

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

Comprehensive Annual Financial Report
Year Ended June 30, 2010

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Iowa City, Iowa**

Comprehensive Annual Financial Report
Year Ended June 30, 2010

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

**Office Issuing Report:
Central Administration Office**

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Stephen F. Murley
Superintendent

509 S. Dubuque Street
Iowa City, IA 52240
(319) 688-1000
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November 30, 2010

The Board of Education and Residents
Iowa City Community School District

I am pleased to submit the Comprehensive Annual Financial Report of the Iowa City Community School District (the District) for the fiscal year ended June 30, 2010. 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 9,937 in 1994 to 11,903 in October 2009. 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, 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 has remained strong during the past ten years despite some economic downturns experienced in many areas, including several years of high economic growth and steady enrollment growth in the local area. 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 2010 at the rate of slightly over five 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 850 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 2010 official enrollment of 170 students.

Retail sales, building permits and population increases in the area have exceeded that of most other areas in the state of Iowa during the past several years. Future increases are projected to continue, however current economic conditions on the national and state levels and several natural disasters in the area have slowed the level of 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 economic recession type conditions that have affected both state and national economies during the last several years resulted in the Governor of the state of Iowa issuing an executive order for an across the board reduction of state funding by 10 percent on October 8, 2009. The District experienced a reduction of \$5,600,000 during the fiscal year 2010 from this action and used its General Fund balance to absorb the reduction. The District also implemented a cash reserve levy for fiscal year 2011 to partially replenish the fund balance. The District continues to maintain significantly all of its programs and services during these conditions. The impact of these economic conditions on current and future periods is unknown. The State of Iowa has also experienced several widespread natural disasters in the past three years which may impact the level of resources available for the funding of school programs.

The District served the nearly 12,000 students in buildings built from 1917 to 2006. The District has maintained a building envelope and roof maintenance program for many years to monitor the physical considerations of its facilities. District officials have also developed a School Facilities Improvement Plan (SFIP) for planning the maintenance and capital project needs of the district. The SFIP projects the needs for ten years forward and will be updated at least annually by the District.

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 the fiscal year 2010, the District completed construction of Buford Garner Elementary and opened this building for classes in August 2010.

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

The District has recently purchased two parcels of land in the northern portion and western portions of the District for the future construction of elementary schools. 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. Subsequent to June 30, 2010, the District agreed to sell its central administration office for \$4,500,000 to The University of Iowa. The District has also purchased a new facility for its administrative offices as well as several support operations. The relocation of these operations to this new facility is anticipated to occur during the next several years.

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 \$13-14 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 football, boys' soccer, boys' basketball, wrestling, volleyball, and girls' cross country, girls' basketball and girls track while state placing went to boys' cross country, boys' track and girls' golf during the last four years.

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 92 percent in 2010 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, 2010 provided no 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 to 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 1 percent during the year, compared to the rates near 2 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, 2009. 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, 2008 and 2009 Comprehensive Annual Financial Report. I 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.

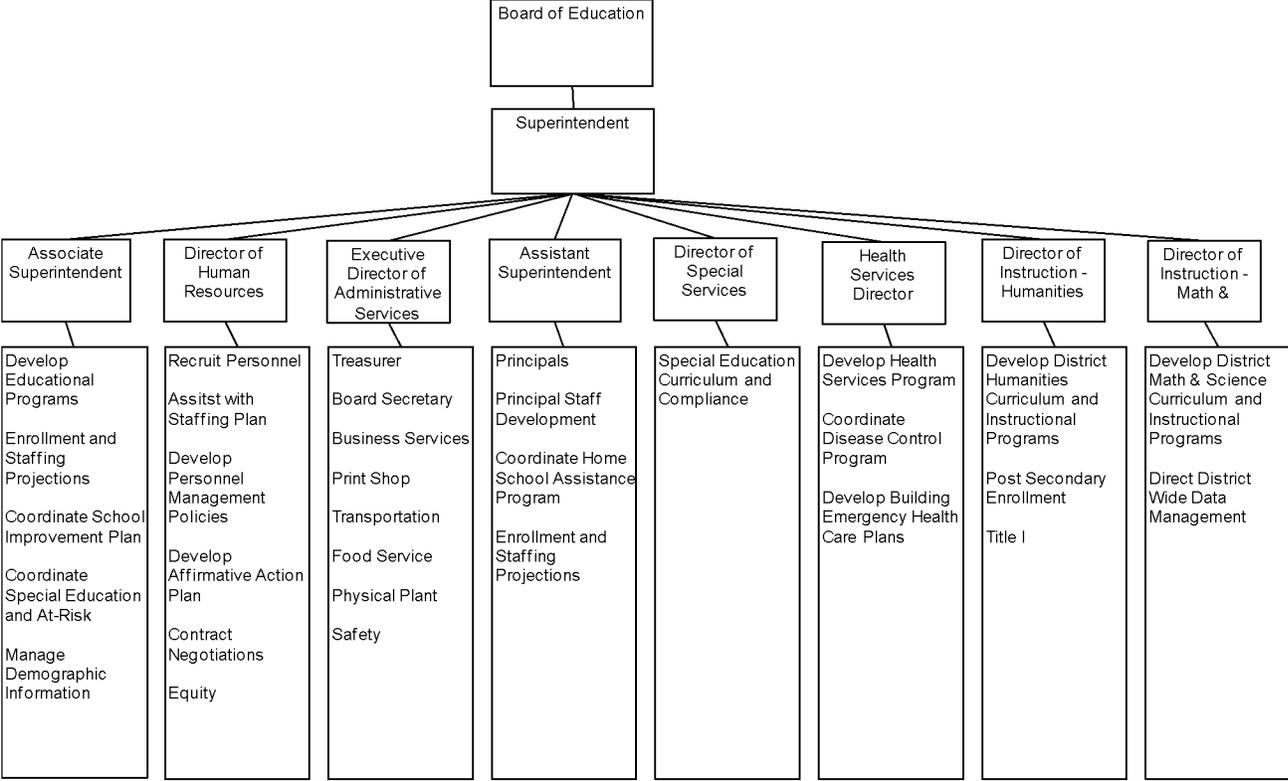
Acknowledgment: The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated efforts of the accounting staff and our auditors, McGladrey & Pullen, LLP. I would like to express my appreciation to all staff members who assisted and contributed to 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,

A handwritten signature in black ink, appearing to read "Paul Bobek". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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, 2010**

Name	Title	Term Expires
------	-------	--------------

Board of Education

Before September 2009 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

After September 2009 election:

Patti Fields	President	2011
Mike Cooper	Vice President	2013
Toni Cilek	Board Member	2011
Gayle Klouda	Board Member	2011
Michael Shaw	Board Member	2011
Tuyet Dorau	Board Member	2013
Sarah Swisher	Board Member	2013

School District Officials

Dr. Lane Plugge	Superintendent	
Paul M. Bobek	Secretary and Treasurer	Appointed
Kirsten H. Frey	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, 2009

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

Evin Green

President

John D. Munn

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, 2009

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 stylized handwritten signature in black ink.

President

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

Executive Director



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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2010 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 accounting principles generally accepted in the United States of America. 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
November 29, 2010

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2010

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements.

Financial Highlights

Total net assets increased \$15,925,583 from \$120,879,335 in 2009 to \$136,804,918 in 2010. Total revenues for the fiscal year 2010 increased \$1,426,205 from 2009. Total expenses also increased from \$125,795,076 in 2009 to \$132,225,150 in 2010.

General Fund revenues increased from \$114,189,361 in fiscal year 2009 to \$115,204,811 in fiscal year 2010, while General Fund expenditures increased from \$112,228,711 in fiscal year 2009 to \$113,967,215 in fiscal year 2010. In addition, the District transferred \$182,000 to other funds during fiscal year 2010. This resulted in an increase in the District's General Fund balance from \$6,879,562 in fiscal year 2009 to \$7,935,158 in fiscal year 2010.

The increase in General Fund revenues for fiscal year 2010 was attributable to an increase in property taxes as provided in the state funding formula. State aid as provided by the state funding formula was reduced by approximately \$8,000,000 from 2009 to 2010, primarily due to an executive order for a 10% across the board reduction of state funding by the Governor of The State of Iowa on October 8, 2009. A portion of the reduction in state aid was offset by approximately \$4,100,000 of funding provided by the Federal Government's 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 \$675,572 in fiscal year 2009 to \$325,701 in fiscal year 2010, primarily due to a decreasing interest rate environment for all invested district 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 government-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 government-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.

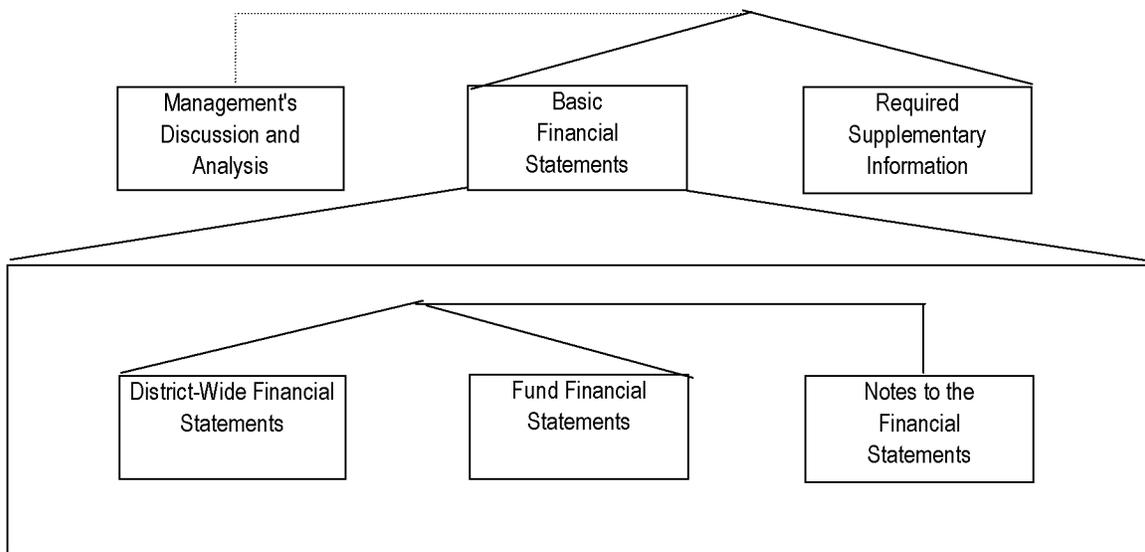
Iowa City Community School District

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2010**

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, 2010**

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 Government-Wide and Fund Financial Statements				
Government-Wide Statements		Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs 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, 2010

Government-Wide Statements

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

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included 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 government-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, 2010

- Proprietary funds. Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide 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 government-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, 2010 compared to 2009:

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change 2009-2010
	2010	2009	2010	2009	2010	2009	
Current and other assets	\$ 129,174,040	\$112,221,172	\$ 2,941,811	\$ 2,759,550	\$ 132,115,851	\$ 114,980,722	\$ 17,135,129
Capital assets	117,444,028	107,235,503	498,303	490,509	117,942,331	107,726,012	10,216,319
Total assets	246,618,068	219,456,675	3,440,114	3,250,059	250,058,182	222,706,734	27,351,448
Long-term obligations	23,062,169	25,902,610	-	-	23,062,169	25,902,610	2,840,441
Other liabilities	90,002,133	75,725,493	188,962	199,296	90,191,095	75,924,789	(14,266,306)
Total liabilities	113,064,302	101,628,103	188,962	199,296	113,253,264	101,827,399	(11,425,865)
Net assets:							
Invested in capital assets, net of related debt	93,159,408	80,393,020	498,303	490,509	93,657,711	80,883,529	12,774,182
Restricted	6,784,465	5,416,705	-	-	6,784,465	5,416,705	1,367,760
Unrestricted	33,609,893	32,018,847	2,752,849	2,560,254	36,362,742	34,579,101	1,783,641
Total net assets	\$ 133,553,766	\$117,828,572	\$ 3,251,152	\$ 3,050,763	\$ 136,804,918	\$ 120,879,335	\$ 15,925,583

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2010

The District's total net assets increased by 13.2 percent during the year ended June 30, 2010. The increase occurred primarily in the governmental funds as a result of operations in the General Fund, favorable claims experience of the Internal Service Fund and the accumulation of resources in the Capital Projects Fund for future projects. During the year ended June 30, 2010, the District expended nearly \$10,000,000 in construction in progress, primarily for construction and equipping a new elementary school that was opened in August 2010.

The total net assets of the District's business-type activities increased by approximately \$200,000 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, 2010 and 2009:

Figure A-4
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total School District	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for service and sales	\$ 3,597,037	\$ 3,989,044	\$ 2,262,408	\$ 2,321,754	\$ 5,859,445	\$ 6,310,798
Operating grants and contributions	25,053,119	17,401,300	2,106,387	1,906,739	27,159,506	19,308,039
General revenues:						
Property taxes	63,980,617	60,985,955	-	-	63,980,617	60,985,955
Sales tax	13,207,890	12,870,778	-	-	13,207,890	12,870,778
Unrestricted state grants	33,877,697	43,398,531	-	-	33,877,697	43,398,531
Unrestricted investment earnings	317,079	642,596	8,622	24,571	325,701	667,167
Other	3,739,877	3,183,260	-	-	3,739,877	3,183,260
Total revenues	143,773,316	142,471,464	4,377,417	4,253,064	148,150,733	146,724,528
Program expenses:						
Governmental activities:						
Instruction	85,736,202	80,135,420	-	-	85,736,202	80,135,420
Support services	36,507,145	35,556,623	-	-	36,507,145	35,556,623
Noninstructional programs	47,444	44,222	-	-	47,444	44,222
Other expenses	5,757,331	6,014,693	-	-	5,757,331	6,014,693
Business-type activities,						
nutritional services	-	-	4,177,028	4,044,118	4,177,028	4,044,118
Total expenses	128,048,122	121,750,958	4,177,028	4,044,118	132,225,150	125,795,076
Change in net assets	\$ 15,725,194	\$ 20,720,506	\$ 200,389	\$ 208,946	\$ 15,925,583	\$ 20,929,452

Property and sales taxes and unrestricted state grants account for 77 percent and 80 percent of the total revenue for the years ended June 30, 2010 and 2009, respectively. The District's expenses primarily relate to instruction and support services which account for 92 percent of the total expenses for the years ended June 30, 2010 and 2009.

Iowa City Community School District

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2010**

Governmental Activities

Revenues for governmental activities were \$143,773,316 and expenses were \$128,048,122. This difference of \$15,725,194 was used for the repayment of the general obligations bonds as scheduled in Note 6 to the basic financial statements, approximately \$10,000,000 in construction in progress that have been capitalized and favorable claims experience of certain activities of the internal service funds. Revenues in the governmental activities increased approximately \$1,302,000 or 0.9 percent over 2009. Most of this increase is due to property taxes as provided in the state funding formula. Operating grants and contributions in the governmental activities increased approximately \$7,700,000 primarily from additional revenues provided by federal programs including the Federal Government's American Recovery and Reinvestment Act of 2009.

The increase in expenses in governmental activities of \$6,297,164 or 5.2 percent is related to instruction and other expenses. The expenses in these areas are primarily related to salaries and benefits based upon negotiated salary settlements of approximately four percent and the hiring of additional staff due to increasing enrollments and the acquisition of computers and equipment. The District also recorded \$201,835 in the current year for other postemployment benefit obligations which is attributable to the statutory requirement that the District allows retirees the ability to purchase District sponsored health insurance at the employee's own cost. The District does not offer any voluntary postretirement benefits.

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**

	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 85,736,202	\$ (62,181,134)	\$ 80,135,420	\$ (63,998,657)
Support services	36,507,145	(36,189,002)	35,556,623	(34,580,851)
Noninstructional programs	47,444	(36,503)	44,222	(43,068)
Other expenses	5,757,331	(991,327)	6,014,693	(1,411,151)
Totals	\$ 128,048,122	\$ (99,397,966)	\$ 121,750,958	\$ (100,033,727)

- The cost financed by users of the District's programs was \$3,597,037 for 2010 and \$3,989,044 for 2009.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$25,053,119 for 2010 and \$17,401,300 for 2009.
- 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, 2010

Business-Type Activities

Revenues of the District's business-type activities were \$4,368,795, excluding \$8,622 of investment earnings, and expenses were \$4,177,028. 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 2.9 percent due to increased participation levels related to higher enrollment levels and increased reimbursements from federal and state programs. Expenditures increased by approximately 3.3 percent primarily due to negotiated salary settlements of three percent and higher costs of supplies and services 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 \$32,354,880 which was above last year's ending fund balances of \$29,578,245. The primary reason for the increase in combined fund balances in fiscal year 2010 is due to 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 the reduction of expenditures for several programs and an increase in the claims filed for Medicaid reimbursements for services provided by district personnel based upon a budget plan approved by the Board of Directors in April 2009. The District reduced transportation costs by approximately \$300,000 through more efficient routing of bus services, reduced and realigned certain District staff positions by approximately \$500,000, reduced the summer school program by nearly \$150,000 and reduced utility expenses by nearly \$150,000. In addition, the District was able to increase its reimbursements from Medicaid by nearly \$700,000 from the prior year due to increased claiming efforts by District staff. The District's negotiated salary settlements approximated the increased property tax and state foundation aid attributable to the state funding formula.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from a balance of \$3,146,493 in fiscal year 2009 to \$2,868,660 in fiscal year 2010. This decrease is primarily due to the completion of certain construction projects in the current year.
- The Capital Projects Fund balance increased from a balance of \$17,028,974 in fiscal year 2009 to \$19,289,186 in fiscal year 2010. 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 \$2,652,588 as of June 30, 2009 to \$2,756,228 as of June 30, 2010, representing an increase of approximately 3.9 percent for 2010 compared to an increase of 2.6 percent for 2009. The District experienced this small increase as a result of increased participation and federal and state reimbursements from higher student enrollments. 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 \$8,364,544 in 2009 to \$10,379,778 in 2010. 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, 2010

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a certified 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 certified 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 certified 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 \$3,746,318 less than the total budgeted revenues, a variance of 2.5 percent from the final budget. Significantly all of the shortfall in budgeted revenue is due to the executive order by the Governor of The State of Iowa in October 2009 for a 10 percent across the board cut in state funding.

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. In addition, in April 2009 the Board of Directors implemented certain budget controls to reduce expenditures from 2009 to 2010.

Capital Asset and Debt Administration

Capital assets: As of June 30, 2010, the District had invested \$118 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 \$10 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 \$3,907,254.

The original costs of the District's capital assets was nearly \$181 million. Governmental funds account for approximately \$180 million with the remainder of \$1 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction-in-progress category. This category increased primarily from the construction of a new elementary school placed in service in August 2010. The District also increased its depreciable capital assets by approximately \$5,000,000 with the completion of several projects that were included in construction-in progress from 2009.

Iowa City Community School District

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2010

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 4,477,319	\$ 4,477,319	\$ -	\$ -	\$ 4,477,319	\$ 4,477,319	\$ -
Construction-in-progress	11,479,445	2,568,636	-	-	11,479,445	2,568,636	8,910,809
Buildings	95,178,647	94,573,972	-	-	95,178,647	94,573,972	604,675
Improvements other than buildings	4,534,962	3,309,752	-	-	4,534,962	3,309,752	1,225,210
Furniture and equipment	1,773,655	2,305,824	498,303	490,509	2,271,958	2,796,333	(524,375)
Total	\$ 117,444,028	\$ 107,235,503	\$ 498,303	\$ 490,509	\$ 117,942,331	\$ 107,726,012	\$ 10,216,319

Long-Term Debt: As of June 30, 2010, the District had \$28 million in general obligation and other long-term debt outstanding. This represents a decrease of approximately \$1.4 million from last year. The increase in the early retirement obligation is due to the District offering an increased retirement incentive in February 2010 to qualified employees. (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
	2010	2009	2009-2010
General obligation bonds	\$ 24,160,000	\$ 26,690,000	\$ (2,530,000)
Early retirement	3,252,513	2,122,866	1,129,647
Compensated absences	546,315	589,665	(43,350)
Totals	\$ 27,958,828	\$ 29,402,531	\$ (1,443,703)

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 considered to be recovering from 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 District's budget experienced a reduction of General Fund revenues by approximately \$5,600,000 for fiscal year 2010. The District used its General Fund fund balance to absorb this reduction and implemented a property tax cash reserve levy for the fiscal year ending June 30, 2011 to partially replenish the fund balance. This is the second consecutive year the state of Iowa has not fully funded its state aid obligation as calculated under the state's education funding formula. At this time, the District is unable to determine if any future reductions or delays in payment from the State of Iowa will occur or have any impact on future fiscal periods. The state of Iowa has established allowable growth of two percent for fiscal year 2011, but will not establish the rate for fiscal year 2012 until February 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, 2010

- The Iowa school funding formula is highly dependent upon student enrollment. The District has experienced enrollment growth of 205, 451, 32, 158 and 107 students in the last five years, respectively. The enrollment growth of 170 students in fiscal year ending 2011 will assist the District's budget in fiscal year 2012. 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 and 12.62 acres for the possible future construction of elementary school buildings. The District completed construction of a new elementary school building, Buford Garner, at an approximate cost of \$10,000,000 plus the cost of furniture and fixtures and opened this school in August 2010. The District has begun the planning for the construction of a new elementary school with an expected opening date of August 2012 with many of these students being reassigned from Roosevelt Elementary School, at which time Roosevelt will cease to function as an elementary school. A committee has been formed to determine the best use for the land and building once it ceases functioning as an elementary school. The District has also started an addition to an existing elementary school with an expected cost of \$3,500,000 and scheduled opening date of August 2011. The construction expenditures of Buford Garner and future facilities will be financed from the local option sales taxes as approved by county residents in February 2007.
- In October 2009, the District's Board of Directors with the assistance of an outside consultant began a comprehensive process for redistricting enrollment for all District schools and study the need for a third high school facility. The Board of Directors has approved several phases of implementation for redistricting beginning in August 2010 and will continue their review of the need for a third high school during the current year. The redistricting process is expected to provide opportunities for more efficient building operations and effective instructional opportunities.
- 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 provided significant resources to state and local governments through September 2010. The District will receive nearly \$9,000,000 from this legislative action. On August 10, 2010, the United States Government approved the Education Jobs Fund to provide further resources to school districts through September 2012. The District anticipates the receipt of approximately \$2,400,000 from this legislative action. The District plans on using half of its allocation in fiscal year ending 2011 and the remaining half in fiscal year 2012.
- In July 2010, the District's Board of Directors approved an agreement for the sale of the District's central administration office to the University of Iowa for \$4,500,000, subject to the District being able to acquire a suitable office replacement.

On November 9, 2010, the District's Board of Directors approved an agreement to purchase a multi-use facility in the northern part of Iowa City. The District anticipates the relocation of its central administration office by October 2011. In addition, the District anticipates the relocation of several support operations currently in leased spaces to this new facility in subsequent years. The anticipated cost of the new facility and any necessary remodeling expenditures are not expected to exceed \$4,500,000.

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, 2010

Assets	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and cash equivalents and investments	\$ 53,385,271	\$ 2,236,719	\$ 55,621,990
Receivables:			
Accounts receivable			
Property tax:			
Current year	498,645	-	498,645
Succeeding year	63,761,728	-	63,761,728
Income surtax	5,331,498	-	5,331,498
Sales taxes	760,000	-	760,000
Other	33,834	-	33,834
Due from other governments	5,154,911	50,685	5,205,596
Internal balances	(507,880)	507,880	-
Inventories	-	93,251	93,251
Prepaid expenses	734,615	53,276	787,891
Total current assets	129,152,622	2,941,811	132,094,433
Noncurrent assets:			
Unamortized bond issuance costs	21,418	-	21,418
Capital assets:			
Not depreciable:			
Land	4,477,319	-	4,477,319
Construction-in-progress	11,479,445	-	11,479,445
Depreciable capital assets, net of accumulated depreciation	101,487,264	498,303	101,985,567
Net capital assets	117,444,028	498,303	117,942,331
Total noncurrent assets	117,465,446	498,303	117,963,749
Total assets	\$ 246,618,068	\$ 3,440,114	\$ 250,058,182

See Notes to Basic Financial Statements.

Liabilities	Governmental Activities	Business-Type Activities	Total
Current liabilities:			
Accounts payable	\$ 4,832,186	\$ 10,062	\$ 4,842,248
Salaries and benefits payable	8,155,598	170,677	8,326,275
Claims payable	1,272,000	-	1,272,000
Accrued interest payable	75,915	-	75,915
Unearned revenue, succeeding year property tax	63,761,728	-	63,761,728
Unearned revenue, succeeding year income surtax	5,331,498	-	5,331,498
Unearned, grant revenues	1,207,094	8,223	1,215,317
General obligation bonds	2,655,000	-	2,655,000
Early retirement	2,164,799	-	2,164,799
Compensated absences	546,315	-	546,315
Total current liabilities	90,002,133	188,962	90,191,095
Noncurrent liabilities:			
Other postemployment benefit	344,835	-	344,835
Early retirement	1,087,714	-	1,087,714
General obligation bonds, net of unamortized premium	21,629,620	-	21,629,620
Total noncurrent liabilities	23,062,169	-	23,062,169
Total liabilities	113,064,302	188,962	113,253,264
Net Assets			
Invested in capital assets, net of related debt	93,159,408	498,303	93,657,711
Restricted for:			
Debt service	186,277	-	186,277
Management levy	925,139	-	925,139
Physical plant and equipment levy	2,868,660	-	2,868,660
Federal and state programs	2,804,389	-	2,804,389
Unrestricted	33,609,893	2,752,849	36,362,742
Total net assets	133,553,766	3,251,152	136,804,918
Total liabilities and net assets	\$ 246,618,068	\$ 3,440,114	\$ 250,058,182

Iowa City Community School District

**Statement of Activities
Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, and Contributions	Capital Grants, and Contributions
Governmental Activities				
Instruction:				
Regular instruction	\$ 52,536,673	\$ 2,255,519	\$ 12,426,177	\$ -
Special instruction	29,202,731	1,228,594	7,475,471	-
Other instruction	3,996,798	10,000	159,307	-
	<u>85,736,202</u>	<u>3,494,113</u>	<u>20,060,955</u>	<u>-</u>
Support services:				
Student services	4,189,268	-	-	-
Instructional services	5,950,476	-	-	-
Administration services	9,894,942	-	-	-
Operation and maintenance	12,031,969	102,627	-	-
Transportation services	4,440,490	297	215,219	-
	<u>36,507,145</u>	<u>102,924</u>	<u>215,219</u>	<u>-</u>
Noninstructional programs	47,444	-	10,941	-
Other:				
Long-term debt interest	958,922	-	-	-
AEA flowthrough	4,766,004	-	4,766,004	-
Depreciation (unallocated)	32,405	-	-	-
	<u>5,757,331</u>	<u>-</u>	<u>4,766,004</u>	<u>-</u>
Total governmental activities	128,048,122	3,597,037	25,053,119	-
Business-type activities, nutritional services	4,177,028	2,262,408	2,106,387	-
Total primary government	\$ 132,225,150	\$ 5,859,445	\$ 27,159,506	\$ -

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
\$ (37,854,977)	\$ -	\$ (37,854,977)
(20,498,666)	-	(20,498,666)
(3,827,491)	-	(3,827,491)
(62,181,134)	-	(62,181,134)
(4,189,268)	-	(4,189,268)
(5,950,476)	-	(5,950,476)
(9,894,942)	-	(9,894,942)
(11,929,342)	-	(11,929,342)
(4,224,974)	-	(4,224,974)
(36,189,002)	-	(36,189,002)
(36,503)	-	(36,503)
(958,922)	-	(958,922)
-	-	-
(32,405)	-	(32,405)
(991,327)	-	(991,327)
(99,397,966)	-	(99,397,966)
-	191,767	191,767
(99,397,966)	191,767	(99,206,199)
52,974,155	-	52,974,155
3,524,683	-	3,524,683
7,481,779	-	7,481,779
13,207,890	-	13,207,890
33,877,697	-	33,877,697
317,079	8,622	325,701
3,739,877	-	3,739,877
115,123,160	8,622	115,131,782
15,725,194	200,389	15,925,583
117,828,572	3,050,763	120,879,335
\$ 133,553,766	\$ 3,251,152	\$ 136,804,918

Iowa City Community School District

**Balance Sheet - Governmental Funds
June 30, 2010**

Assets	General	Physical Plant and Equipment Levy	Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents and investments	\$ 14,699,800	\$ 3,669,207	\$ 19,642,979	\$ 2,291,040	\$ 40,303,026
Receivables:					
Property tax:					
Current year	395,644	62,701	-	40,300	498,645
Succeeding year	50,081,516	7,754,880	-	5,925,332	63,761,728
Income surtax	5,331,498	-	-	-	5,331,498
Sales tax	-	-	760,000	-	760,000
Other	-	33,834	-	-	33,834
Due from other governments	3,685,920	-	1,468,991	-	5,154,911
Prepaid items	734,615	-	-	-	734,615
Total assets	\$ 74,928,993	\$ 11,520,622	\$ 21,871,970	\$ 8,256,672	\$ 116,578,257
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 2,042,856	\$ 897,082	\$ 1,822,784	\$ 69,464	\$ 4,832,186
Salaries and benefits payable	8,155,598	-	-	-	8,155,598
Due to other funds	12,956	-	-	-	12,956
Deferred revenue:					
Succeeding year property tax	50,081,516	7,754,880	-	5,925,332	63,761,728
Succeeding year income surtax	5,331,498	-	-	-	5,331,498
Sales tax	-	-	760,000	-	760,000
Grant revenues	1,369,411	-	-	-	1,369,411
Total liabilities	66,993,835	8,651,962	2,582,784	5,994,796	84,223,377
Fund balance:					
Reserved for:					
Prepaid items	734,615	-	-	-	734,615
Federal and state programs	2,804,389	-	-	-	2,804,389
Debt service	-	-	-	186,277	186,277
Unreserved:					
Designated for federal and state programs	2,549,764	-	-	-	2,549,764
Undesignated reported in:					
General Fund	1,846,390	-	-	-	1,846,390
Special revenue funds	-	2,868,660	-	2,075,599	4,944,259
Capital Projects Fund	-	-	19,289,186	-	19,289,186
Total fund balances	7,935,158	2,868,660	19,289,186	2,261,876	32,354,880
Total liabilities and fund balances	\$ 74,928,993	\$ 11,520,622	\$ 21,871,970	\$ 8,256,672	\$ 116,578,257

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, 2010

Total governmental fund balances		\$ 32,354,880
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.		117,444,028
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		922,317
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	\$ 13,082,245	
Liabilities	<u>(2,702,467)</u>	10,379,778
Internal service funds allocated to business-type activities		(494,924)
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.		(75,915)
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	(2,655,000)	
General obligation bonds, noncurrent	(21,505,000)	
Early retirement, current	(1,822,046)	
Other postemployment benefits	(344,835)	
Compensated absences, current	(546,315)	
Unamortized premium on general obligation bonds	(124,620)	
Unamortized bond issuance costs	21,418	(26,976,398)
Net assets of governmental activities		<u><u>\$ 133,553,766</u></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, 2010

	General	Physical Plant and Equipment Levy
Revenues:		
Local sources:		
Local tax	\$ 51,705,349	\$ 7,481,780
Tuition	1,947,912	-
Other	3,784,933	101,285
State sources	46,487,840	-
Federal sources	11,278,777	-
Total revenues	115,204,811	7,583,065
Expenditures:		
Current:		
Instruction:		
Regular instruction	48,473,755	-
Special instruction	27,944,567	-
Other instruction	1,318,490	-
	<u>77,736,812</u>	<u>-</u>
Support services:		
Student services	4,082,113	-
Instructional services	5,796,009	-
Administration services	8,818,968	-
Operation and maintenance	9,781,978	302,216
Transportation services	2,946,641	1,334,797
	<u>31,425,709</u>	<u>1,637,013</u>
Noninstructional programs	38,690	-
Other, AEA flowthrough	4,766,004	-
Capital outlay	-	6,223,885
Debt service:		
Principal	-	-
Interest and fiscal charges	-	-
	<u>-</u>	<u>-</u>
Total expenditures	113,967,215	7,860,898
Excess (deficiency) of revenues over expenditures	1,237,596	(277,833)
Other financing sources (uses):		
Transfers in	-	-
Transfers out	(182,000)	-
Total other financing sources (uses)	(182,000)	-
Net change in fund balances	1,055,596	(277,833)
Fund balances, beginning of year	6,879,562	3,146,493
Fund balances, end of year	<u>\$ 7,935,158</u>	<u>\$ 2,868,660</u>

See Notes to Basic Financial Statements.

	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$	12,997,890	\$ 4,793,488	\$ 76,978,507
	-	-	1,947,912
	211,750	2,637,501	6,735,469
	-	-	46,487,840
	-	-	11,278,777
	13,209,640	7,430,989	143,428,505
	-	423,124	48,896,879
	-	-	27,944,567
	-	2,390,744	3,709,234
	-	2,813,868	80,550,680
	-	-	4,082,113
	-	-	5,796,009
	-	998,437	9,817,405
	-	384,520	10,468,714
	-	159,052	4,440,490
	-	1,542,009	34,604,731
	-	-	38,690
	-	-	4,766,004
	10,949,428	-	17,173,313
	-	2,530,000	2,530,000
	-	988,452	988,452
	-	3,518,452	3,518,452
	10,949,428	7,874,329	140,651,870
	2,260,212	(443,340)	2,776,635
	-	182,000	182,000
	-	-	(182,000)
	-	182,000	-
	2,260,212	(261,340)	2,776,635
	17,028,974	2,523,216	29,578,245
\$	19,289,186	\$ 2,261,876	\$ 32,354,880

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, 2010**

Net change in fund balances, total governmental funds \$ 2,776,635

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 capital outlay exceeds depreciation expense in the period:

Capital outlay	\$ 14,027,658	
Depreciation expense	(3,819,133)	10,208,525

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. (28,361)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 2,530,000

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. 6,456

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	(201,835)	
Change in early retirement	(1,551,135)	
Change in compensated absences	43,350	(1,709,620)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets in the internal service fund is reported with governmental activities in the statement of activities. 2,015,234

Change in Internal Service Fund allocation to business-type activities. (96,749)

Amortization of bond premium and bond issuance costs. 23,074

Change in net assets of governmental activities \$ 15,725,194

See Notes to Basic Financial Statements.

Iowa City Community School District

**Statement of Net Assets
Proprietary Funds
June 30, 2010**

	Nonmajor Enterprise Fund - School Nutrition	Internal Service Fund
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,236,719	\$ 13,082,245
Accounts receivable	50,685	-
Inventories	93,251	-
Due from other funds	12,956	-
Prepaid expenses and deposits	53,276	-
Total current assets	<u>2,446,887</u>	<u>13,082,245</u>
Noncurrent assets, capital assets, net of accumulated depreciation	<u>498,303</u>	<u>-</u>
Total assets	<u>\$ 2,945,190</u>	<u>\$ 13,082,245</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 10,062	\$ -
Salaries and benefits payable	170,677	-
Grant revenues, unearned	8,223	-
Claims payable	-	1,272,000
Early retirement	-	342,753
Total current liabilities	<u>188,962</u>	<u>1,614,753</u>
Noncurrent liabilities, early retirement	<u>-</u>	<u>1,087,714</u>
Total liabilities	<u>188,962</u>	<u>2,702,467</u>
Net Assets		
Invested in capital assets	498,303	-
Unrestricted	2,257,925	10,379,778
Total net assets	<u>2,756,228</u>	<u>10,379,778</u>
Total liabilities and net assets	<u>\$ 2,945,190</u>	<u>\$ 13,082,245</u>
Total enterprise funds net assets	\$ 2,756,228	
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>494,924</u>	
	<u>\$ 3,251,152</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, 2010

	Nonmajor Enterprise Fund - School Nutrition	Internal Service Fund
Operating revenue:		
Charges for services:		
Food sales	\$ 2,262,408	\$ -
Internal service charges	-	7,814,863
Employee contributions	-	2,019,655
Total operating revenue	2,262,408	9,834,518
Operating expenses:		
Food consumed	1,981,823	-
Salaries and benefits	1,696,267	-
Supplies, services and repairs	171,040	-
Administration expense	60,000	-
Depreciation	73,912	-
Food and meal delivery:		
Salaries and benefits	268,126	-
Truck expenses	8,400	-
Depreciation	14,209	-
Claims, losses and administrative fees	-	7,779,179
Other	-	76,534
Total operating expenses	4,273,777	7,855,713
Operating income (loss)	(2,011,369)	1,978,805
Nonoperating revenues:		
Federal appropriations	1,767,106	-
State appropriations	37,143	-
Federal food commodities	302,138	-
Interest income	8,622	36,429
Total nonoperating revenues	2,115,009	36,429
Changes in net assets	103,640	2,015,234
Net assets, beginning of year	2,652,588	8,364,544
Net assets, end of year	\$ 2,756,228	\$ 10,379,778

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, 2010**

Net changes in net assets in enterprise funds.	\$ 103,640
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.	96,749
Change in net assets of business-type activities	<u>\$ 200,389</u>

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2010

	Nonmajor Enterprise Fund - School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sales of breakfasts and lunches	\$ 2,252,598	\$ -
Cash received from charges for service	-	7,814,863
Cash received from employees for benefits	-	2,019,655
Cash payments to suppliers for goods and services	(1,911,216)	(76,534)
Cash payments to employees for services	(1,373,724)	-
Cash payments for employee benefits	(596,601)	-
Cash payments for claims, losses and administrative fees	-	(8,200,667)
Net cash provided by (used in) operating activities	(1,628,943)	1,557,317
Cash flows from noncapital financing activities:		
Operating grants received	1,798,514	-
Payments from interfund accounts	9,274	615,544
Net cash provided by noncapital funding activities	1,807,788	615,544
Cash flows from capital and related financing activities, acquisition of capital assets		
	(95,915)	-
Cash flows from investing activities, interest on cash and cash equivalents		
	8,622	36,429
Net increase in cash and cash equivalents	91,552	2,209,290
Cash and cash equivalents:		
Beginning	2,145,167	10,872,955
Ending	\$ 2,236,719	\$ 13,082,245
Operating income (loss)	\$ (2,011,369)	\$ 1,978,805
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	88,121	-
Federal food commodities consumed	310,937	-
Change in assets and liabilities:		
(Increase) in accounts receivable	(9,810)	-
Decrease in purchased inventory	2,272	-
Decrease in prepaid expenses and deposits	4,304	-
(Decrease) in accounts payable	(7,466)	-
(Decrease) in salaries and benefits payable	(5,932)	-
(Decrease) in early retirement	-	(421,488)
Total adjustments	382,426	(421,488)
Net cash provided by (used in) operating activities	\$ (1,628,943)	\$ 1,557,317
Noncash item, noncapital financing activities, food commodities donated to the District from the U.S. Department of Agriculture	\$ 302,138	\$ -

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2010

	Private Purpose Trust Fund		Agency Funds
	Winbigler Estate Trust Fund		
Assets , cash and cash equivalents and investments	\$ 71,702	\$	238,509
Liabilities , due to private individuals	152		238,509
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, 2010**

	Private Purpose Trust Fund
	<u>Winbigler Estate</u>
	<u>Trust Fund</u>
Additions, local sources, interest	\$ 152
Deductions, noninstructional programs supplies	152
Changes in net assets	<u>-</u>
Net assets, beginning of year	71,550
Net assets, end of year	<u><u>\$ 71,550</u></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:

Government-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 government-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 government-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 government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

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 items: Prepaid expenses consist primarily of health and dental costs paid for the succeeding year and are recorded as prepaid expenses in both government-wide and fund financial statements on the consumption method.

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 government-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, 2010, has also been accrued as a liability as of June 30, 2010.

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 government-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, 2010. 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 \$186,277 for debt service, \$925,139 for management levy, \$2,868,660 for the physical plant and equipment levy and \$2,804,389 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.

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds" in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Iowa City Community School District

Notes to Basic Financial Statements

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

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.

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, 2010, 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	\$ 3	\$ 3	\$ -	\$ -	\$ -
IPAS Education Money Market Fund	18,351,915	18,351,915	-	-	-
	<u>\$ 18,351,918</u>	<u>\$ 18,351,918</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 is not rated, but is registered with the SEC. The Iowa Schools Joint Investment Trust is rated with Moody's Investor Services, but not registered with the SEC. The District's policy does not further limit the District's investments in relation to credit risk.

As of June 30, 2010, the District's investments were rated as follows:

Investment Type	Moody's 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, 2010, 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, 2010, are as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor Enterprise Fund, School Nutrition Fund	Major Fund, General Fund	\$ 12,956

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, 2010, is as follows:

Transfer To	Transfer From	Amount
Nonmajor Enterprise 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, 2010, is as follows:

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 4,477,319	\$ -	\$ -	\$ 4,477,319
Construction-in-progress	2,568,636	9,875,616	964,807	11,479,445
Total capital assets not being depreciated	7,045,955	9,875,616	964,807	15,956,764
Capital assets being depreciated:				
Buildings	135,518,903	3,280,808	-	138,799,711
Improvements other than buildings	7,049,773	1,494,332	-	8,544,105
Furniture, equipment and vehicles	15,993,296	341,709	80,238	16,254,767
Total capital assets being depreciated	158,561,972	5,116,849	80,238	163,598,583
Less accumulated depreciation for:				
Buildings	40,944,931	2,676,133	-	43,621,064
Improvements other than buildings	3,740,021	269,122	-	4,009,143
Furniture, equipment and vehicles	13,687,472	873,878	80,238	14,481,112
Total accumulated depreciation	58,372,424	3,819,133	80,238	62,111,319
Total capital assets being depreciated, net	100,189,548	1,297,716	-	101,487,264
Governmental activities capital assets, net	\$ 107,235,503	\$ 11,173,332	\$ 964,807	\$ 117,444,028
Business-Type Activities				
Furniture, equipment and vehicles	\$ 904,571	\$ 95,915	\$ -	\$ 1,000,486
Less accumulated depreciation	414,062	88,121	-	502,183
Business-type activities capital assets, net	\$ 490,509	\$ 7,794	\$ -	\$ 498,303

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	\$ 2,644,205
Special	480,839
Other	181,884

Support services:

Instructional services	27,648
Administration services	179,016
Operation and maintenance	273,136

3,786,728

Unallocated depreciation	32,405
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Total governmental activities depreciation expense \$ 3,819,133

Business-type activities, nutritional services	<u>\$ 88,121</u>
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Note 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 26,690,000	\$ -	\$ 2,530,000	\$ 24,160,000	\$ 2,655,000
Early retirement	2,122,866	1,805,386	675,739	3,252,513	2,164,799
Compensated absences	589,665	548,091	591,441	546,315	546,315
Total	<u>\$ 29,402,531</u>	<u>\$ 2,353,477</u>	<u>\$ 3,797,180</u>	<u>\$ 27,958,828</u>	<u>\$ 5,366,114</u>

Early retirement: The District provided early retirement incentives for certain employees who met 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 District employees shall be a District contribution to a Special Pay Deferral Plan (SPDP), 401(a), 70 percent of current year's salary based on average full time equivalence (FTE) status for the past 10 years. Additionally for fiscal year 2010, the District offered a one-time amended contribution incentive of 100 percent of current year salary to eligible employees accepting the retirement package by March 1, 2010.

During the year ended June 30, 2010, 40 District employees requested early retirement, to be payable during the year ending June 30, 2011. The benefits to be paid to these employees will be made in October 2010 and total \$1,822,046. During the year ended June 30, 2010, the District paid \$315,469 of early retirement benefits approved during the year ended June 30, 2009 from the Management Fund. In addition, \$1,430,467 of insurance benefits is accrued in the Health Self Insurance Internal Service Fund.

Compensated absences: Compensated absences are generally liquidated by the General Fund. The District's compensated absences are generally liquidated within one year.

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, 2010 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
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>\$ 5,960,000</u>	<u>\$ 1,026,324</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
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>\$ 18,200,000</u>	<u>\$ 3,373,500</u>

Iowa City Community School District

Notes to Basic Financial Statements

Note 6. Long-Term Liabilities (Continued)

As of June 30, 2010, the District did not exceed its legal debt margin computed as follows:

Total assessed valuation	<u>\$ 7,433,596,535</u>
Debt limit, 5% of total assessed valuation	\$ 371,679,827
Amount of debt applicable to debt limitation, general obligation bonds	<u>24,160,000</u>
Excess of debt limit over debt outstanding, legal debt margin	<u>\$ 347,519,827</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 4.30 percent of their annual covered salary and the District is required to contribute 6.65 percent of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$4,877,682, \$4,558,004 and \$3,996,870, 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, 2010, 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, 2010 and 2009 were as follows:

Self-Insurance Liability	Beginning	Claims and Changes in Estimates	Claims Payments	Ending
Health:				
2010	\$ 1,272,000	\$ 6,920,029	\$ 6,920,029	\$ 1,272,000
2009	1,338,835	6,459,024	6,525,859	1,272,000

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 \$4,766,004 for the year ended June 30, 2010. The District's actual constructive revenue and constructive expenses are included in the General Fund.

Note 10. Commitments

As of June 30, 2010, the District had outstanding construction commitments totaling approximately \$5,900,000.

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 \$18,900,000 as of June 30, 2010. 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, 2010.

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, 2010. Rental expense during the year ended June 30, 2010 was \$156,376.

Lease commitments as of June 30, 2010, for these leases are as follows:

Year ending June 30:

2011	\$ 23,936
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Iowa City Community School District

Notes to Basic Financial Statements

Note 13. Contingencies

As of June 30, 2010, 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 2010, monthly payments were approximately \$7,200 per month.

Note 15. Other Postemployment Benefits (OPEB)

Plan description: As required under Iowa Code Chapter 509A-3, 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. The District does not offer any voluntary postretirement benefits.

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 2010, the District contributed \$476,002. Contributions are required for both retiree and dependent coverage. The active and retiree premium equivalents effective April 1, 2010, 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		28.52
Retiree + Family		83.29

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:

Annual required contribution	\$ 679,000
Interest on net OPEB obligation	6,435
Adjustment to annual required contribution	(7,598)
Annual OPEB cost (expense)	<u>677,837</u>
Contributions and payments made	<u>476,002</u>
Increase in net OPEB obligation	201,835
Net OPEB obligation July 1, 2009	<u>143,000</u>
Net OPEB obligation June 30, 2010	<u><u>\$ 344,835</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for 2010 and the two preceding years follows. Fiscal year ended June 30, 2009 was the adoption year of GASB Statement No. 45.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2008	N/A	N/A	N/A
06/30/2009	\$ 679,000	79%	\$ 143,000
06/30/2010	677,837	70	344,835

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.

Iowa City Community School District

Notes to Basic Financial Statements

Note 15. Other Postemployment Benefits (Continued)

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.

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. 51, *Accounting and Financial Reporting for Intangible Assets*. 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. This Statement had no effect to the District.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. 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. This Statement had no effect to the District. Furthermore, Iowa Code Chapter 128.10 does not authorize districts to invest in derivative instruments.
- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This Statement provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs. The adoption of this Statement had no effect to the District.

Iowa City Community School District

Notes to Basic Financial Statements

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

As of June 30, 2010, 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. 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.
- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, an amendment of GASB Statement No. 43 and No. 45, issued January 2010, will be effective for the District beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.
- GASB Statement No. 59, *Financial Instruments Omnibus*, issued June 2010, will be effective for the District beginning with its year ending June 30, 2011. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investment pools, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

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

Note 17. Subsequent Event

In July 2010, the District's Board of Directors approved an agreement for the sale of the District's central administration office to the University of Iowa for \$4,500,000, subject to the District being able to acquire a suitable office replacement.

On November 9, 2010, the District's Board of Directors approved an agreement to purchase a multi-use facility in the northern part of Iowa City. The District anticipates the relocation of its central administration office by October 2011. In addition, the District anticipates the relocation of several support operations currently in leased spaces to this new facility in subsequent years. The anticipated cost of the new facility and any necessary remodeling expenditures are not expected to exceed \$4,500,000.

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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	07/01/2008	\$ -	\$ 4,441,000	\$ 4,441,000	- %	\$ 71,799,521	6.19%
2010	07/01/2008	-	4,441,000	4,441,000	-	71,799,521	6.19

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.

Iowa City Community School District

Required Supplementary Information
 Budgetary Comparison Schedule
 All Governmental Funds and Enterprise Fund
 Year Ended June 30, 2010

	Governmental Fund Types Actual	Enterprise Fund Type Actual	Total Actual
Revenues:			
Local sources	\$ 85,661,888	\$ 2,271,030	\$ 87,932,918
State sources	46,487,840	37,143	46,524,983
Federal sources	11,278,777	2,069,244	13,348,021
Total revenues	143,428,505	4,377,417	147,805,922
Expenditures:			
Instruction	80,550,680	-	80,550,680
Support services	34,604,731	-	34,604,731
Noninstructional programs	38,690	4,273,777	4,312,467
Other expenditures	25,457,769	-	25,457,769
Total expenditures	140,651,870	4,273,777	144,925,647
Excess of revenues over expenditures/expenses	2,776,635	103,640	2,880,275
Fund balances, beginning of year	29,578,245	2,652,588	32,230,833
Fund balances, end of year	\$ 32,354,880	\$ 2,756,228	\$ 35,111,108

See Note to Required Supplementary Information.

Budgeted Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 86,239,385	\$ 86,239,385	\$ 1,693,533
59,249,305	59,249,305	(12,724,322)
6,063,550	6,063,550	7,284,471
151,552,240	151,552,240	(3,746,318)
82,384,869	84,000,000	3,449,320
37,581,194	38,000,000	3,395,269
4,629,344	4,800,000	487,533
24,582,977	31,000,000	5,542,231
149,178,384	157,800,000	12,874,353
\$ 2,373,856	\$ (6,247,760)	\$ 9,128,035

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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, 2010, the District adopted one budget amendment which increased the budgeted expenditures by \$8,621,616.

During the year ended June 30, 2010, 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, 2010

	Special Revenue			Total Nonmajor Governmental Funds
	Management	Student Activity	Debt Service	
Assets				
Cash and cash equivalents and investments	\$ 941,373	\$ 1,192,929	\$ 156,738	\$ 2,291,040
Receivables:				
Property tax:				
Current year	10,761	-	29,539	40,300
Succeeding year	2,549,359	-	3,375,973	5,925,332
Total assets	\$ 3,501,493	\$ 1,192,929	\$ 3,562,250	\$ 8,256,672
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 26,995	\$ 42,469	\$ -	\$ 69,464
Deferred revenue, succeeding year property tax	2,549,359	-	3,375,973	5,925,332
Total liabilities	2,576,354	42,469	3,375,973	5,994,796
Fund balances:				
Reserved for debt service	-	-	186,277	186,277
Unreserved, undesignated, reported in special revenue funds	925,139	1,150,460	-	2,075,599
Total fund balances	925,139	1,150,460	186,277	2,261,876
Total liabilities and fund balances	\$ 3,501,493	\$ 1,192,929	\$ 3,562,250	\$ 8,256,672

Iowa City Community School District

**Combining Statement of Revenues, Expenditures and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2010**

	Special Revenue			Total Nonmajor Governmental Funds
	Management	Student Activity	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ 1,268,805	\$ -	\$ 3,524,683	\$ 4,793,488
Other	42,697	2,592,412	2,392	2,637,501
Total revenues	1,311,502	2,592,412	3,527,075	7,430,989
Expenditures:				
Current:				
Instruction:				
Regular	423,124	-	-	423,124
Other instruction	-	2,390,744	-	2,390,744
Support services:				
Administration services	866,307	131,330	800	998,437
Operations and maintenance	382,252	2,268	-	384,520
Transportation services	-	159,052	-	159,052
Debt service:				
Principal	-	-	2,530,000	2,530,000
Interest and fiscal charges	-	-	988,452	988,452
Total expenditures	1,671,683	2,683,394	3,519,252	7,874,329
Excess (deficiency) of revenues over expenditures	(360,181)	(90,982)	7,823	(443,340)
Other financing sources, transfers in	-	182,000	-	182,000
Net change in fund balances	(360,181)	91,018	7,823	(261,340)
Fund balances, beginning of year	1,285,320	1,059,442	178,454	2,523,216
Fund balances, end of year	\$ 925,139	\$ 1,150,460	\$ 186,277	\$ 2,261,876

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, 2010

	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	\$ 3,147	\$ 3,263	\$ 913	\$ 481
Student activity fees, sales and miscellaneous	975,790	1,064,789	165,234	78,109
Total revenues	978,937	1,068,052	166,147	78,590
Expenditures:				
Current:				
Instruction, other instruction	925,209	988,251	148,434	69,167
Support services:				
Administration services	62,553	41,440	8,102	2,785
Operations and maintenance	-	-	-	-
Transportation services	-	-	-	-
Total expenditures	987,762	1,029,691	156,536	71,952
Excess (deficiency) of revenues over expenditures	(8,825)	38,361	9,611	6,638
Other financing sources, transfers in	16,000	16,000	-	-
Net change in fund balances (deficits)	7,175	54,361	9,611	6,638
Fund balances (deficits), beginning of year	513,613	385,368	68,234	32,201
Fund balances (deficits), end of year	\$ 520,788	\$ 439,729	\$ 77,845	\$ 38,839

North Central Junior High and Elementary Schools		Athletic Fund	District-Wide Activities Account	Vocational Auto Mechanics	Total Student Activity Funds				
\$	191	\$	42	\$	46	\$	2	\$	8,085
	77,168		216,130		1,370		5,737		2,584,327
	77,359		216,172		1,416		5,739		2,592,412
	51,450		204,922		696		2,615		2,390,744
	16,450		-		-		-		131,330
	-		2,268		-		-		2,268
	-		159,052		-		-		159,052
	67,900		366,242		696		2,615		2,683,394
	9,459		(150,070)		720		3,124		(90,982)
	-		150,000		-		-		182,000
	9,459		(70)		720		3,124		91,018
	40,576		(30,863)		25,567		24,746		1,059,442
\$	50,035	\$	(30,933)	\$	26,287	\$	27,870	\$	1,150,460

Iowa City Community School District

**Statement of Changes in Fiduciary
Assets and Liabilities - Agency Funds
Year Ended June 30, 2010**

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Flexible Benefits Account				
Assets,				
cash and cash equivalents	\$ 199,031	\$ 1,624,904	\$ 1,615,855	\$ 208,080
Liabilities,				
due to private individuals	\$ 199,031	\$ 1,624,904	\$ 1,615,855	\$ 208,080
School Children's Aid				
Assets,				
cash and cash equivalents	\$ 10,514	\$ 13,925	\$ 19,929	\$ 4,510
Liabilities,				
due to private individuals	\$ 10,514	\$ 13,925	\$ 19,929	\$ 4,510
Opportunity Funds				
Assets,				
cash and cash equivalents	\$ 6,255	\$ -	\$ 4,067	\$ 2,188
Liabilities,				
due to private individuals	\$ 6,255	\$ -	\$ 4,067	\$ 2,188
School Based Health Clinics				
Assets,				
cash and cash equivalents	\$ 33,974	\$ 48,861	\$ 59,104	\$ 23,731
Liabilities,				
due to private individuals	\$ 33,974	\$ 48,861	\$ 59,104	\$ 23,731
Total Agency Funds				
Assets,				
cash and cash equivalents	\$ 249,774	\$ 1,687,690	\$ 1,698,955	\$ 238,509
Liabilities,				
due to private individuals	\$ 249,774	\$ 1,687,690	\$ 1,698,955	\$ 238,509

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 Eight 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	2010	
\$ 47,646,574	\$ 60,614,632	\$ 64,933,021	\$ 73,555,648	\$ 80,393,020	\$ 93,159,408	
6,693,449	7,951,013	9,460,390	5,669,654	5,416,705	6,784,465	
15,542,661	7,670,949	6,659,080	17,882,764	32,018,847	33,609,893	
\$ 69,882,684	\$ 76,236,594	\$ 81,052,491	\$ 97,108,066	\$ 117,828,572	\$ 133,553,766	
\$ 285,874	\$ 342,565	\$ 456,833	\$ 496,000	\$ 490,509	\$ 498,303	
-	-	-	-	-	-	
1,559,611	1,872,776	2,111,394	2,345,817	2,560,254	2,752,849	
\$ 1,845,485	\$ 2,215,341	\$ 2,568,227	\$ 2,841,817	\$ 3,050,763	\$ 3,251,152	
\$ 47,932,448	\$ 60,957,197	\$ 65,389,854	\$ 74,051,648	\$ 80,883,529	\$ 93,657,711	
6,693,449	7,951,013	9,460,390	5,669,654	5,416,705	6,784,465	
17,102,272	9,543,725	8,770,474	20,228,581	34,579,101	36,362,742	
\$ 71,728,169	\$ 78,451,935	\$ 83,620,718	\$ 99,949,883	\$ 120,879,335	\$ 136,804,918	

Iowa City Community School District

**Expenses, Program Revenues and Net (Expense) Revenue
Last Eight 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		2010		
\$	58,885,279	\$	63,495,701	\$	67,906,615	\$	75,311,719	\$	80,135,420	\$	85,736,202	
	2,710,002		2,836,912		2,945,952		3,151,173		3,410,990		4,189,268	
	4,806,321		4,930,194		5,125,575		6,292,532		6,277,063		5,950,476	
	8,410,711		8,047,884		8,663,947		9,585,085		9,177,313		9,894,942	
	7,891,471		9,251,147		10,391,249		10,149,107		11,020,902		12,031,969	
	2,670,509		3,544,445		3,764,939		5,011,447		5,670,355		4,440,490	
	4,101,623		5,055,519		5,998,900		5,188,131		4,986,103		4,798,409	
	268,069		18,775		13,762		17,660		44,222		47,444	
	1,307,945		1,229,057		1,167,068		1,065,987		1,028,590		958,922	
	91,051,930		98,409,634		105,978,007		115,772,841		121,750,958		128,048,122	
	2,941,497		3,205,272		3,451,139		3,806,588		4,044,118		4,177,028	
\$	93,993,427	\$	101,614,906	\$	109,429,146	\$	119,579,429	\$	125,795,076	\$	132,225,150	
\$	2,821,032	\$	3,016,916	\$	3,375,102	\$	3,544,907	\$	3,875,751	\$	3,494,113	
	180,094		11,447		19,701		11,919		113,293		102,924	
	8,613,823		10,502,795		10,904,544		13,447,339		17,401,300		25,053,119	
	1,536,790		457,884		709,601		181,603		-		-	
	13,151,739		13,989,042		15,008,948		17,185,768		21,717,231		28,650,156	
	1,956,544		2,094,665		2,153,019		2,258,569		2,321,754		2,262,408	
	1,231,176		1,384,365		1,545,561		1,759,123		1,906,739		2,106,387	
	-		33,057		11,000		-		-		-	
	3,187,720		3,512,087		3,709,580		4,017,692		4,228,493		4,368,795	
\$	16,339,459	\$	17,501,129	\$	18,718,528	\$	21,203,460	\$	25,945,724	\$	33,018,951	
\$	(77,900,191)	\$	(84,420,592)	\$	(90,969,059)	\$	(98,587,073)	\$	(100,033,727)	\$	(99,397,966)	
	246,223		306,815		258,441		211,104		184,375		191,767	
\$	(77,653,968)	\$	(84,113,777)	\$	(90,710,618)	\$	(98,375,969)	\$	(99,849,352)	\$	(99,206,199)	

Iowa City Community School District

**General Revenues and Total Change in Net Assets
Last Eight 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	2010	
\$ (77,900,191)	\$ (84,420,592)	\$ (90,969,059)	\$ (98,587,073)	\$ (100,033,727)	\$ (99,397,966)	
246,223	306,815	258,441	211,104	184,375	191,767	
(77,653,968)	(84,113,777)	(90,710,618)	(98,375,969)	(99,849,352)	(99,206,199)	
37,415,151	39,354,754	43,260,607	46,156,268	50,280,460	52,974,155	
3,349,897	5,827,602	6,463,349	6,715,464	7,131,726	7,481,779	
3,604,392	3,640,090	3,603,181	3,117,301	3,573,769	3,524,683	
-	-	-	13,952,660	12,870,778	13,207,890	
35,092,649	36,727,158	38,000,023	40,899,909	43,398,531	33,877,697	
380,544	989,882	1,214,815	756,496	642,596	317,079	
3,012,653	4,235,016	3,242,981	3,044,550	3,183,260	3,739,877	
82,855,286	90,774,502	95,784,956	114,642,648	120,754,233	115,123,160	
24,274	63,041	94,445	62,486	24,571	8,622	
82,879,560	90,837,543	95,879,401	114,705,134	120,778,804	115,131,782	
4,955,095	6,353,910	4,815,897	16,055,575	20,720,506	15,725,194	
270,497	369,856	352,886	273,590	208,946	200,389	
\$ 5,225,592	\$ 6,723,766	\$ 5,168,783	\$ 16,329,165	\$ 20,929,452	\$ 15,925,583	

Iowa City Community School District

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	2001	2002	2003	2004
General Fund:				
Reserved	\$ 693,854	\$ 751,948	\$ 753,308	\$ 621,500
Unreserved	12,108,067	12,589,484	13,119,873	11,243,223
Total General Fund	\$ 12,801,921	\$ 13,341,432	\$ 13,873,181	\$ 11,864,723
All other governmental funds:				
Reserved	\$ 286,056	\$ 362,131	\$ 370,397	\$ 450,071
Unreserved, reported in:				
Special revenue funds	4,066,434	4,216,995	3,781,113	5,340,982
Capital projects funds	201,903	169,130	10,001,895	32,896,901
Total all other governmental funds	\$ 4,554,393	\$ 4,748,256	\$ 14,153,405	\$ 38,687,954

Fiscal Year						
2005	2006	2007	2008	2009	2010	
\$ 735,539	\$ 1,071,626	\$ 1,334,507	\$ 1,546,798	\$ 1,534,839	\$ 3,539,004	
11,654,539	10,400,123	9,208,308	3,554,114	5,344,723	4,396,154	
\$ 12,390,078	\$ 11,471,749	\$ 10,542,815	\$ 5,100,912	\$ 6,879,562	\$ 7,935,158	
\$ 471,401	\$ 552,899	\$ 642,360	\$ 168,233	\$ 178,454	\$ 186,277	
5,772,504	8,054,048	9,335,752	5,774,720	5,491,255	4,944,259	
8,117,685	(7,704,715)	(8,986,375)	8,161,146	17,028,974	19,289,186	
\$ 14,361,590	\$ 902,232	\$ 991,737	\$ 14,104,099	\$ 22,698,683	\$ 24,419,722	

Iowa City Community School District

Governmental Funds Revenues

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	2001	2002	2003	2004
Federal sources, federal grants	\$ 1,584,582	\$ 1,731,845	\$ 2,122,528	\$ 2,211,501
State sources, state grants and other	36,153,467	36,682,827	38,424,534	38,088,997
Local sources:				
Ad valorem taxes	35,253,249	36,739,202	39,060,701	42,385,863
Interest and other income	1,278,300	629,759	317,551	157,253
Other revenues	5,163,119	5,621,735	5,865,674	6,193,427
Total local sources	41,694,668	42,990,696	45,243,926	48,736,543
Total revenues	\$ 79,432,717	\$ 81,405,368	\$ 85,790,988	\$ 89,037,041

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 3,849,343	\$ 4,022,837	\$ 3,846,094	\$ 3,691,110	\$ 5,440,340	\$ 11,278,777
40,391,200	42,726,134	45,049,784	50,154,765	54,506,988	46,487,840
44,369,440	48,822,446	53,327,137	69,075,496	73,835,697	76,978,507
380,544	989,882	1,214,815	1,321,185	196,284	60,266
6,597,126	7,845,172	6,640,304	7,159,282	7,991,035	8,623,115
51,347,110	57,657,500	61,182,256	77,555,963	82,023,016	85,661,888
\$ 95,587,653	\$ 104,406,471	\$ 110,078,134	\$ 131,401,838	\$ 141,970,344	\$ 143,428,505

Iowa City Community School District

Governmental Funds Expenditures and Debt Service Ratio

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	2001	2002	2003 (1)	2004 (1)
Instruction	\$ 45,021,000	\$ 48,966,449	\$ 51,047,044	\$ 54,905,152
Pupil personnel services	2,057,208	2,137,569	2,288,553	2,555,746
Instructional media services	2,328,958	2,586,598	-	-
Instruction and curriculum development services	2,178,254	2,397,475	4,730,821	5,473,625
Board of education	77,598	82,037	-	-
General administration	1,636,358	1,379,233	-	-
School administration	3,387,778	3,662,790	8,757,421	8,339,612
Fiscal services	622,629	607,940	-	-
Central services	1,992,381	1,691,849	-	-
Plant operation and maintenance	6,992,160	6,774,076	6,983,505	7,412,390
Pupil transportation services	2,242,908	2,345,281	2,541,268	2,794,426
AEA flowthrough	3,104,764	3,099,086	3,187,081	3,035,870
Community services	257,207	231,893	255,004	271,862
Noncapital facilities acquisition/construction	-	-	-	-
Capital outlay, facilities acquisition/construction	2,736,671	2,902,281	4,567,357	9,939,999
Debt service:				
Principal	1,575,000	1,650,000	1,865,000	705,000
Interest	230,601	157,437	80,988	404,944
Total expenditures	\$ 76,441,475	\$ 80,671,994	\$ 86,304,042	\$ 95,838,626
Debt service as a percentage of noncapital expenditures	2.45%	2.32%	2.38%	1.29%

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

							Fiscal Year					
							2005 (1)	2006 (1)	2007 (1)	2008 (1)	2009 (1)	2010 (1)
\$	56,638,793	\$	62,091,439	\$	65,440,584	\$	71,694,880	\$	79,469,308	\$	80,550,680	
	2,710,002		2,836,912		2,945,952		3,151,173		3,405,973		4,082,113	
	-		-		-		-		-		-	
	4,798,911		4,923,439		5,106,837		6,264,667		6,221,272		5,796,009	
	-		-		-		-		-		-	
	-		-		-		-		-		-	
	8,661,234		8,299,518		9,074,574		9,619,098		9,624,966		9,817,405	
	-		-		-		-		-		-	
	-		-		-		-		-		-	
	7,769,887		9,105,165		10,204,862		9,918,437		10,583,745		10,468,714	
	2,670,509		3,544,445		3,764,939		5,011,447		5,670,355		4,440,490	
	3,127,792		3,284,598		3,561,580		3,855,124		4,265,250		4,766,004	
	271,913		18,962		13,762		17,660		24,542		38,690	
	902,669		1,760,485		2,407,038		1,301,574		674,733		3,145,655	
	27,607,472		19,300,592		4,825,783		9,273,067		8,082,813		14,027,658	
	2,650,000		2,365,000		2,380,000		2,495,000		2,515,000		2,530,000	
	1,579,480		1,253,603		1,191,652		1,129,252		1,059,153		988,452	
\$	119,388,662	\$	118,784,158	\$	110,917,563	\$	123,731,379	\$	131,597,110	\$	140,651,870	
							4.61%	3.64%	3.37%	3.01%	2.89%	2.78%

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			
	2001	2002	2003	2004
Excess of revenues over (under) expenditures	\$ 2,991,242	\$ 733,374	\$ (513,054)	\$ (6,801,585)
Other financing sources (uses):				
General long-term debt issued	\$ -	\$ -	\$ 10,039,661	\$ 29,327,676
Real estate contract financing	-	-	940,000	-
Transfers in	185,235	143,456	514,537	455,260
Transfers out	(185,235)	(143,456)	(514,537)	(455,260)
Total other financing sources (uses)	-	-	10,979,661	29,327,676
Net change in fund balances	\$ 2,991,242	\$ 733,374	\$ 10,466,607	\$ 22,526,091

Fiscal Year						
2005	2006	2007	2008	2009	2010	
\$ (23,801,009)	\$ (14,377,687)	\$ (839,429)	\$ 7,670,459	\$ 10,373,234	\$ 2,776,635	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	-	-	
849,694	235,841	200,906	9,149,956	182,000	182,000	
(849,694)	(235,841)	(200,906)	(9,149,956)	(182,000)	(182,000)	
-	-	-	-	-	-	
\$ (23,801,009)	\$ (14,377,687)	\$ (839,429)	\$ 7,670,459	\$ 10,373,234	\$ 2,776,635	

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			
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	1,783,998,259	123,600,803	7,490,127,816	4,011,810,830	13.852
2009	5,573,480,587	1,956,025,455	147,983,455	7,677,489,497	4,272,156,417	14.192
2010*	5,712,285,320	1,792,655,087	148,264,569	7,653,204,976	4,473,488,984	14.191

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.

* Utility and gas and electric valuations are not included for 2010 as they have not been certified by the Department of Revenue

Iowa City Community School District

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

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

(Unaudited)

Fiscal Year Ended June 30	District Direct Rates				Overlapping Rates			
	General Purposes	Capital Purposes	Debt Service Purposes	Total	County	City of Iowa City	Area School	Other
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
2010	11.734	1.670	0.787	14.191	7.386	17.853	0.840	0.326

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	2010			2001		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Mid American Energy Co	\$ 90,527,958	1	2.02%	-	-	-
Coral Ridge Mall LLC	69,878,000	2	1.56	-	-	-
American College Testing Program, Inc.	45,634,391	3	1.02	9,136,802	10	-
City of Coralville	28,495,100	4	0.64	-	-	-
Raycal Iowa LTD	24,625,490	5	0.55	-	-	-
Individual	22,894,477	6	0.51	-	-	-
Center City Partners	21,482,220	7	0.48	-	-	-
ITC Midwest LLC	20,552,153	8	0.46	-	-	-
Individual	19,794,600	9	0.44	-	-	-
Plaza Towers LLC	17,101,360	10	0.38	-	-	-
GGP Limited Partnership	-	-	-	46,582,564	1	1.75
Individual	-	-	-	24,626,452	2	0.93
Old Capital Mall Associates LP	-	-	-	13,195,727	4	0.50
Proctor & Gamble Mfg. Co.	-	-	-	9,744,580	8	0.37
National Computer Systems, Inc.	-	-	-	14,870,196	3	0.56
MIP Iowa City LLP	-	-	-	11,843,137	6	0.45
Ambrose Properties	-	-	-	12,809,184	5	0.48
Southgate Development Co, Inc.	-	-	-	11,336,965	7	0.43
Aimco Lakeside Manor	-	-	-	9,198,778	9	0.35
All other taxpayers	4,112,503,235	-	-	2,495,083,497	-	-
Total	\$ 4,473,488,984			\$ 2,658,427,882		

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
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
2010	58,801,491	58,703,329	99.83	-	58,703,329	99.83

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
2001	\$ 3,375,000	13.00%	\$ 37.50	10.006%
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	*
2010	24,160,000	0.54	246.53	*

Source: District records

* Information not available

Iowa City Community School District

Direct and Overlapping Governmental Activities Debt

As of June 30, 2010

(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Direct and Overlapping Debt
City of Iowa City	75,050,000	99.998%	\$ 75,048,499
City of Coralville	104,520,000	75.224	78,624,125
City of North Liberty	13,185,000	71.940	9,485,289
Kirkwood Community College	18,870,000	75.563	14,258,738
Johnson County	19,205,000	75.508	14,501,311
City of University Heights	195,000	100.000	195,000
Subtotal, overlapping debt			<u>192,112,962</u>
District direct debt			<u>24,160,000</u>
Total direct and overlapping debt			<u><u>\$ 216,272,962</u></u>

Source: Johnson County Auditor

* Estimate is based upon overlapping total assessed value and assessed value within Iowa City Community School District boundaries.

Iowa City Community School District

Legal Debt Margin Information

Last Ten Fiscal Years

(Unaudited)

	2001	2002	2003	2004
Debt limit	\$ 180,399,447	\$ 193,918,784	\$ 202,988,628	\$ 222,536,021
Total net debt applicable to limit	3,375,000	1,725,000	-	38,495,000
Legal debt margin	\$ 177,024,447	\$ 192,193,784	\$ 202,988,628	\$ 184,041,021
Total net debt applicable to the limit as a percentage of debt limit	1.91%	0.90%	0.00%	20.92%

Source: Johnson County Auditor and District records.

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value	\$ 7,490,127,816
Debt limit (5% of assessed value)	\$ 374,506,391
Debt applicable to limit	24,160,000
Legal debt margin	\$ 350,346,391

	2005	2006	2007	2008	2009	2010
\$	262,674,791	\$ 275,197,931	\$ 317,997,232	\$ 332,855,691	\$ 363,164,677	\$ 374,506,391
	36,445,000	34,080,000	31,700,000	29,205,000	26,690,000	24,160,000
\$	226,229,791	\$ 241,117,931	\$ 286,297,232	\$ 303,650,691	\$ 336,474,677	\$ 350,346,391

16.11%

14.13%

11.07%

9.62%

7.35%

6.45%

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
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	67,062	104,000	*	*	2.90
2008	67,062	104,000	*	*	4.50
2009	67,062	104,000	*	*	5.10

* Information not available

Source: City of Iowa City and Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce, Iowa Workforce Development (August 2010) and Johnson County Auditor.

Iowa City Community School District

**Principal Employers
Current Year and Nine Years Ago
(Unaudited)**

Employer	2010			2001		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
The University of Iowa (1)	25,387	1	27.21%	23,596	1	34.45%
The University of Iowa Hospitals and Clinics (1)	9,682	2	10.38	-	-	-
Iowa City Community School District	1,676	8	1.80	1,600	2	0.02
Pearson (formerly National Computer Systems)	1,400	4	1.50	1,208	5	1.76
Veterans Administration Hospital	1,351	5	1.45	1,320	3	1.93
Mercy Hospital	1,266	6	1.36	1,150	6	1.68
American College Testing	1,221	7	1.31	1,100	7	1.61
Hy-Vee Food Stores, Inc.	1,166	8	1.25	1,320	4	1.93
Systems Unlimited	838	9	0.90	-	-	-
Rockwell International	828	10	0.89	792	10	1.16
Riverside Casino and Golf Resort	805	11	0.86	-	-	-
Proctor & Gamble Mfg. Co.	720	12	0.77	-	-	-
MCI Mass Markets	-	-	-	612	11	0.89
Oral B Laboratories	-	-	-	800	9	0.01
All other employers	46,960	-	-	35,002	-	-
Total	93,300		42.03%	68,500		47.64%

Source: City of Iowa City, as last updated October 2007 and Iowa Department of Economic Development (2010 data).

(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			
	2001	2002	2003	2004
Supervisory:				
Instructional administrators	2.00	2.00	2.00	2.00
Noninstructional administrators	7.00	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	6.00	6.00	6.00	6.00
Total supervisory	38.00	38.00	38.00	38.00
Instruction:				
Elementary classroom teachers	305.15	308.26	318.74	313.30
Secondary classroom teachers	238.85	242.04	222.93	231.49
Other classroom teachers	125.40	132.20	136.65	143.04
Paraprofessionals	180.00	190.00	200.00	215.00
Total instruction	849.40	872.50	878.32	902.83
Student services:				
Guidance counselors	24.90	25.00	25.60	27.50
Media specialists	23.50	23.30	24.50	24.50
Other professionals (noninstructional)	18.40	12.80	14.50	19.30
Consultants/supervisory	10.50	12.00	21.99	14.00
Total student services	77.30	73.10	86.59	85.30
Support and administration:				
Clerical/secretarial	96.00	102.00	106.00	101.00
Food service workers	65.00	69.00	70.00	69.00
Physical plant	110.00	115.00	105.00	108.00
Other	6.00	8.00	26.00	21.00
Total support and administration	277.00	294.00	307.00	299.00
Total	1,241.70	1,277.60	1,309.91	1,325.13

Source: District records

Full-Time Equivalent Employees as of June 30						Percentage Change 2001 - 2010
2005	2006	2007	2008	2009	2010	
2.00	2.00	2.00	2.00	2.00	1.50	-25.00%
7.00	7.00	7.00	7.50	7.50	8.00	14.29%
2.00	2.00	2.00	2.00	2.00	2.00	0.00%
21.00	22.00	24.00	24.00	24.00	23.50	11.90%
6.00	6.00	6.00	8.00	8.00	8.50	41.67%
38.00	39.00	41.00	43.50	43.50	43.50	14.47%
314.31	326.95	337.84	354.27	356.34	349.46	14.52%
224.64	223.12	223.55	235.59	239.68	230.25	-3.60%
143.66	169.29	182.58	196.90	207.42	214.85	71.33%
290.00	313.00	318.00	311.00	323.00	311.90	73.28%
972.61	1,032.36	1,061.97	1,130.76	1,126.44	1,106.46	30.26%
27.50	28.30	28.30	28.38	28.93	29.05	16.67%
24.00	26.00	26.00	25.80	26.80	26.80	14.04%
21.88	20.78	24.23	26.51	20.00	27.00	46.74%
14.00	12.00	12.00	14.00	12.30	14.33	36.48%
87.38	87.08	90.53	94.69	88.03	97.18	25.72%
103.00	98.00	96.50	104.50	107.75	109.00	13.54%
60.00	62.00	65.00	79.70	81.00	93.00	43.08%
109.00	116.00	122.00	120.10	121.80	117.80	7.09%
34.00	20.00	19.00	19.00	16.00	16.00	166.67%
306.00	296.00	302.50	323.30	326.55	335.80	21.23%
1,403.99	1,454.44	1,496.00	1,592.25	1,584.52	1,582.94	27.48%

Iowa City Community School

Operating Statistics Last Ten Fiscal Years (Unaudited)

Fiscal Year	Official Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change
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	11,716	114,706,854	9,790	5.25
2009	11,749	120,722,368	10,275	4.72
2010	11,903	127,080,459	10,673	3.87

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
*	*	*	667.40	*	1930.00%
*	*	*	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
4,177,029	351	2.03	794.56	14.98	29.05

Iowa City Community School

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

School	Fiscal Year				
	2001	2002	2003	2004	2005
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	434	455	430	433	458
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	360	359	376	366
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	293	286	277	287	275
Hills Elementary (1965, 1969)					
Square feet	24,449	24,449	24,449	24,449	24,449
Capacity	220	220	220	220	220
Enrollment	231	258	247	189	164
Ernest Horn Elementary (1969, 1978)					
Square feet	35,303	35,303	35,303	35,303	35,303
Capacity	286	286	286	286	286
Enrollment	295	291	293	315	303
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	308	269	275	286	273
Lincoln Elementary (1926, 1988)					
Square feet	25,832	25,832	25,832	25,832	25,832
Capacity	220	220	220	220	220
Enrollment	212	218	241	249	256
Longfellow Elementary (1917)					
Square feet	30,148	30,148	30,148	30,148	30,148
Capacity	308	308	308	308	308
Enrollment	281	304	283	289	276
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	381	364	383	408	420
Horace Mann Elementary (1917)					
Square feet	29,360	29,360	29,360	29,360	29,360
Capacity	286	286	286	286	286
Enrollment	270	272	259	270	261
Penn Elementary (1961, 1985, 1995)					
Square feet	38,838	38,838	38,838	38,838	38,838
Capacity	418	418	418	418	418
Enrollment	406	417	437	456	487

(Continued)

Fiscal Year				
2006	2007	2008	2009	2010
52,967	52,967	52,967	52,967	52,967
462	462	462	462	462
437	448	423	427	430
48,045	48,045	48,045	48,045	48,045
352	352	352	352	352
385	441	438	439	345
36,643	36,643	36,643	36,643	36,643
330	330	330	330	330
302	306	308	306	362
24,449	24,449	24,449	24,449	24,449
220	220	220	220	220
140	152	132	137	126
35,303	35,303	35,303	35,303	35,303
286	286	286	286	286
292	288	292	279	331
36,293	36,293	36,293	36,293	36,293
308	308	308	308	308
286	283	289	296	332
25,832	25,832	25,832	25,832	25,832
220	220	220	220	220
244	256	260	253	263
30,148	30,148	30,148	30,148	30,148
308	308	308	308	308
289	284	317	305	311
42,080	42,080	42,080	42,080	42,080
418	418	418	418	418
438	426	415	424	416
29,360	29,360	29,360	29,360	29,360
286	286	286	286	286
258	249	257	244	259
38,838	38,838	38,838	38,838	38,838
418	418	418	418	418
354	391	417	461	511

Iowa City Community School District

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

School	Fiscal Year				
	2001	2002	2003	2004	2005
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	302	288	273	264	248
Bouhmil Shimek Elementary (1970, 1991)					
Square feet	28,130	28,130	28,130	28,130	28,130
Capacity	242	242	242	242	242
Enrollment	231	246	236	232	224
Mark Twain Elementary (1954, 1961)					
Square feet	40,204	40,204	40,204	40,204	40,204
Capacity	330	330	330	330	330
Enrollment	277	293	242	314	295
Irving Weber Elementary (1993, 2001)					
Square feet	45,680	48,400	48,400	48,400	48,400
Capacity	440	484	484	484	484
Enrollment	453	467	464	492	493
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	496	439	446	433	432
Kate Wickham Elementary (1997)					
Square feet	56,049	56,049	56,049	56,049	56,049
Capacity	418	418	418	418	418
Enrollment	443	469	492	538	563
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	819	874	912	875	907
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	731	745	775	727	677
North Central Junior High School (2006)					
Square feet	-	-	-	-	-
Capacity	-	-	-	-	-
Enrollment	-	-	-	-	-

(Continued)

Fiscal Year				
2006	2007	2008	2009	2010
29,008	29,008	29,008	29,008	29,008
264	264	264	264	264
289	298	340	365	309
28,130	28,130	28,130	28,130	28,130
242	242	242	242	242
220	220	204	191	201
40,204	40,204	40,204	40,204	40,204
330	330	330	330	330
264	220	239	234	229
47,820	47,820	48,400	48,400	48,400
484	484	484	484	484
490	494	523	540	544
59,890	59,890	59,890	59,890	29,890
484	484	484	484	484
417	486	524	510	492
56,049	56,049	56,049	56,049	56,049
418	418	418	418	418
447	452	491	493	492
61,081	61,081	61,081	61,081	61,081
484	484	484	484	484
392	484	551	599	661
124,436	124,436	124,436	124,436	124,436
875	875	875	875	875
912	620	610	622	615
115,604	115,604	111,183	138,806	138,806
775	775	775	775	775
681	660	701	705	688
82,612	82,612	82,612	82,612	82,612
450	450	450	450	450
-	308	349	359	398

Iowa City Community School

School Building Information (Continued)

Last Ten Fiscal Years

(Unaudited)

School	Fiscal Year				
	2001	2002	2003	2004	2005
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	1,549	1,562	1,527	1,521	1,542
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	1,617	1,640	1,648	1,675	1,754
Elizabeth Tate High School (2005)					
Square feet					
Capacity					
Enrollment					
Portable Classrooms (Various)					
Square feet	22,800	22,800	24,240	24,240	25,744
Capacity					
Number	31	31	33	33	35
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				
2006	2007	2008	2009	2010
267,752	267,752	267,752	267,752	267,752
1,600	1,600	1,600	1,600	1,600
1,438	1,356	1,507	1,383	1,371
309,943	309,943	339,217	339,217	339,217
1,800	1,800	1,800	1,800	1,800
1,755	1,838	1,764	1,754	1,770
19,700	19,700	19,700	19,700	19,700
97	121	118	110	120
24,992	24,992	33,296	33,296	33,296
34	34	37	37	37
24,588	24,588	24,588	24,588	24,588
19,638	19,638	19,638	19,638	19,638
4	5	5	5	5
1	1	1	1	1
2	2	2	2	2
4	4	4	4	4
2	2	2	2	2
18	18	18	18	18

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Iowa City Community School District

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010**

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	\$ 302,138
National School Lunch Program	10.555	77-1737	1,492,134
National School Breakfast Program	10.553	77-1737	270,971
Summer School Lunch Program	10.559	77-1737	19,226
Nutrition Demonstration Grant	10.574	N/A	2,936
U.S. Department of Agriculture			2,087,405
U.S. Army Corps of Engineers:			
Passed through Johnson County, Iowa:			
Flood Control Projects	12.106	N/A	5,080
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	84,077
Corporation for National Community Service:			
Passed through State of Iowa Department of Education, Learn and Serve America - School and Community			
	94.004	N/A	10,941
U.S. Department of Education:			
Passed through State of Iowa Department of Education:			
Title I - Grants to Local Educational Agencies	84.010A	N/A	1,370,799
ARRA - Title I - Grants to Local Educational Agencies - Stabilization Funds	84.389	N/A	716,356
Title II - Improving Teacher Quality State Grant	84.367	N/A	390,743
Grants for State Assessments and Related Activities	84.369	N/A	64,420
Safe and Drug-Free Schools and Communities - State Grants	84.186A	77-6957	35,196
Vocational Education Basic Grants to States	84.048A	77-6957	124,060
Title V, Part A - Innovative Education Program Strategies	84.298A	N/A	14,598
Twenty-First Century Learning Centers	84.287A	N/A	362,765
Advanced Placement Program	84.330	N/A	1,512
Education for Homeless Children & Youth	84.196	N/A	27,894
ARRA - Education for Homeless Children & Youth - Stabilization Funds	84.387	N/A	1,400
Special Education Assistance on Data Collections	84.373	N/A	1,568
IDEA - Non-nimas Work Groups	84.027	N/A	1,006
IDEA - High Cost Funding	84.027	N/A	46,811
ARRA - Professional Development - Stabilization Funds	84.394	N/A	50,298
ARRA - Instructional Development - Stabilization Funds	84.394	N/A	250,780
ARRA - State Stabilization Funds	84.394	N/A	5,011,860
			8,472,066

(Continued)

Iowa City Community School District

Schedule of Expenditures of Federal Awards (Continued)
 Year Ended June 30, 2010

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	44,655
Special Education Grants to States	84.027	N/A	639,756
Education Technology Grants	84.318	N/A	31,923
ARRA - IDEA - Special Education Grants to States	84.391	N/A	607,830
			1,324,164
U.S. Department of Education:			
Passed through the University of Iowa:			
Title IIA - SNAG II	84.367	N/A	4,542
U.S. Department of Education:			
Passed through the School Administrators of Iowa:			
iPIRC	84.310A	N/A	5,465
Direct Program:			
Safe and Drug-Free Schools and Communities -			
Safe Schools/Healthy Students	84.184L	N/A	1,161,906
Funding for the Improvement of Education - Carol White PE	84.215F	N/A	154,751
FIE Earmark Grant Awards - Earobics	84.215K	N/A	49,510
			1,366,167
			11,172,404
Total U.S. Department of Education			11,172,404
Total expenditures of federal awards			\$ 13,359,907

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, 2010**

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, 2010. 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, 2010**

Finding	Status	Corrective Action Plan or Other Explanation
Significant Deficiencies in Internal Control:		
09-II-A The District has insufficient segregation of duties over the payroll process.	Not corrected.	See corrective action plan at 10-II-A.
09-II-B The District has insufficient segregation of duties over the cash disbursement function.	Not corrected.	See corrective action plan at 10-II-B.
09-II-C The District has insufficient segregation of duties over the cash receipts and bank transfer functions.	Not corrected.	See corrective action plan at 10-II-C.
09-II-D The District does not have a formal policy for approving new vendors.	Not corrected.	See corrective action plan at 10-II-D.
09-II-E The District has improper segregation of duties over student activity funds.	Not corrected.	See corrective action plan at 10-II-E.
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.	Partially corrected.	See corrective action plan at 10-III-A. Corrected for CFDA 84.010A and 84.184L. Uncorrected for CFDA 84.287A.
09-III-B The District did not ensure vendors used to purchase food were not suspended or debarred.	Corrected.	
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.	Partially corrected.	See corrective action plan at 10-III-B. Corrected for CFDA 84.010A. Uncorrected for CFDA 84.287A.
09-III-D The District did not quarterly compare budget employee payroll distributions to timesheet documentation of split funded employees as required by OMB A-87.	Corrected.	
09-III-E The District did not comply with the procurement, suspension and debarment requirements of the grant.	Corrected.	



**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, 2010, which collectively comprise Iowa City Community School District's basic financial statements and have issued our report thereon dated [DATE OF REPORT]. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying *schedule of findings and questioned costs*, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *schedule of findings and questioned costs* as items 10-II-A, 10-II-B and 10-II-C to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *schedule of findings and questioned costs* as items 10-II-D and 10-II-E to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa City Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part III of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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 interpretations of those statutes.

We noted certain matters that we reported to management of Iowa City Community School District in a separate letter November 29, 2010.

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
November 29, 2010



**Independent Auditor's Report on Compliance With
Requirements That Could Have a Direct and Material
Effect on 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Iowa City Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Iowa City Community School District's management. Our responsibility is to express an opinion on Iowa City Community School District's compliance based on our audit.

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

In our opinion, Iowa City Community School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 10-III-A through 10-III-B.

Internal Control over Compliance

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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 is 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
November 29, 2010

Iowa City Community School District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

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?
Significant deficiency(ies) identified?
Noncompliance material to financial statements noted?

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
Significant deficiency(ies) identified?

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?

Identification of major program:

Table with 2 columns: CFDA Number, Name of Federal Program. Rows include IDEA - Special Education Grants to States, ARRA - IDEA - Special Education Grants to States, ARRA - State Stabilization Funds, Title I - Grants to Local Educational Agencies, ARRA - Title I - Grants to Local Educational Agencies - Stabilization Funds.

Dollar threshold used to distinguish between type A and type B programs: \$400,797

Auditee qualified as low-risk auditee?
(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010

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

Instance 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

10-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.

Cause: A limited number of personnel are available, in the District office.

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 formally reviewing and approving an edit listing of the payroll master file, which includes the following: new employees added, terminated employees, pay rate changes and address changes. An informal review is currently completed by an employee outside of Payroll and the Human Resources Department.

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.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010

10-II-B

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

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

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

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

Cause: A limited number of personnel are available in the District office.

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.

10-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.

Cause: A limited number of personnel are available in the District office.

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. In 2010, the District implemented a control by the Purchasing Budget Secretary to review unopened bank statements and transfers recorded by the bank in the previous months. We recommend the Executive Director of Administrative Services have the responsibility to approve all transfers.

(Continued)

Iowa City Community School District

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010**

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 March 2010, the Executive Director of Administrative Services of the District began reviewing a monthly transfer activity report prepared by the Director of Business Services. 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.

10-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.

Cause: The District has relied on an informal policy for approving new vendors.

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.

10-II-E

Finding: The District has insufficient segregation of duties over the student activity funds at elementary, 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.

(Continued)

Iowa City Community School District

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010**

Cause: A limited number of personnel are available in the District office.

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 elementary, 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.

III. Findings and Questioned Costs for Federal Awards

Significant Deficiencies in Administering Federal Awards

None

Instances of Noncompliance

10-III-A

**U.S. Department of Education/Passed Through State of Iowa Department of Education
Twenty-First Century Learning Centers (CFDA 84.287A)
Federal Award Year: 2008, 2009 and 2010**

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.

Context: Upon assessment of the summary schedule of prior audit findings, the District acknowledged the corrective action plan was not applied to the program.

Effect: Unallowable costs could be applied to the program expenditures.

Cause: Program administrators were not aware of the documented requirements.

Questioned Costs: Unknown

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.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010

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.

10-III-B

U.S. Department of Education
Passed Through State of Iowa Department of Education
Twenty-First Century Learning Centers (CFDA 84.287A)
Federal Award Year: 2009 and 2010

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.

Context: Upon assessment of the summary schedule of prior audit findings, the District acknowledged the corrective action plan was not applied to the program.

Effect: Unallowable costs could be applied to the program expenditures.

Cause: Program administrators were not aware of the documented requirements.

Questioned Costs: Unknown

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.

IV. Other Findings Related to Required Statutory Reporting

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

No expenditures exceeded the amended certified budget amounts.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010

10-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.

10-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.

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

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

10-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.

10-IV-F – Board Minutes

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

10-IV-G – Certified Enrollment

Finding: The District's supporting documentation did not agree to the Project Easier and Certified Enrollment (PEACE) submitted to the Iowa Department of Education. This is based on documentation maintained by the District to support the basic enrollment certified to the IDE for October 2009. The variances included a total reduction of certified students by a net of 4.6 students.

Recommendation: The District should ensure that their system reconciles to the PEACE system number of students reported as certified enrollment. The Iowa Department of Management and Iowa Department of Education should be notified of the variances.

Response and Corrective Action Plan: The District will contact the Iowa Department of Education and Iowa Department of Management notifying them of the above changes. The District will continue to monitor supporting information and reconciliation of data submitted to the Iowa Department of Education.

Conclusion: Response accepted.

10-IV-H – Supplementary Weighting

No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

(Continued)

Iowa City Community School District

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010**

10-IV-I – 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.

10-IV-J – Certified Annual Report

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

10-IV-K – Categorical Funding

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

10-IV-L – State-Wide Sales, Services and Use Tax

No instances of noncompliance with the use of the state-wide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the state-wide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the state-wide sales, services and use tax revenue are as follows:

Beginning balance	\$ 17,028,974
State-wide sales, services and use tax	12,997,890
Interest	211,750
Expenditures/transfers out:	
School infrastructure:	
Buildings	(10,753,851)
Equipment	(195,577)
	<u>\$ 19,289,186</u>

The state-wide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	<hr/>	
Physical plant and equipment levy	\$ 2.80554	\$ 12,997,890

Iowa City Community School District

Corrective Action Plan Year Ended June 30, 2010

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Significant Deficiencies and Material Weaknesses in Internal Control:				
10-II-A	The District has insufficient segregation of duties over the payroll process.	See corrective action plan at 10-II-A.	June 30, 2011	Paul Bobek
10-II-B	The District has insufficient segregation of duties over the cash disbursement function.	See corrective action plan at 10-II-B.	June 30, 2011	Paul Bobek
10-II-C	The District has insufficient segregation of duties over the cash receipts and bank transfer functions.	See corrective action plan at 10-II-C.	June 30, 2011	Paul Bobek
10-II-D	The District does not have a formal policy for approving new vendors.	See corrective action plan at 10-II-D.	June 30, 2011	Paul Bobek
10-II-E	The District has improper segregation of duties over student activity funds.	See corrective action plan at 10-II-E.	June 30, 2011	Paul Bobek
Instance of Noncompliance in Administering Federal Awards:				
10-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 10-III-A.	June 30, 2011	Paul Bobek
10-III-B	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 10-III-B.	June 30, 2011	Paul Bobek
Other Finding Related to Required Statutory Reporting				
10-IV-G	The District's supporting documentation did not agree to Project Easier and Certified Enrollment (Peace) submitted to the Iowa Department of Education.	See corrective action plan at 10-IV-G.	June 30, 2011	Paul Bobek

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

In connection with our audit of the financial statements of Iowa City Community School District as of and for the year ended June 30, 2010, 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 and correct 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 material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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:

Activity Funds: The District is responsible for the decentralized activities of the student activity accounts administered at the local building level. A significant deficiency is currently reported for activity funds in the District's Comprehensive Annual Financial Report. In the current year, we tested the Fas Trac activity fund at Iowa City High School. We tested \$25,664 of the \$33,303 expenditures of the activity fund. The transactions did not specifically identify the public purpose of the expenditure, including student's names in attendance to after school events. Per discussion with staff at the high school, purchases over \$150 require a purchase order; however, no such purchase orders were included with expenditure documentation. Our tests also indicated expenditures for wage reimbursement, rental cars and fuel cards for travel with no indication of redeposit of excess funds on prepaid cards. On May 7, 2010 a \$3,000 expenditure was made to the Mayor's Youth Empowerment Program for 385 hours of youth staff employment wages. There was no documentation of the purpose of the hours. The activity fund ended the fiscal year in a deficit position of \$1,406.81 before reimbursement from other District funds. We recommend the District stress the importance of internal controls over revenues and expenditures to building administrators responsible for activity funds, including documentation of public purpose of expenditures, positive account activity, and adherence to purchasing policies of the District. We further recommend the District provide training of proper controls over receipt and disbursement of District Activity Funds.

Suspension and Debarment: During the year, the District established a review and monitoring process for the purchasing of goods and services from vendors that have not been suspended or debarred from receiving federal funds. One vendor was not tested by the District for suspension or debarment as the contract was identified as a multi-year contract entered into in a prior fiscal year. We recommend the District amend its procedures to test for all current vendors receiving federal funds without regard to the contract year.

Human Resources Data Communication: The Human Resources Department supports the Finance Department in calculating salary adjustments by providing employee data including names, employment history and current salary. During the year, one employee was incorrectly identified to receive a wage adjustment due to employment in a new position within the District. This was noticed by the employee before the salary was applied to the payroll system and the correct salary was recorded for fiscal year 2010. Per further discussion with staff, the employee's correct salary was not corrected in the Human Resources database until after the Human Resources Department provided the Finance Department the incorrect salary amount for purposes of calculating the 2010-2011 salary. We recommend the District review the data management procedures of the Human Resources database.

Information Technology: The District does not have a written information security policy in place. We recommend the District develop and adopt a formal information systems security policy and inform employees of this policy.

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 use the District's EIN number.

Construction in Process: The District properly recorded retainage payable for open construction projects as of year-end at the fund level. The District, however, did not originally record the construction in process as a capital asset for government-wide purposes. We recommend that the District not only track and record retainage payables but also ensure construction in process is recorded with the associated projects.

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
November 29, 2010