delivery:		
Salaries and benefits	267,114	-
Truck expenses	8,400	-
Depreciation	13,450	-
Claims, losses and administrative fees	-	7,384,947
Other	-	76,202
Total operating expenses	4,186,568	7,461,149
Operating income (loss)	(1,864,814)	2,946,790
Nonoperating revenues:		
Federal appropriations	1,597,113	-
State appropriations	39,650	-
Federal food commodities	269,977	-
Interest income	24,571	119,425
Total nonoperating revenues	1,931,311	119,425
Changes in net assets	66,497	3,066,215
Net assets, beginning of year	2,586,091	5,298,329
Net assets, end of year	\$ 2,652,588	\$ 8,364,544

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, 2009

Net changes in net assets in enterprise funds. \$ 66,497

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

142,449
\$ 208,946

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2009

	Nonmajor Enterprise Fund - School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sales of breakfasts and lunches	\$ 2,309,209	\$ -
Cash received from charges for service	-	8,175,946
Cash received from employees for benefits	-	2,231,993
Cash payments to suppliers for goods and services	(1,891,813)	(76,202)
Cash payments to employees for services	(1,334,005)	-
Cash payments for employee benefits	(536,889)	-
Cash payments for claims, losses and administrative fees	-	(7,869,317)
Net cash provided by (used in) operating activities	(1,453,498)	2,462,420
Cash flows from noncapital financing activities:		
Operating grants received	1,596,007	-
Payments to interfund accounts	(4,570)	(615,544)
Net cash provided by (used in) noncapital funding activities	1,591,437	(615,544)
Cash flows from capital and related financing activities, acquisition of capital assets		
	(66,496)	-
Cash flows from investing activities, interest on cash and cash equivalents		
	24,571	119,425
Net increase in cash and cash equivalents	96,014	1,966,301
Cash and cash equivalents:		
Beginning	2,049,153	8,906,654
Ending	\$ 2,145,167	\$ 10,872,955
Operating income (loss)	\$ (1,864,814)	\$ 2,946,790
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	71,987	-
Federal food commodities consumed	310,733	-
Change in assets and liabilities:		
(Increase) in accounts receivable	(12,545)	-
Decrease in purchased inventory	16,559	-
(Increase) in prepaid expenses and deposits	(8,113)	-
Increase in accounts payable	5,028	-
Increase in salaries and benefits payable	27,667	-
(Decrease) in claims payable	-	(66,835)
(Decrease) in early retirement	-	(417,535)
Total adjustments	411,316	(484,370)
Net cash provided by (used in) operating activities	\$ (1,453,498)	\$ 2,462,420
Noncash item, noncapital financing activities, food commodities donated to the District from the U.S. Department of Agriculture		
	\$ 269,977	\$ -

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2009

	Private Purpose Trust Fund		Agency Funds
	Winbigler Estate Trust Fund		
Assets , cash and cash equivalents and investments	\$ 72,404	\$	249,774
Liabilities , due to private individuals	854		249,774
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, 2009

	Private Purpose Trust Fund
	Winbigler Estate Trust Fund
	<hr/>
Additions, local sources, interest	\$ 854
Deductions, noninstructional programs supplies	854
Changes in net assets	<hr/> -
Net assets, beginning of year	71,550
Net assets, end of year	<hr/> <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 Governmental Accounting Standards Board (GASB) issued Statement No. 39, 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. However, interfund services provided and used are not eliminated in the process of consolidation. 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: a special revenue 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: a 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.

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.

Iowa City Community School District

Notes to Basic Financial Statements

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

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 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 District has elected to not follow FASB guidance subsequent to November 30, 1989.

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 and dental 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. The Agency funds of the District include:

Flexible benefits account: for the District's flexible benefit plan activity.

School children's aid: for providing services to at risk students at any District building.

Opportunity funds: for providing services to at risk families in two District elementary buildings.

School based health clinics: partnerships with local medical community to provide health services to at risk children.

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. Agency funds follow the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities. 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

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, construction-in-progress, 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, 2009, has also been accrued as a liability as of June 30, 2009.

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 and sales tax revenue not collected in the available period.

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, 2009. 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 and dental 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 \$178,454 for debt service, \$1,285,320 for management levy, \$3,146,493 for the physical plant and equipment levy and \$806,438 for federal and state programs.

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.

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, 2009, 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	\$ 20,315	\$ 20,315	\$ -	\$ -	\$ -
IPAS Education Money Market Fund	28,048,175	28,048,175	-	-	-
	<u>\$ 28,068,490</u>	<u>\$ 28,068,490</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. The District's policy does not further limit the District's investments in relation to credit risk.

As of June 30, 2009, 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
IPAS Education Money Market Fund	Not rated	Not rated

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.

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, 2009, 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, 2009, are as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor Enterprise Fund, School Nutrition Fund	Major Fund, General Fund	\$ 22,230
Major Fund, Physical Plant and Equipment Levy Fund	Major Fund, General Fund	973,050
Major Fund, Physical Plant and Equipment Levy Fund	Major Fund, Capital Projects Fund	30,122
Internal Service Fund	Major Fund, General Fund	615,544

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, 2009, is as follows:

Transfer To	Transfer From	Amount
Nonmajor Fund, Special Revenue Fund, Student Activity	Major Fund, General Fund	\$ 182,000

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, 2009, is as follows:

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 3,571,149	\$ 906,170	\$ -	\$ 4,477,319
Construction-in-progress	4,062,498	2,554,159	4,048,021	2,568,636
Total capital assets not being depreciated	7,633,647	3,460,329	4,048,021	7,045,955
Capital assets being depreciated:				
Buildings	128,974,708	6,544,195	-	135,518,903
Improvements other than buildings	6,125,086	924,687	-	7,049,773
Furniture, equipment and vehicles	15,354,108	1,201,623	562,435	15,993,296
Total capital assets being depreciated	150,453,902	8,670,505	562,435	158,561,972
Less accumulated depreciation for:				
Buildings	38,358,629	2,586,302	-	40,944,931
Improvements other than buildings	3,529,907	210,114	-	3,740,021
Furniture, equipment and vehicles	13,256,090	993,817	562,435	13,687,472
Total accumulated depreciation	55,144,626	3,790,233	562,435	58,372,424
Total capital assets being depreciated, net	95,309,276	4,880,272	-	100,189,548
Governmental activities capital assets, net	\$ 102,942,923	\$ 8,340,601	\$ 4,048,021	\$ 107,235,503
Business-Type Activities				
Furniture, equipment and vehicles	\$ 838,075	\$ 66,496	\$ -	\$ 904,571
Less accumulated depreciation	342,075	71,987	-	414,062
Business-type activities capital assets, net	\$ 496,000	\$ (5,491)	\$ -	\$ 490,509

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		\$ 2,626,943
Special		491,530
Other		133,571
Support services:		
Instructional services		35,413
Administration services		148,536
Operation and maintenance		308,120
		3,744,113
Unallocated depreciation		46,120
Total governmental activities depreciation expense		\$ 3,790,233
Business-type activities, nutritional services		\$ 71,987

Note 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 29,205,000	\$ -	\$ 2,515,000	\$ 26,690,000	\$ 2,530,000
Early retirement	3,297,902	242,282	1,417,318	2,122,866	675,739
Compensated absences	552,634	589,665	552,634	589,665	589,665
Total	\$ 33,055,536	\$ 831,947	\$ 4,484,952	\$ 29,402,531	\$ 3,795,404

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. The benefits offered to certified staff members and administrators shall be a District contribution to a Special Pay Deferral Plan (SPDP), 401(a), 50 percent of current year's salary based on average full time equivalence (FTE) status for the past 10 years plus the District paying the single premium for the District's group health insurance program until the full retirement age as defined by the Social Security Administration for retirees that are 59 or older. If a retiree shows at retirement proof of insurance in a health insurance plan other than the District's group health insurance program, in lieu of district group health insurance, the District will contribute to the SPDP another 20 percent of the current year's salary based on average FTE for the past 10 years.

For an administrator, the District will contribute to the SPDP 70 percent of current year's salary based on the average FTE for the past 10 years minus 20 percent times the MA + 30, 14th step salary on the teachers' salary schedule.

During the year ended June 30, 2009, 11 District employees requested early retirement, to be payable during the year ending June 30, 2010. The benefits to be paid to these employees will be made in October 2009 and total \$270,911. During the year ended June 30, 2009, the District paid \$1,040,542 of early retirement benefits approved during the year ended June 30, 2008 from the Management Fund. In addition, \$1,851,955 of insurance benefits is accrued in the Health Self Insurance Internal Service Fund.

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, 2009 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
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>\$ 6,590,000</u>	<u>\$ 1,260,526</u>

General obligation bond Series 2004 with an original issue amount of \$29,000,000 maturing through June 2018 with rates ranging from 2.75 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
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>\$ 20,100,000</u>	<u>\$ 4,127,750</u>

Iowa City Community School District

Notes to Basic Financial Statements

Note 6. Long-Term Liabilities (Continued)

As of June 30, 2009, the District did not exceed its legal debt margin computed as follows:

Total assessed valuation	<u>\$ 7,263,293,532</u>
Debt limit, 5% of total assessed valuation	\$ 363,164,677
Amount of debt applicable to debt limitation, general obligation bonds	<u>26,690,000</u>
Excess of debt limit over debt outstanding, legal debt margin	<u>\$ 336,474,677</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 4.1 percent of their annual covered salary and the District is required to contribute 6.35 percent of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$4,558,004, \$3,996,870 and \$3,425,186, 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, 2009, employees of the District were covered by the District's health and dental 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, 2009 and 2008 were as follows:

Self-Insurance Liability	Beginning	Claims and Changes in Estimates	Claims Payments	Ending
Health:				
2009	\$ 1,338,835	\$ 6,459,024	\$ 6,525,859	\$ 1,272,000
2008	1,266,630	8,154,772	8,082,567	1,338,835

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 \$4,265,250 for the year ended June 30, 2009. The District's actual constructive revenue and constructive expenses are included in the General Fund.

Note 10. Commitments

As of June 30, 2009, the District had outstanding construction commitments totaling approximately \$11,555,000.

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 \$17,800,000 as of June 30, 2009. 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, 2009.

Note 12. Lease Commitments

The District leases a building in Iowa City, Iowa, several special education classrooms, temporary classrooms, a daycare building and land under various leases as of June 30, 2009. Rental expense during the year ended June 30, 2009 was \$166,961.

Lease commitments as of June 30, 2009, for these leases are as follows:

<u>Year ending June 30:</u>	
2010	\$ 63,068
2011	8,207
	<u>\$ 71,275</u>

Iowa City Community School District

Notes to Basic Financial Statements

Note 13. Contingencies

As of June 30, 2009, 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 2009, monthly payments were approximately \$7,100 per month.

Note 15. Other Postemployment Benefits (OPEB)

Plan description: The District provides postemployment health benefits through a single employer defined benefit plan. Health benefits include medical, prescription drug and dental. The benefits are until the participant is Medicare eligible, are self-insured by the District and administered through First Administrators, Inc.

All participants of the postemployment medical, dental and prescription drug plan are required to contribute an amount equal to the premium equivalent. Since the premium equivalent is developed from the claims experience of active employee and retiree lives, an implicit subsidy is provided to retirees and their spouses. The implicit subsidy results from a lower premium equivalent that a retiree would otherwise pay had the claims experience been based just on retiree health claims.

Funding policy: The current funding policy of the District is to pay health claims as they occur. This arrangement does not qualify as OPEB plan assets under Governmental Accounting Standards Board (GASB) for current GASB reporting. The District establishes and amends contribution requirements annually.

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2009, the District contributed \$536,000. Contributions are required for both retiree and dependent coverage. The active and retiree premium equivalents effective April 1, 2009, are provided in the tables below:

Medical Benefit:

Rate Tier:

Retiree only	\$	560.00
Retiree + Family		1,165.00

Dental Benefit:

Rate Tier:

Retiree only		27.67
Retiree + Family		80.84

Iowa City Community School District

Notes to Basic Financial Statements

Note 15. Other Postemployment Benefits (Continued)

Annual OPEB cost and net OPEB obligation: The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actuarially contributed to the plan and changes in the District's annual OPEB obligation:

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB

Annual required contribution	\$ 679,000
Contributions and payments made	536,000
Increase in net OPEB obligation	<u>143,000</u>
Net OPEB obligation July 1, 2008	-
Net OPEB obligation June 1, 2009	<u>\$ 143,000</u>

obligations for 2009 and the two preceding years follows. This is the transition year of GASB Statement No. 45.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2007	N/A	N/A	N/A
6/30/2008	N/A	N/A	N/A
6/30/2009	\$ 679,000	79%	\$ 143,000

Funded status and funding progress: As of July 1, 2008, the most recent valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$4,441,000 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$4,441,000. The covered payroll (annual payroll of active employees covered by the plan) was \$71,799,521 and the ratio of the UAAL to the covered payroll was 6.19 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents only the initial year trend information.

Actuarial methods and assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included in the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Iowa City Community School District

Notes to Basic Financial Statements

Note 15. Other Postemployment Benefits (Continued)

In the July 1, 2008, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.5 percent investment rate of return, health care cost trend rate of 11 percent reduced 0.5 percent each year until reaching the ultimate rate of 5 percent. The UAAL is being amortized as level percentage of projected payroll on the open basis. The amortization of UAAL is over a period of 30 years.

Note 16. New Governmental Accounting Standards Board (GASB) Statements

The District implemented the following statements:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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. The effect of the adoption of this Statement to the District was to record a liability of \$143,000 for the net other postemployment benefit obligation. The actuarial accrued liability is estimated by an actuary to be \$4,441,000.
- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. 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. This Statement had no effect to the District.
- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement established consistent standards for the reporting of land and other real estate held as investments. Endowments were previously required to report their land and other real estate held for investment purposes at historical cost. However, such investments are reported at fair value by similar entities, such as pension plans. The Statement requires endowments to report land and other real estate investments at fair value. This Statement had no effect to the District.

As of June 30, 2009, 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. 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.

Iowa City Community School District

Notes to Basic Financial Statements

Note 16. New Governmental Accounting Standards Board (GASB) Statements (Continued)

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the District beginning with its year ending June 30, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.
- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the District beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.

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
Other Postemployment Benefit Plan

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7/1/2008	\$ -	\$ 4,441,000	\$ 4,441,000	0.00%	\$ 71,799,521	6.19%

Note: Fiscal year 2009 is the transition year for GASB Statement No. 45

The information presented in the required supplementary schedules was determined as part of the actuarial valuation date as of July 1, 2008. Additional information follows:

- a. The cost method used to determine the ARC is the projected unit credit actuarial cost method.
- b. Economic assumptions are as follows: health care cost trend rate of 11 percent with an ultimate rate of 5 percent, discount rate of 4.5 percent.
- c. The amortization method is open basis as a level percentage of projected payroll.

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Iowa City Community School District

Required Supplementary Information
 Budgetary Comparison Schedule
 All Governmental Funds and Enterprise Fund
 Year Ended June 30, 2009

	Governmental Fund Types Actual	Enterprise Fund Type Actual	Total Actual
Revenues:			
Local sources	\$ 82,023,016	\$ 2,346,325	\$ 84,369,341
State sources	54,506,988	39,650	54,546,638
Federal sources	5,440,340	1,867,090	7,307,430
Total revenues	141,970,344	4,253,065	146,223,409
Expenditures:			
Instruction	79,469,308	-	79,469,308
Support services	35,506,311	-	35,506,311
Noninstructional programs	24,542	4,186,568	4,211,110
Other expenditures	16,596,949	-	16,596,949
Total expenditures	131,597,110	4,186,568	135,783,678
Excess of revenues over expenditures/expenses	10,373,234	66,497	10,439,731
Fund balances, beginning of year	19,205,011	2,586,091	21,791,102
Fund balances, end of year	\$ 29,578,245	\$ 2,652,588	\$ 32,230,833

See Note to Required Supplementary Information.

Budgeted Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 82,958,415	\$ 82,958,415	\$ 1,410,926
54,807,164	54,807,164	(260,526)
4,855,000	4,855,000	2,452,430
142,620,579	142,620,579	3,602,830
78,539,886	82,399,704	2,930,396
35,714,250	36,925,361	1,419,050
4,021,300	4,775,508	564,398
14,115,023	19,368,841	2,771,892
132,390,459	143,469,414	7,685,736
\$ 10,230,120	\$ (848,835)	\$ 11,288,566

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. 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, 2009, the District adopted one budget amendment which increased the budgeted expenditures by \$11,078,955.

During the year ended June 30, 2009, 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, 2009

	Special Revenue			Total Nonmajor Governmental Funds
	Management	Student Activity	Debt Service	
Assets				
Cash and cash equivalents and investments	\$ 1,289,420	\$ 1,091,986	\$ 149,571	\$ 2,530,977
Receivables:				
Property tax:				
Current year	9,193	-	28,883	38,076
Succeeding year	1,265,902	-	3,519,473	4,785,375
Total assets	\$ 2,564,515	\$ 1,091,986	\$ 3,697,927	\$ 7,354,428
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 13,293	\$ 32,544	\$ -	\$ 45,837
Deferred revenue, succeeding year property tax	1,265,902	-	3,519,473	4,785,375
Total liabilities	1,279,195	32,544	3,519,473	4,831,212
Fund balances:				
Reserved for debt service	-	-	178,454	178,454
Unreserved, undesignated, reported in special revenue funds	1,285,320	1,059,442	-	2,344,762
Total fund balances	1,285,320	1,059,442	178,454	2,523,216
Total liabilities and fund balances	\$ 2,564,515	\$ 1,091,986	\$ 3,697,927	\$ 7,354,428

Iowa City Community School District

Combining Statement of Revenues, Expenditures and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2009

	Special Revenue			Total Nonmajor Governmental Funds
	Management	Student Activity	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ 1,162,995	\$ -	\$ 3,573,769	\$ 4,736,764
Other	97,669	2,362,513	11,405	2,471,587
Total revenues	1,260,664	2,362,513	3,585,174	7,208,351
Expenditures:				
Current:				
Instruction:				
Regular	1,887,346	-	-	1,887,346
Other instruction	-	2,208,059	-	2,208,059
Support services:				
Administration services	594,582	164,999	800	760,381
Operations and maintenance	320,626	605	-	321,231
Transportation services	-	195,406	-	195,406
Other expenditures:				
Debt service:				
Principal	-	-	2,515,000	2,515,000
Interest and fiscal charges	-	-	1,059,153	1,059,153
Total expenditures	2,802,554	2,569,069	3,574,953	8,946,576
Excess (deficiency) of revenues over expenditures	(1,541,890)	(206,556)	10,221	(1,738,225)
Other financing sources, transfers in	-	182,000	-	182,000
Net change in fund balances	(1,541,890)	(24,556)	10,221	(1,556,225)
Fund balances, beginning of year	2,827,210	1,083,998	168,233	4,079,441
Fund balances, end of year	\$ 1,285,320	\$ 1,059,442	\$ 178,454	\$ 2,523,216

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Iowa City Community School District

Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances (Deficits)
Special Revenue Fund, Student Activity, by Account
Year Ended June 30, 2009

	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	\$ 8,258	\$ 3,423	\$ 1,356	\$ 530
Student activity fees, sales and miscellaneous	670,730	1,108,631	139,972	98,411
Total revenues	678,988	1,112,054	141,328	98,941
Expenditures:				
Current:				
Instruction, other instruction	611,487	1,062,532	143,510	99,736
Support services:				
Administration services	80,782	49,989	14,598	7,324
Operations and maintenance	-	-	-	-
Transportation services	-	-	-	-
Total expenditures	692,269	1,112,521	158,108	107,060
Excess (deficiency) of revenues over expenditures	(13,281)	(467)	(16,780)	(8,119)
Other financing sources, transfers in	16,000	16,000	-	-
Net change in fund balances (deficits)	2,719	15,533	(16,780)	(8,119)
Fund balances (deficits), beginning of year	510,894	369,835	85,014	40,320
Fund balances (deficits), end of year	\$ 513,613	\$ 385,368	\$ 68,234	\$ 32,201

North Central Junior High and Elementary Schools	Athletic Fund	District-Wide Activities Account	Vocational Auto Mechanics	Total Student Activity Funds
\$ 616	\$ 198	\$ 111	\$ 2	\$ 14,494
78,750	245,891	2,839	2,795	2,348,019
79,366	246,089	2,950	2,797	2,362,513
62,680	223,319	1,241	3,554	2,208,059
11,634	-	672	-	164,999
-	605	-	-	605
-	195,406	-	-	195,406
74,314	419,330	1,913	3,554	2,569,069
5,052	(173,241)	1,037	(757)	(206,556)
-	150,000	-	-	182,000
5,052	(23,241)	1,037	(757)	(24,556)
35,524	(7,622)	24,530	25,503	1,083,998
\$ 40,576	\$ (30,863)	\$ 25,567	\$ 24,746	\$ 1,059,442

Iowa City Community School District

Statement of Changes in Fiduciary
Assets and Liabilities - Agency Funds
Year Ended June 30, 2009

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
Flexible Benefits Account				
Assets,				
cash and cash equivalents	\$ 64,234	\$ 1,793,862	\$ 1,659,065	\$ 199,031
Liabilities,				
due to private individuals	\$ 64,234	\$ 1,793,862	\$ 1,659,065	\$ 199,031
School Children's Aid				
Assets,				
cash and cash equivalents	\$ 9,996	\$ 16,034	\$ 15,516	\$ 10,514
Liabilities,				
due to private individuals	\$ 9,996	\$ 16,034	\$ 15,516	\$ 10,514
Opportunity Funds				
Assets,				
cash and cash equivalents	\$ 4,542	\$ 8,019	\$ 6,306	\$ 6,255
Liabilities,				
due to private individuals	\$ 4,542	\$ 8,019	\$ 6,306	\$ 6,255
School Based Health Clinics				
Assets,				
cash and cash equivalents	\$ 18,349	\$ 65,990	\$ 50,365	\$ 33,974
Liabilities,				
due to private individuals	\$ 18,349	\$ 65,990	\$ 50,365	\$ 33,974
Total Agency Funds				
Assets,				
cash and cash equivalents	\$ 97,121	\$ 1,883,905	\$ 1,731,252	\$ 249,774
Liabilities,				
due to private individuals	\$ 97,121	\$ 1,883,905	\$ 1,731,252	\$ 249,774

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.	58 - 71
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).	72 - 75
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.	76 - 79
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.	80 - 81
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.	82 - 91

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 Seven 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		2008		2009	
\$	47,646,574	\$	60,614,632	\$	64,933,021	\$	73,555,648	\$	80,393,020
	6,693,449		7,951,013		9,460,390		5,669,654		5,416,705
	15,542,661		7,670,949		6,659,080		17,882,764		32,018,847
\$	69,882,684	\$	76,236,594	\$	81,052,491	\$	97,108,066	\$	117,828,572
\$	285,874	\$	342,565	\$	456,833	\$	496,000	\$	490,509
	-		-		-		-		-
	1,559,611		1,872,776		2,111,394		2,345,817		2,560,254
\$	1,845,485	\$	2,215,341	\$	2,568,227	\$	2,841,817	\$	3,050,763
\$	47,932,448	\$	60,957,197	\$	65,389,854	\$	74,051,648	\$	80,883,529
	6,693,449		7,951,013		9,460,390		5,669,654		5,416,705
	17,102,272		9,543,725		8,770,474		20,228,581		34,579,101
\$	71,728,169	\$	78,451,935	\$	83,620,718	\$	99,949,883	\$	120,879,335

Iowa City Community School District

Expenses, Program Revenues and Net (Expense) Revenue
 Last Seven 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		2008		2009	
\$	58,885,279	\$	63,495,701	\$	67,906,615	\$	75,311,719	\$	80,135,420
	2,710,002		2,836,912		2,945,952		3,151,173		3,410,990
	4,806,321		4,930,194		5,125,575		6,292,532		6,277,063
	8,410,711		8,047,884		8,663,947		9,585,085		9,177,313
	7,891,471		9,251,147		10,391,249		10,149,107		11,020,902
	2,670,509		3,544,445		3,764,939		5,011,447		5,670,355
	4,101,623		5,055,519		5,998,900		5,188,131		4,986,103
	268,069		18,775		13,762		17,660		44,222
	1,307,945		1,229,057		1,167,068		1,065,987		1,028,590
	91,051,930		98,409,634		105,978,007		115,772,841		121,750,958
	2,941,497		3,205,272		3,451,139		3,806,588		4,044,118
\$	93,993,427	\$	101,614,906	\$	109,429,146	\$	119,579,429	\$	125,795,076
<hr/>									
\$	2,821,032	\$	3,016,916	\$	3,375,102	\$	3,544,907	\$	3,875,751
	180,094		11,447		19,701		11,919		113,293
	8,613,823		10,502,795		10,904,544		13,447,339		17,401,300
	1,536,790		457,884		709,601		181,603		326,887
	13,151,739		13,989,042		15,008,948		17,185,768		21,717,231
<hr/>									
	1,956,544		2,094,665		2,153,019		2,258,569		2,321,754
	1,231,176		1,384,365		1,545,561		1,759,123		1,906,739
	-		33,057		11,000		-		-
	3,187,720		3,512,087		3,709,580		4,017,692		4,228,493
\$	16,339,459	\$	17,501,129	\$	18,718,528	\$	21,203,460	\$	25,945,724
<hr/>									
\$	(77,900,191)	\$	(84,420,592)	\$	(90,969,059)	\$	(98,587,073)	\$	(100,033,727)
	246,223		306,815		258,441		211,104		184,375
\$	(77,653,968)	\$	(84,113,777)	\$	(90,710,618)	\$	(98,375,969)	\$	(99,849,352)

Iowa City Community School District

**General Revenues and Total Change in Net Assets
Last Seven 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
Sales taxes provided for capital projects#	-	-
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.

#The District began receiving sales tax revenues in July 2007 based upon a voter approved plan from February 2007.

					Fiscal Year				
2005		2006		2007		2008		2009	
\$	(77,900,191)	\$	(84,420,592)	\$	(90,969,059)	\$	(98,587,073)	\$	(100,033,727)
	246,223		306,815		258,441		211,104		184,375
	(77,653,968)		(84,113,777)		(90,710,618)		(98,375,969)		(99,849,352)
	37,415,151		39,354,754		43,260,607		46,156,268		50,280,460
	3,349,897		5,827,602		6,463,349		6,715,464		7,131,726
	3,604,392		3,640,090		3,603,181		3,117,301		3,573,769
	-		-		-		13,952,660		12,870,778
	35,092,649		36,727,158		38,000,023		40,899,909		43,398,531
	380,544		989,882		1,214,815		756,496		315,709
	3,012,653		4,235,016		3,242,981		3,044,550		3,183,260
	82,855,286		90,774,502		95,784,956		114,642,648		120,754,233
	24,274		63,041		94,445		62,486		24,571
	82,879,560		90,837,543		95,879,401		114,705,134		120,778,804
	4,955,095		6,353,910		4,815,897		16,055,575		20,720,506
	270,497		369,856		352,886		273,590		208,946
\$	5,225,592	\$	6,723,766	\$	5,168,783	\$	16,329,165	\$	20,929,452

Iowa City Community School District

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

	Fiscal Year			
	2000	2001	2002	2003
General Fund:				
Reserved	\$ 584,915	\$ 693,854	\$ 751,948	\$ 753,308
Unreserved	9,162,326	12,108,067	12,589,484	13,119,873
Total General Fund	\$ 9,747,241	\$ 12,801,921	\$ 13,341,432	\$ 13,873,181
All other governmental funds:				
Reserved	\$ 222,933	\$ 286,056	\$ 362,131	\$ 370,397
Unreserved, reported in:				
Special revenue funds	4,180,754	4,066,434	4,216,995	3,781,113
Capital projects funds	214,144	201,903	169,130	10,001,895
Total all other governmental funds	\$ 4,617,831	\$ 4,554,393	\$ 4,748,256	\$ 14,153,405

		Fiscal Year									
		2004	2005	2006	2007	2008	2009				
\$	621,500	\$	735,539	\$	1,071,626	\$	1,334,507	\$	1,546,798	\$	1,534,839
	11,243,223		11,654,539		10,400,123		9,208,308		3,554,114		5,344,723
\$	11,864,723	\$	12,390,078	\$	11,471,749	\$	10,542,815	\$	5,100,912	\$	6,879,562
\$	450,071	\$	471,401	\$	552,899	\$	642,360	\$	168,233	\$	178,454
	5,340,982		5,772,504		8,054,048		9,335,752		5,774,720		5,491,255
	32,896,901		8,117,685		(7,704,715)		(8,986,375)		8,161,146		17,028,974
\$	38,687,954	\$	14,361,590	\$	902,232	\$	991,737	\$	14,104,099	\$	22,698,683

Iowa City Community School District

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

	Fiscal Year			
	2000	2001	2002	2003
Federal sources, federal grants	\$ 1,629,379	\$ 1,584,582	\$ 1,731,845	\$ 2,122,528
State sources, state grants and other	34,222,941	36,153,467	36,682,827	38,424,534
Local sources:				
Ad valorem taxes	33,128,222	35,253,249	36,739,202	39,060,701
Interest and other income	1,009,249	1,278,300	629,759	317,551
Other revenues	5,571,068	5,163,119	5,621,735	5,865,674
Total local sources	39,708,539	41,694,668	42,990,696	45,243,926
Total revenues	\$ 75,560,859	\$ 79,432,717	\$ 81,405,368	\$ 85,790,988

						Fiscal Year					
2004		2005		2006		2007		2008		2009	
\$	2,211,501	\$	3,849,343	\$	4,022,837	\$	3,846,094	\$	3,691,110	\$	5,440,340
	38,088,997		40,391,200		42,726,134		45,049,784		50,154,765		54,506,988
	42,385,863		44,369,440		48,822,446		53,327,137		69,075,496		73,835,697
	157,253		380,544		989,882		1,214,815		1,321,185		196,284
	6,193,427		6,597,126		7,845,172		6,640,304		7,159,282		7,991,035
	48,736,543		51,347,110		57,657,500		61,182,256		77,555,963		82,023,016
\$	89,037,041	\$	95,587,653	\$	104,406,471	\$	110,078,134	\$	131,401,838	\$	141,970,344

Iowa City Community School District

Governmental Funds Expenditures and Debt Service Ratio

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	2000	2001	2002	2003 (1)
Instruction	\$ 42,414,342	\$ 45,021,000	\$ 48,966,449	\$ 51,047,044
Pupil personnel services	2,061,207	2,057,208	2,137,569	2,288,553
Instructional media services	2,248,768	2,328,958	2,586,598	-
Instruction and curriculum development services	1,921,189	2,178,254	2,397,475	4,730,821
Board of education	89,084	77,598	82,037	-
General administration	884,484	1,636,358	1,379,233	-
School administration	3,257,831	3,387,778	3,662,790	8,757,421
Fiscal services	620,310	622,629	607,940	-
Central services	1,985,854	1,992,381	1,691,849	-
Plant operation and maintenance	6,330,362	6,992,160	6,774,076	6,983,505
Pupil transportation services	2,100,390	2,242,908	2,345,281	2,541,268
AEA flowthrough	2,951,530	3,104,764	3,099,086	3,187,081
Community services	252,062	257,207	231,893	255,004
Noncapital facilities acquisition/construction	-	-	-	-
Capital outlay, facilities acquisition/construction	2,528,923	2,736,671	2,902,281	4,567,357
Debt service:				
Principal	1,500,000	1,575,000	1,650,000	1,865,000
Interest	297,013	230,601	157,437	80,988
Total expenditures	\$ 71,443,349	\$ 76,441,475	\$ 80,671,994	\$ 86,304,042
Debt service as a percentage of noncapital expenditures	2.61%	2.45%	2.32%	2.38%

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

		Fiscal Year									
		2004 (1)	2005 (1)	2006 (1)	2007 (1)	2008 (1)	2009 (1)				
\$	54,905,152	\$	56,638,793	\$	62,091,439	\$	65,440,584	\$	71,694,880	\$	79,469,308
	2,555,746		2,710,002		2,836,912		2,945,952		3,151,173		3,405,973
	-		-		-		-		-		-
	5,473,625		4,798,911		4,923,439		5,106,837		6,264,667		6,221,272
	-		-		-		-		-		-
	-		-		-		-		-		-
	8,339,612		8,661,234		8,299,518		9,074,574		9,619,098		9,624,966
	-		-		-		-		-		-
	-		-		-		-		-		-
	7,412,390		7,769,887		9,105,165		10,204,862		9,918,437		10,583,745
	2,794,426		2,670,509		3,544,445		3,764,939		5,011,447		5,670,355
	3,035,870		3,127,792		3,284,598		3,561,580		3,855,124		4,265,250
	271,862		271,913		18,962		13,762		17,660		24,542
	-		902,669		1,760,485		2,407,038		1,301,574		674,733
	9,939,999		27,607,472		19,300,592		4,825,783		9,273,067		8,082,813
	705,000		2,650,000		2,365,000		2,380,000		2,495,000		2,515,000
	404,944		1,579,480		1,253,603		1,191,652		1,129,252		1,059,153
\$	95,838,626	\$	119,388,662	\$	118,784,158	\$	110,917,563	\$	123,731,379	\$	131,597,110
	1.29%		4.61%		3.64%		3.37%		3.01%		2.89%

Iowa City Community School District

Other Financing Sources and Uses and Net Change in Fund Balances

Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	2000	2001	2002	2003
Excess of revenues over (under) expenditures	\$ 4,117,510	\$ 2,991,242	\$ 733,374	\$ (513,054)
Other financing sources (uses):				
General long-term debt issued	\$ -	\$ -	\$ -	\$ 10,039,661
Real estate contract financing	-	-	-	940,000
Transfers in	171,210	185,235	143,456	514,537
Transfers out	(171,210)	(185,235)	(143,456)	(514,537)
Total other financing sources (uses)	-	-	-	10,979,661
Net change in fund balances	\$ 4,117,510	\$ 2,991,242	\$ 733,374	\$ 10,466,607

Fiscal Year					
2004	2005	2006	2007	2008	2009
\$ (6,801,585)	\$ (23,801,009)	\$ (14,377,687)	\$ (839,429)	\$ 7,670,459	\$ 10,373,234
\$ 29,327,676	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
455,260	849,694	235,841	200,906	9,149,956	182,000
(455,260)	(849,694)	(235,841)	(200,906)	(9,149,956)	(182,000)
29,327,676	-	-	-	-	-
\$ 22,526,091	\$ (23,801,009)	\$ (14,377,687)	\$ (839,429)	\$ 7,670,459	\$ 10,373,234

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			
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	6,657,113,816	3,470,635,664	13.582
2007	5,289,104,944	1,715,633,816	123,868,204	7,263,293,532	3,855,126,078	13.632
2008	5,582,528,754	1,727,466,978	123,600,803	7,433,596,535	4,011,810,830	13.852
2009	5,573,480,587	1,792,790,491	147,983,455	7,514,254,533	4,272,156,417	14.192

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 \$7,263,293,532 from January 1, 2007 are used for the taxable values for fiscal year 2009.

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
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
2008	11.407	1.670	0.775	13.852	6.494	17.297	0.855	0.332
2009	11.685	1.670	0.837	14.192	7.486	17.717	0.852	0.320

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	2009			2000		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Mid American Energy Co	\$ 88,300,321	1	2.07%	-	-	-
Coral Ridge Mall LLC	69,878,000	2	1.64	-	-	-
American College Testing Program, Inc.	38,760,631	3	0.91	-	-	-
City of Coralville	35,071,960	4	0.82	-	-	-
Raycal Iowa LTD	24,625,490	5	0.58	-	-	-
City Center Partners	21,419,130	6	0.50	-	-	-
Individual	21,175,087	7	0.50	-	-	-
Individual	19,794,600	8	0.46	-	-	-
Hawkeye Real Estate Investment	18,313,600	9	0.43	-	-	-
Plaza Towers LLC	17,783,940	10	0.42	-	-	-
GGP Limited Partnership	-	-	-	47,645,000	1	1.88
Individual	-	-	-	25,469,788	2	1.01
Old Capital Mall Associates LP	-	-	-	13,496,690	5	0.53
Proctor & Gamble Mfg. Co.	-	-	-	9,629,060	10	0.38
National Computer Systems, Inc.	-	-	-	15,058,640	3	0.59
Individual	-	-	-	14,186,090	4	0.56
MIP Iowa City LLP	-	-	-	11,440,380	7	0.45
Ambrose Properties	-	-	-	11,201,360	8	0.44
Southgate Development Co, Inc.	-	-	-	12,247,604	6	0.48
The Eastlake Partnership	-	-	-	10,072,700	10	0.40
All other taxpayers	3,917,033,658	-	-	2,361,499,078	-	-
Total	\$ 4,272,156,417			\$2,531,946,390		

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
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
2008	51,074,963	50,994,354	99.84	15,344	51,009,698	99.87
2009	55,532,389	55,450,275	99.85	23,440	55,473,715	99.89

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
2000	\$ 4,950,000	20.00%	\$ 61.88	15.227%
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	*
2008	29,205,000	0.73	298.01	*
2009	26,690,000	0.62	272.35	*

Source: District records

* Information not available

Iowa City Community School District

Direct and Overlapping Governmental Activities Debt
 As of June 30, 2009
 (Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
City of Iowa City	78,025,000	99.998%	\$ 78,023,440
City of Coralville	110,135,000	76.377	84,117,809
City of North Liberty	15,539,000	73.560	11,430,488
Kirkwood Community College	18,180,000	75.978	13,812,800
Johnson County	24,745,000	75.921	18,786,651
City of University Heights	218,000	100.000	218,000
Subtotal, overlapping debt			206,389,188
District direct debt			26,690,000
Total direct and overlapping debt			\$ 233,079,188

Source: Johnson County Auditor

Iowa City Community School District

Legal Debt Margin Information
 Last Ten Fiscal Years
 (Unaudited)

	2000	2001	2002	2003
Debt limit	\$ 175,433,448	\$ 180,399,447	\$ 193,918,784	\$ 202,988,628
Total net debt applicable to limit	4,950,000	3,375,000	1,725,000	-
Legal debt margin	<u>\$ 170,483,448</u>	<u>\$ 177,024,447</u>	<u>\$ 192,193,784</u>	<u>\$ 202,988,628</u>
Total net debt applicable to the limit as a percentage of debt limit	2.90%	1.91%	0.90%	0.00%

Source: Johnson County Auditor and District records.

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value \$ 7,263,293,532

Debt limit (5% of assessed value) \$ 363,164,677

Debt applicable to limit 26,690,000

Legal debt margin \$ 336,474,677

	2004	2005	2006	2007	2008	2009
\$	222,536,021	\$ 262,674,791	\$ 275,197,931	\$ 317,997,232	\$ 332,855,691	\$ 363,164,677
	38,495,000	36,445,000	34,080,000	31,700,000	29,205,000	26,690,000
\$	184,041,021	\$ 226,229,791	\$ 241,117,931	\$ 286,297,232	\$ 303,650,691	\$ 336,474,677

20.92%

16.11%

14.13%

11.07%

9.62%

7.93%

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
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
2007	62,220	98,000	*	*	2.90
2008	62,220	98,000	*	*	4.50

* 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 (Sept 2009).

Iowa City Community School District

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Employer	2009			2000		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
The University of Iowa (1)	17,855	1	20.55%	23,596	1	34.45%
The University of Iowa Hospitals and Clinics (1)	7,638	2	8.79	-	-	-
Hy-Vee Food Stores	1,500	3	1.73	1,320	4	0.02
American College Testing	1,426	4	1.64	1,100	7	1.61
Mercy Hospital	1,262	5	1.45	1,150	6	1.68
Veterans Administration Hospital	1,232	6	1.42	1,320	3	1.93
Iowa City Community School District	1,200	7	1.38	1,600	2	2.34
Pearson (formerly National Computer Systems)	1,101	8	1.27	1,208	5	1.76
Riverside Casino & Golf Resort	950	9	1.09	-	-	-
Rockwell International	828	10	0.95	792	10	1.16
Lear (United Technology)	772	11	0.89	940	8	1.37
Systems Unlimited	760	12	0.87	-	-	-
Proctor & Gamble Mfg. Co.	-	-	-	-	-	-
MCI Mass Markets	-	-	-	612.00	11	0.89
Oral B Laboratories	-	-	-	800	9	0.01
All other employers	50,376	-	-	34,062	-	-
Total	86,900		42.03%	68,500		47.64%

Source: City of Iowa City, as last updated October 2007

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

Iowa City Community School District

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

	Full-Time Equivalent Employees as of June 30			
	2000	2001	2002	2003
Supervisory:				
Instructional administrators	2.00	2.00	2.00	2.00
Noninstructional administrators	6.00	7.00	7.00	7.00
Athletic directors	2.00	2.00	2.00	2.00
Principals	21.00	21.00	21.00	21.00
Assistant principals	5.50	6.00	6.00	6.00
Total supervisory	36.50	38.00	38.00	38.00
Instruction:				
Elementary classroom teachers	302.34	305.15	308.26	318.74
Secondary classroom teachers	247.96	238.85	242.04	222.93
Other classroom teachers	123.80	125.40	132.20	136.65
Paraprofessionals	171.00	180.00	190.00	200.00
Total instruction	845.10	849.40	872.50	878.32
Student services:				
Guidance counselors	22.50	24.90	25.00	25.60
Media specialists	24.30	23.50	23.30	24.50
Other professionals (noninstructional)	13.50	18.40	12.80	14.50
Consultants/supervisory	10.00	10.50	12.00	21.99
Total student services	70.30	77.30	73.10	86.59
Support and administration:				
Clerical/secretarial	92.00	96.00	102.00	106.00
Food service workers	64.00	65.00	69.00	70.00
Physical plant	109.00	110.00	115.00	105.00
Other	8.00	6.00	8.00	26.00
Total support and administration	273.00	277.00	294.00	307.00
Total	1,224.90	1,241.70	1,277.60	1,309.91

Source: District records

Full-Time Equivalent Employees as of June 30						Percentage Change
2004	2005	2006	2007	2008	2009	2000 - 2009
2.00	2.00	2.00	2.00	2.00	2.00	0.00%
7.00	7.00	7.00	7.00	7.50	7.50	25.00%
2.00	2.00	2.00	2.00	2.00	2.00	0.00%
21.00	21.00	22.00	24.00	24.00	24.00	14.29%
6.00	6.00	6.00	6.00	8.00	8.00	45.45%
38.00	38.00	39.00	41.00	43.50	43.50	19.18%
313.30	314.31	326.95	337.84	354.27	356.34	17.86%
231.49	224.64	223.12	223.55	235.59	239.68	-3.34%
143.04	143.66	169.29	182.58	196.90	207.42	67.54%
215.00	290.00	313.00	318.00	311.00	323.00	88.89%
902.83	972.61	1,032.36	1,061.97	1,130.76	1,126.44	33.29%
27.50	27.50	28.30	28.30	28.38	28.93	28.58%
24.50	24.00	26.00	26.00	25.80	26.80	10.29%
19.30	21.88	20.78	24.23	26.51	20.00	48.15%
14.00	14.00	12.00	12.00	14.00	12.30	23.00%
85.30	87.38	87.08	90.53	94.69	88.03	25.22%
101.00	103.00	98.00	96.50	104.50	107.75	17.12%
69.00	60.00	62.00	65.00	79.70	81.00	26.56%
108.00	109.00	116.00	122.00	120.10	121.80	11.74%
21.00	34.00	20.00	19.00	19.00	16.00	100.00%
299.00	306.00	296.00	302.50	323.30	326.55	19.62%
1,325.13	1,403.99	1,454.44	1,496.00	1,592.25	1,584.52	29.36%

Iowa City Community School District

Operating Statistics
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year	Official Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change
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
2008	11,718	114,706,854	9,789	5.23
2009	11,750	120,722,368	10,229	4.49

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
*	*	*	674.10	*	1820.00%
*	*	*	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
3,806,588	325	6.21	786.76	14.89	27.40
4,044,118	344	5.85	803.44	14.62	27.45

Iowa City Community School District

School Building Information
Last Ten Fiscal Years
(Unaudited)

School	Fiscal Year				
	2000	2001	2002	2003	2004
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	423	434	455	430	433
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	373	373	360	359	376
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	289	293	286	277	287
Hills Elementary (1965, 1969)					
Square feet	24,449	24,449	24,449	24,449	24,449
Capacity	220	220	220	220	220
Enrollment	228	231	258	247	189
Ernest Horn Elementary (1969, 1978)					
Square feet	35,303	35,303	35,303	35,303	35,303
Capacity	286	286	286	286	286
Enrollment	296	295	291	293	315
Helen Lemme Elementary (1970, 1975, 1998)					
Square feet	36,293	36,293	36,293	36,293	36,293
Capacity	308	308	308	308	308
Enrollment	287	308	269	275	286
Lincoln Elementary (1926, 1988)					
Square feet	25,832	25,832	25,832	25,832	25,832
Capacity	220	220	220	220	220
Enrollment	205	212	218	241	249
Longfellow Elementary (1917)					
Square feet	30,148	30,148	30,148	30,148	30,148
Capacity	308	308	308	308	308
Enrollment	302	281	304	283	289
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	372	381	364	383	408
Horace Mann Elementary (1917)					
Square feet	29,360	29,360	29,360	29,360	29,360
Capacity	286	286	286	286	286
Enrollment	256	270	272	259	270
Penn Elementary (1961, 1985, 1995)					
Square feet	38,838	38,838	38,838	38,838	38,838
Capacity	418	418	418	418	418
Enrollment	370	406	417	437	456

(Continued)

Fiscal Year				
2005	2006	2007	2008	2009
52,967	52,967	52,967	52,967	52,967
462	462	462	462	462
458	437	448	423	427
48,045	48,045	48,045	48,045	48,045
352	352	352	352	352
366	385	441	438	439
36,643	36,643	36,643	36,643	36,643
330	330	330	330	330
275	302	306	308	306
24,449	24,449	24,449	24,449	24,449
220	220	220	220	220
164	140	152	132	137
35,303	35,303	35,303	35,303	35,303
286	286	286	286	286
303	292	288	292	279
36,293	36,293	36,293	36,293	36,293
308	308	308	308	308
273	286	283	289	296
25,832	25,832	25,832	25,832	25,832
220	220	220	220	220
256	244	256	260	253
30,148	30,148	30,148	30,148	30,148
308	308	308	308	308
276	289	284	317	305
42,080	42,080	42,080	42,080	42,080
418	418	418	418	418
420	438	426	415	424
29,360	29,360	29,360	29,360	29,360
286	286	286	286	286
261	258	249	257	244
38,838	38,838	38,838	38,838	38,838
418	418	418	418	418
487	354	391	417	461

Iowa City Community School District

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

School	Fiscal Year				
	2000	2001	2002	2003	2004
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	285	302	288	273	264
Bouhmil Shimek Elementary (1970, 1991)					
Square feet	28,130	28,130	28,130	28,130	28,130
Capacity	242	242	242	242	242
Enrollment	249	231	246	236	232
Mark Twain Elementary (1954, 1961)					
Square feet	40,204	40,204	40,204	40,204	40,204
Capacity	330	330	330	330	330
Enrollment	309	277	293	242	314
Irving Weber Elementary (1993, 2001)					
Square feet	45,680	45,680	48,400	48,400	48,400
Capacity	440	440	484	484	484
Enrollment	441	453	467	464	492
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	476	496	439	446	433
Kate Wickham Elementary (1997)					
Square feet	56,049	56,049	56,049	56,049	56,049
Capacity	418	418	418	418	418
Enrollment	477	443	469	492	538
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	825	819	874	912	875
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	746	731	745	775	727
North Central Junior High School (2006)					
Square feet	-	-	-	-	-
Capacity	-	-	-	-	-
Enrollment	-	-	-	-	-

(Continued)

Fiscal Year				
2005	2006	2007	2008	2009
29,008	29,008	29,008	29,008	29,008
264	264	264	264	264
248	289	298	340	365
28,130	28,130	28,130	28,130	28,130
242	242	242	242	242
224	220	220	204	191
40,204	40,204	40,204	40,204	40,204
330	330	330	330	330
295	264	220	239	234
48,400	47,820	47,820	48,400	48,400
484	484	484	484	484
493	490	494	523	540
47,190	59,890	59,890	59,890	59,890
484	484	484	484	484
432	417	486	524	510
56,049	56,049	56,049	56,049	56,049
418	418	418	418	418
563	447	452	491	493
-	61,081	61,081	61,081	61,081
-	484	484	484	484
-	392	484	551	599
124,436	124,436	124,436	124,436	124,436
875	875	875	875	875
907	912	620	610	622
115,604	115,604	115,604	111,183	138,806
775	775	775	775	775
677	681	660	701	705
-	82,612	82,612	82,612	82,612
-	450	450	450	450
-	-	308	349	359

Iowa City Community School District

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

School	Fiscal Year				
	2000	2001	2002	2003	2004
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	1,602	1,549	1,562	1,527	1,521
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	1,580	1,617	1,640	1,648	1,675
Elizabeth Tate High School (2005)					
Square feet					
Capacity					
Enrollment					
Portable Classrooms (Various)					
Square feet	22,800	22,800	22,800	24,240	24,240
Capacity					
Number	31	31	31	33	33
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				
2005	2006	2007	2008	2009
247,052	267,752	267,752	267,752	267,752
1,400	1,600	1,600	1,600	1,600
1,542	1,438	1,356	1,507	1,383
272,663	309,943	309,943	339,217	339,217
1,600	1,800	1,800	1,800	1,800
1,754	1,755	1,838	1,764	1,754
	19,700	19,700	19,700	19,700
	97	121	118	110
25,744	24,992	24,992	33,296	33,296
35	34	34	37	37
24,588	24,588	24,588	24,588	24,588
19,638	19,638	19,638	19,638	19,638
4	4	5	5	5
1	1	1	1	1
2	2	2	2	2
4	4	4	4	4
2	2	2	2	2
17	18	18	18	18

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Iowa City Community School District

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

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 of Iowa Department of Education:			
USDA Commodities (Noncash)	10.555	77-1737	\$ 269,977
National School Lunch Program	10.555	77-1737	1,328,774
National School Breakfast Program	10.553	77-1737	254,537
Summer School Lunch Program	10.559	77-1737	32,617
Total nutrition cluster			<u>1,885,905</u>
U.S. Army Corps of Engineers:			
Passed through Johnson County, Iowa:			
Flood Control Projects	12.106	N/A	<u>5,179</u>
U.S. Department of Housing and Urban Development:			
Passed through City of Iowa City, Iowa:			
Community Development Block Grant	14.218	N/A	<u>39,908</u>
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	<u>84,602</u>
Corporation for National Community Service:			
Passed through State of Iowa Department of Education, Learn and Serve America - School and Community			
	94.004	N/A	<u>1,154</u>
U.S. Department of Homeland Security:			
Passed through Iowa Department of Public Defense:			
FEMA	97.036	N/A	<u>16,189</u>
U.S. Department of Education:			
Passed through State of Iowa Department of Education:			
Title I - Grants to Local Educational Agencies	84.010A	N/A	1,473,962
Title II - Improving Teacher Quality State Grant	84.367	N/A	419,104
Grants for State Assessments and Related Activities	84.369	N/A	72,096
Safe and Drug-Free Schools and Communities - State Grants	84.186A	77-6957	66,061
Vocational Education Basic Grants to States	84.048A	77-6957	104,939
Twenty-First Century Learning Centers	84.287A	N/A	448,384
Education for Homeless Children & Youth	84.196	N/A	24,390
IDEA - Non-nimas Work Groups	84.027	N/A	900
IDEA - High Cost Funding	84.027	N/A	33,470
ARRA - State Stabilization Funds	84.394	N/A	981,205
			<u>3,624,511</u>

(Continued)

Iowa City Community School District

Schedule of Expenditures of Federal Awards (Continued)
 Year Ended June 30, 2009

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	38,874
Special Education Grants to States	84.027	N/A	628,550
Education Technology Grants	84.318	N/A	45,424
			712,848
U.S. Department of Education:			
Passed through the University of Iowa:			
Math & Science Partnerships - University of Iowa	84.366	N/A	675
U.S. Department of Education:			
Passed through the School Administrators of Iowa:			
iPIRC	84.310A	N/A	4,925
Direct Program:			
Impact Aid	84.041	N/A	9,881
Safe and Drug-Free Schools and Communities - National Programs	84.184B	N/A	28,384
Safe and Drug-Free Schools and Communities - Safe Schools/Healthy Students	84.184L	N/A	310,219
Funding for the Improvement of Education - Carol White PE	84.215F	N/A	225,420
FIE Earmark Grant Awards - Earobics	84.215K	N/A	519,370
			1,093,274
Total U.S. Department of Education			5,436,233
Total expenditures of federal awards			\$ 7,469,170

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, 2009

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, 2009. 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.

Iowa City Community School District

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009**

Finding		Status	Corrective Action Plan or Other Explanation
Significant Deficiencies in Internal Control:			
08-II-A	The District has insufficient segregation of duties over the payroll process.	Not corrected.	See corrective action plan at 09-II-A.
08-II-B	The District has insufficient segregation of duties over the cash disbursement function.	Not corrected.	See corrective action plan at 09-II-B.
08-II-C	The District has insufficient segregation of duties over the cash receipts function.	Not corrected.	See corrective action plan at 09-II-C.
08-II-D	The District does not have a formal policy for approving new vendors.	Not corrected.	See corrective action plan at 09-II-D.
08-II-E	The District has improper segregation of duties over student activity funds.	Not corrected.	See corrective action plan at 09-II-E.
Instance of Noncompliance in Administering Federal Awards:			
08-III-A	The District does not have documentation to support the allocation of split funded employee payroll costs as required by OMB A-87.	Not corrected.	See corrective action plan at 09-III-A.
Other Findings Related to Required Statutory Reporting:			
08-IV-B	It was noted one disbursement for employee reimbursement was made to a District employee in which the expenditure did not meet the requirements of being for public purpose as defined in the Attorney General's opinion dated April 25, 1979.	Corrected.	

McGladrey & Pullen

Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Iowa City Community School District as of and for the year ended June 30, 2009, which collectively comprise Iowa City Community School District's basic financial statements and have issued our report thereon dated December 2, 2009. 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 generally accepted accounting principles 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: 09-II-A through 09-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 the significant deficiencies 09-II-A, 09-II-B and 09-II-C described above are material weaknesses.

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*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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 2, 2009.

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 2, 2009

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, 2009. 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 Non-Profit 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, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying *schedule of findings and questioned costs* as items 09-III-A through 09-III-E.

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.

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.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 2, 2009

Iowa City Community School District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

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
10.555	USDA Commodities
10.555	National School Lunch Program
10.553	National School Breakfast Program
10.559	Summer School Lunch Program
84.027	Special Education Grants to States
84.027	IDEA - Non-Nimas Work Groups
84.027	IDEA - High Cost Funding
84.394	ARRA - State Stabilization Funds
84.184L	Safe and Drug-Free Schools and Communities Safe School/Healthy Students
84.215K	FIE Earmark Grant Awards - Earobics

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, 2009

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 and Material Weaknesses

09-II-A

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

Condition: Individuals have the capability to change the employee master file, enter time, generate payroll checks and access 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 District evaluate their software vendor in order to have password protections within applications in regards to the master file being limited to the Human Resources Department. If capabilities don't exist to restrict access, the Human Resources Department should be reviewing an edit listing of the master file, which includes the following; new employees added, terminated employees, pay rate changes and address changes.

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 has received a program upgrade from its accounting software vendor that will allow for a review of the employee payroll database and determine if employees have been properly included for payroll purposes. 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. The payroll supervisor also performs a detailed reconciliation of salary costs of each employee group for every payroll that tracks all new and terminated employees.

09-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.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

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

Recommendation: We recommend the District remove the access of the check signing process from the Director of Business Services and have the Accounts Payable Clerk run the checks to be disbursed accordingly.

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.

09-II-C

Finding: The District has insufficient segregation of duties over the cash receipts and bank transfer functions.

Condition: One individual has access to cash receipts until the deposit is made, authorization to make bank transfers, 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: *For over the counter receipts*: We recommend that the receptionist receives all cash receipts and maintains a daily log. The receipts should be stamped at the time of receipt with a restrictive endorsement. Another individual should deposit the receipts. The log prepared at the time of the receipt and the deposit slip received within the bank statement should be compared by the individual responsible for the bank reconciliation. *For direct deposit or ACH transactions*: We recommend the District remove the access of making bank transfers from the Director of Business Services and have the responsibility be with the Executive Director of Administrative Services.

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 has established direct deposit of revenues to its investment or bank accounts for over 95 percent of its revenues. 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. In addition, the District has worked with the financial institution through which transfers are processed to establish proper passwords and transaction limits and require written approval for certain transactions by the Executive Director of Administrative Services.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

09-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 disburse cash.

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

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

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

Response and Corrective Action Plan: The District will review its policy for the approval of new vendors and review the process for the creation of new vendors within the current system. However, the District recognizes that many of the new vendors are the result of reimbursement to new employees, contractors related to capital projects previously approved by the Board of Directors and other contractual relationships. The District has implemented an additional review of the data input process to verify the vendor and payment amounts agree to the supporting documents. In addition, the District has received a program upgrade from its accounting software vendor that will allow a review and approval process for new vendors to the system.

09-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 cash receipts, deposits, control of check stock 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 implement one of the following: 1) Centralize the preparation of the bank reconciliation to the Central Administration Office or 2) Restrict the junior and senior high schools activities secretary from issuing checks and have all checks issued at the Central Administration Office.

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 review the duties assigned at the junior and senior high schools to determine if and how duties can be assigned to provide additional controls.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

III. Findings and Questioned Costs for Federal Awards

Significant Deficiencies in Administering Federal Awards

None

Instances of Noncompliance

09-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: 2008 and 2009

Twenty-First Century Learning Centers (CFDA 84.287A)

Federal Award Year: 2008 and 2009

**Safe and Drug Free Schools and Communities (Direct) – Safe Schools/Healthy Students
(CFDA 84.184L)**

Federal Award Year: 2009

Finding: The District did not document the allocation of split funded employee payroll costs as required by OMB Circular A-87.

Condition: District employees are not required to complete timesheets or equivalent documentation to support payroll costs charged to the programs. Quarterly comparisons of actual costs as accumulated by time records were not compared to the budgeted distributions.

Questioned Costs: \$2,284, \$4,320 and \$320, respectively, for Safe Schools/Healthy Students, Title I and Twenty-First Century Learning Centers.

Criteria: The Office of Management and Budget Circular A-87 requires a distribution of salaries be supported by personnel activity reports or equivalent documentation for all employees who work for more than one cost objective and the documentation be signed by the employee. Also, the circular requires comparisons of actual costs to budgeted distributions based on the monthly documentation should be done on at least a quarterly basis.

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

Response and Corrective Action: The District has developed a time study process for certain positions related to federally funded positions. The District will continue to monitor and review these processes for new employees and new programs for the District and make the necessary comparisons and corrections between actual and budgeted expenditures.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

09-III-B

U.S. Department of Agriculture
Passed Through State Department of Agriculture and State of Iowa Department of Education
School Nutrition Cluster Programs
National School Breakfast Program (CFDA 10.553)
USDA Commodities (CFDA 10.555)
National School Lunch Program (CFDA 10.555)
Summer School Lunch Program (CFDA 10.559)
Federal Award Year 2008/2009

Finding: The District did not comply with the procurement, suspension and debarment requirements of the grant.

Condition: The District expended funds in excess of \$25,000 to a vendor without verifying the vendor was not suspended or debarred from receiving federal funds.

Questioned Costs: None.

Criteria: The U.S. Office of Management and Budget (OMB) Circular A-133 states, nonfederal entities are prohibited from contracting with or making subawards for goods and services that are expected to equal or exceed \$25,000 to parties that are suspended or debarred or whose principals are suspended or debarred.

Recommendation: We recommend the District implement procedures to ensure vendors are not suspended or debarred from receiving federal funds prior to purchasing goods or services.

Response and Corrective Action Plan: The District will coordinate with the Director of Food Service to establish a review and monitoring process for purchasing of goods and services for the Nutrition Fund. The District has completed a review of the vendors providing goods and services to date during the year ended June 30, 2010 and found no vendors that have been suspended or debarred.

09-III-C

U.S. Department of Education
Passed Through State of Iowa Department of Education
Title I – Grants to Local Educational Agencies (CFDA 84.010A)
Federal Award Year: 2008 and 2009
Twenty-First Century Learning Centers (CFDA 84.287A)
Federal Award Year: 2008 and 2009

Finding: The District did not obtain semi-annual certifications for employees fully funded by a federal program as required by OMB Circular A-87.

Condition: District employees did not sign semi-annual certification letters stating their duties were exclusively related to Twenty-First Century Learning Centers or Title I.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

Questioned Costs: \$126 for Twenty-First Century Learning Centers and \$2,524 for Title I.

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

Recommendation: We recommend the District implement procedures to obtain semiannual certifications for personnel funded 100 percent by a federal award.

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

09-III-D

U.S. Department of Education (Direct)
FIE Earmark Grant Awards – Earobics (CFDA 84.215K)
Federal Award Year: 2009

Finding: The District did not document the allocation of split funded employee payroll costs as required by OMB Circular A-87.

Condition: District employees completed timesheets or equivalent documentation to support payroll costs charged to the programs. However, the District records expenditures based on percentage of budgeted amount, not the actual time recorded by the employee. A quarterly comparison is not performed between the budgeted distributions and actual time charged to ensure there is not a large variance.

Questioned Costs: \$9,933.

Criteria: The Office of Management and Budget Circular A-87 requires a distribution of salaries be supported by personnel activity reports or equivalent documentation for all employees who work for more than one cost objective and the documentation be signed by the employee. Also, the circular requires comparisons of actual costs to budgeted distributions based on the monthly documentation should be done on at least a quarterly basis.

Recommendation: We recommend the District use the time studies already compiled to review the estimate or budgeted amount, and do comparisons of actual costs to budgeted distributions based on the monthly documentation. This should be done at least quarterly and adjusted if variance between actual and budgeted amount is ten percent or more.

Response and Corrective Action Plan: The employees involved on this program maintained detailed time logs of their grant activity, however, the logs were not approved by management. In addition, the time logs support activity in excess of the amounts charged to the grant award as the District has elected to support this program with local funds.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

09-III-E

**U.S. Department of Education (Direct)
FIE Earmark Grant Awards – Earobics (CFDA 84.215K)
Federal Award Year: 2009**

Finding: The District did not comply with the procurement, suspension and debarment requirements of the grant.

Condition: The District expended funds in excess of \$25,000 to a vendor without verifying the vendor was not suspended or debarred from receiving federal funds.

Questioned Costs: None.

Criteria: The U.S. Office of Management and Budget (OMB) Circular A-133 states, nonfederal entities are prohibited from contracting with or making subawards for goods and services that are expected to equal or exceed \$25,000 to parties that are suspended or debarred or whose principals are suspended or debarred.

Recommendation: We recommend the District implement procedures to ensure vendors are not suspended or debarred from receiving federal funds prior to purchasing goods or services.

Response and Corrective Action Plan: This award was a federal earmark award for which a sole source vendor (Houghton Mifflin Company) was provided. A subsequent review of the vendor does not indicate any noncompliance with suspension or debarment.

IV. Other Findings Related to Required Statutory Reporting

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

No expenditures exceeded the amended certified budget amounts.

09-IV-B – Questionable Disbursements

No expenditures that may not meet the requirements of public purpose defined in the Attorney General's opinion dated April 25, 1979, were noted.

09-IV-C – Travel Expenses

No disbursements of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

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

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

09-IV-E – Bond Coverage

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

09-IV-F – Board Minutes

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

09-IV-G – Certified Enrollment

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

09-IV-H – Deposits and Investments

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

09-IV-I – Certified Annual Report

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

09-IV-J – Claims

No instances of noncompliance with claim payments made in regards to Chapter 279.29 of the Code of Iowa were noted.

09-IV-K – Categorical Funding

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

Iowa City Community School District

**Corrective Action Plan
Year Ended June 30, 2009**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Significant Deficiencies in Internal Control:				
09-II-A	The District has insufficient segregation of duties over the payroll process.	See corrective action plan at 09-II-A.	June 30, 2010	Paul Bobek
09-II-B	The District has insufficient segregation of duties over the cash disbursement function.	See corrective action plan at 09-II-B.	June 30, 2010	Paul Bobek
09-II-C	The District has insufficient segregation of duties over the cash receipts and bank transfer functions.	See corrective action plan at 09-II-C.	June 30, 2010	Paul Bobek
09-II-D	The District does not have a formal policy for approving new vendors.	See corrective action plan at 09-II-D.	June 30, 2010	Paul Bobek
09-II-E	The District has improper segregation of duties over student activity funds.	See corrective action plan at 09-II-E.	June 30, 2010	Paul Bobek
Instance of Noncompliance in Administering Federal Awards:				
09-III-A	The District does not have documentation to support the allocation of split funded employee payroll costs as required by OMB A-87.	See corrective action plan at 09-III-A.	June 30, 2010	Paul Bobek
09-III-B	The District did not ensure vendors used to purchase food were not suspended or debarred.	See corrective action plan at 09-III-B.	June 30, 2010	Paul Bobek
09-III-C	The District did not obtain semi-annual certifications for employees fully funded by a federal program as required by OMB Circular A-87.	See corrective action plan at 09-III-C.	June 30, 2010	Paul Bobek
09-III-D	The District does not have document to support the allocation of split funded employee payroll costs as required by OMB Circular A-87.	See corrective action plan at 09-III-D.	June 30, 2010	Paul Bobek
09-III-E	The District did not comply with the procurement, suspension and debarment requirements of the grant.	See corrective action plan at 09-III-E.	June 30, 2010	Paul Bobek

McGladrey & Pullen

Certified Public Accountants

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

In connection with our audit of the financial statements of the Iowa City Community School District as of and for the year ended June 30, 2009, we identified deficiencies in internal control over financial reporting (control 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 financial statement misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect the entity's ability to authorize, initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles 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.

A material weakness is a significant deficiency, or a 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.

We have separately communicated, to you and the Board of Education, identified deficiencies that we determined to be significant deficiencies or material weaknesses.

Following are descriptions of other identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

Information Technology

We noted the following regarding information technology:

- The District does not have a written information systems security policy in place. We recommend the District develop and adopt a formal information systems security policy and inform employees of this policy.
- The District does not require passwords to be changed periodically. We recommend the District require passwords to be changed periodically to ensure better security of data.

Cash Accounts

Certain cash accounts are maintained at the District's financial institutions under the District's Employer Identification Number (EIN), but the related cash balances are not assets of the District. We recommend the District continue to remove the District's EIN number from unauthorized accounts and eliminate unauthorized access to the used of the District's EIN number.

Segregation of Duties Over Schools

In the current year we documented internal controls of North Central Junior High and West High School. The following areas of concern were noted:

- Petty cash is not being reconciled to receipts or collections.
- The same individual is collecting, depositing and reconciling the cash function.

We recommend the District implement and enforce policies at their various schools to ensure a proper segregation of duties is achieved.

Cash Reconciliation

The District was not reconciling cash throughout the year by individual bank account resulting in two accounts being unreconciled for a majority of the year. Although the accounts were reconciling in total by fund, each individual bank account should be reconciled to prevent the possible loss through fraud. We recommend the District reconcile each individual cash account to the general ledger on a monthly basis.

Federal Program Expenditures

One of twelve expenditures tested that were charged to the Safe Schools/Health Students program was an unallowable expenditure for the grant. The invoice charged to the program was for food in the amount of \$29.00. We recommend the District review all expenditures of grant money to ensure the accounts being charged are appropriate.

Capital Assets

One of twelve capital asset additions tested was capitalized incorrectly as the individual items were under the District's \$2,500 capitalization threshold. We recommend that a review of all additions to capital assets is performed to ensure that only items meeting the District's policy are included as additions to capital assets.

This communication 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 these specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
December 2, 2009