

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

Comprehensive Annual Financial Report  
Year Ended June 30, 2011



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

Comprehensive Annual Financial Report  
Year Ended June 30, 2011

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

**Office Issuing Report:  
Central Administration Office**



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# Iowa City Community School District

## Educational Services Center

Stephen F. Murley Superintendent of Schools

1725 North Dodge Street • Iowa City, IA 52245 • (319) 688-1000 • Fax (319) 688-1009 • [www.iccsd.k12.ia.us](http://www.iccsd.k12.ia.us)

December 13, 2011

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, 2011. 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 110,000 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 10,444 in 1997 to 12,455 in October 2011. 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 19 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 2011 at the rate of slightly less than four 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 9<sup>th</sup> place ranking on Milken Institute list of best performing small cities in October 2010, Forbes Magazine "Best Places to Begin a Career" No. 5 in July 2009, "Sterling's Best Places to Live" 5<sup>th</sup> 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 900 students over the last five 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 2011 official enrollment of 443 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 and recovery. 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 2010. 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 Comprehensive Facility Plan (CFP) for planning the maintenance and capital project needs of the district. The CFP projects the needs for three years forward and will be updated at least annually by the District.

The District has completed numerous construction projects during the last ten 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. The District opened Buford Garner Elementary for classes in August 2010. During the fiscal year 2011, the District completed a major addition on Horn Elementary that was opened in August 2011 and started construction of Norman Borlaug Elementary with an expected completion date of August 2012.

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 purchased a parcel of land in the northern portion of the District for the future construction of an elementary school. In addition, the District purchased land in January 2008 that was previously leased by the District and will continue to use this land for its maintenance operations. In July 2010, the District agreed to sell its central administration office for \$4,500,000 to The University of Iowa. The District purchased a new facility in November 2010 for its administrative offices as well as several support operations. The cost of the new facility and necessary remodeling is anticipated to be approximately \$4,500,000. The relocation of the various operations to this new facility is anticipated to occur during the next several years with the administrative offices relocating in November 2011.

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 approximately \$9 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 and basketball, wrestling, volleyball, and girls' cross country, basketball and track while state placings went to boys' cross country, track, golf, soccer and baseball and girls' basketball 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 over 85 percent in 2011 with nearly 84 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, 2011 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. Capital Projects are budgeted 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 1/2 percent during the year, compared to the rates of 1 - 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. 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. The District has been able to maintain health insurance premiums constant for three consecutive years without changing benefits or benefit levels.

### **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, 2010. 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 has received these awards for the five previous fiscal years 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.

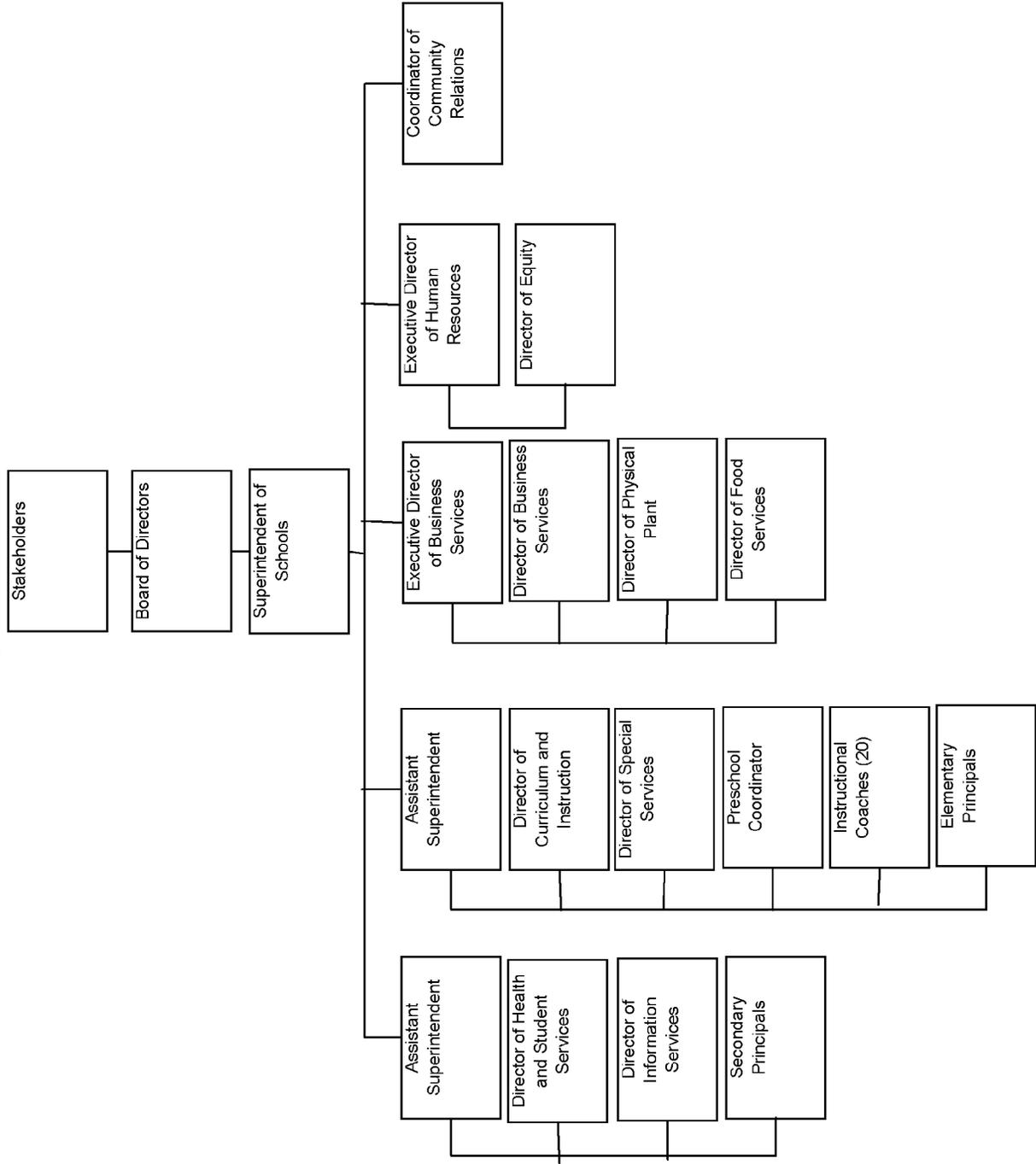
Acknowledgment: The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated efforts of the accounting staff and our auditors, McGladrey & Pullen, LLP. I would like to express my appreciation to all staff members who assisted and contributed to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



**Iowa City Community School District**

**Board of Education and School District Officials  
Year Ended June 30, 2011**

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| Name                      | Title          | Term Expires   |
|---------------------------|----------------|----------------|
| <b>Board of Education</b> |                |                |
| Patti Fields              | President      | September 2011 |
| Mike Cooper               | Vice President | September 2013 |
| Toni Cilek                | Board Member   | September 2011 |
| Gayle Klouda              | Board Member   | September 2011 |
| Michael Shaw              | Board Member   | September 2011 |
| Tuyet Dorau               | Board Member   | September 2013 |
| Sarah Swisher             | Board Member   | September 2013 |

**School District Officials**

|                 |                         |           |
|-----------------|-------------------------|-----------|
| Stephen Murley  | 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, 2010

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

President

Executive Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Iowa City Community School District

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

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



President

Executive Director



## 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 (the District) as of and for the year ended June 30, 2011, 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 audit provides 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 16 to the basic financial statements, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changed its method of accounting for governmental funds' fund balance classifications.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2011 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 51 through 53 and other postemployment benefit plan schedule of funding progress on page 50 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  
December 13, 2011

## Iowa City Community School District

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2011

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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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements.

#### Financial Highlights

Total net assets increased \$24,735,603 from \$136,804,918 in 2010 to \$161,540,521 in 2011. Total revenues for the fiscal year 2011 increased \$10,936,060 from 2010. Total expenses also increased from \$132,225,150 in 2010 to \$134,351,190 in 2011.

General Fund revenues increased from \$115,204,811 in fiscal year 2010 to \$124,163,981 in fiscal year 2011, while General Fund expenditures increased from \$113,967,215 in fiscal year 2010 to \$117,834,086 in fiscal year 2011. In addition, the District transferred \$182,000 to other funds during fiscal year 2011. This resulted in an increase in the District's General Fund balance from \$7,935,158 in fiscal year 2010 to \$14,083,053 in fiscal year 2011.

The increase in General Fund revenues for fiscal year 2011 was attributable to an increase in property taxes as provided in the state funding formula. The 2010 state aid amount had been reduced by an executive order for a 10 percent across the board reduction of state funding by the Governor of The State of Iowa on October 8, 2009. Additionally, a portion of the 2011 increase in state aid was attributable to approximately \$3,000,000 reduction in Federal aid as previously provided to the District 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.

#### 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

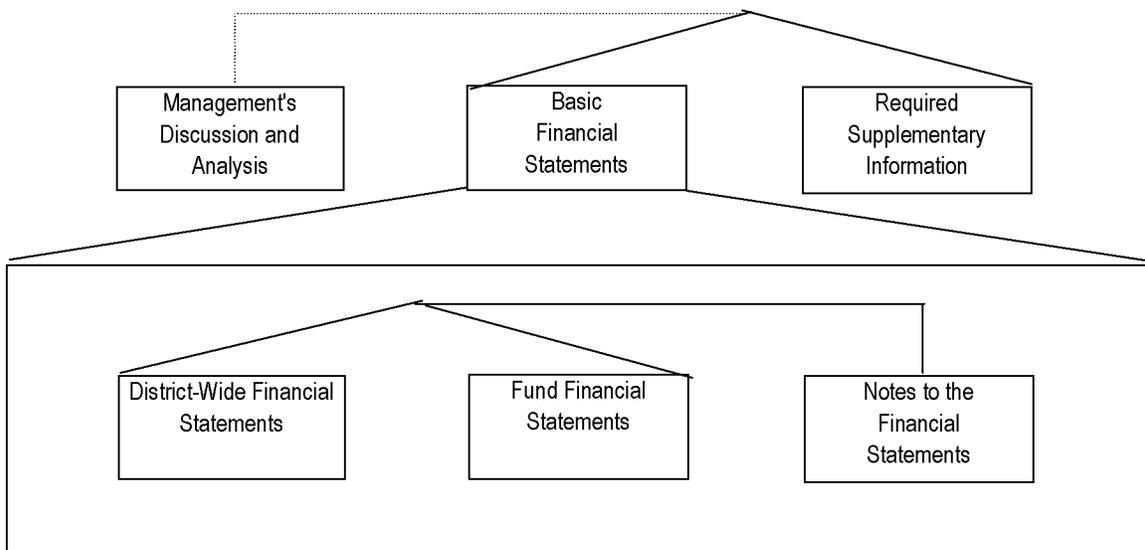
### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2011

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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, 2011**

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<br>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<br>Statement of activities                                     | Balance sheet<br>Statement of revenues, expenditures and changes in fund balances  | Statement of fund net assets<br>Statement of revenues, expenses and changes in net assets<br>Statement of cash flows | Statement of fiduciary net assets<br>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, 2011

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#### 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, 2011

- 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, 2011 compared to 2010:

Figure A-3  
Condensed Statement of Net Assets

|  | Governmental Activities |                      | Business-Type Activities |                     | Total School District |                       | Total Change<br>2011-2011 |
|--|-------------------------|----------------------|--------------------------|---------------------|-----------------------|-----------------------|---------------------------|
|  | 2011                    | 2010                 | 2011                     | 2010                | 2011                  | 2010                  |                           |
| Current and other assets                           | \$ 144,423,632          | \$129,174,040        | \$ 3,285,878             | \$ 2,941,811        | \$ 147,709,510        | \$ 132,115,851        | \$ 15,593,659             |
| Capital assets                                     | 125,065,800             | 117,444,028          | 434,533                  | 498,303             | 125,500,333           | 117,942,331           | 7,558,002                 |
| <b>Total assets</b>                                | <b>269,489,432</b>      | <b>246,618,068</b>   | <b>3,720,411</b>         | <b>3,440,114</b>    | <b>273,209,843</b>    | <b>250,058,182</b>    | <b>23,151,661</b>         |
| Long-term obligations                              | 19,948,732              | 23,062,169           | -                        | -                   | 19,948,732            | 23,062,169            | 3,113,437                 |
| Other liabilities                                  | 91,537,220              | 90,002,133           | 183,370                  | 188,962             | 91,720,590            | 90,191,095            | (1,529,495)               |
| <b>Total liabilities</b>                           | <b>111,485,952</b>      | <b>113,064,302</b>   | <b>183,370</b>           | <b>188,962</b>      | <b>111,669,322</b>    | <b>113,253,264</b>    | <b>1,583,942</b>          |
| <b>Net assets:</b>                                 |                         |                      |                          |                     |                       |                       |                           |
| Invested in capital assets,<br>net of related debt | 103,461,937             | 93,159,408           | 434,533                  | 498,303             | 103,896,470           | 93,657,711            | 10,238,759                |
| Restricted   | 34,107,364              | 6,784,465            | -                        | -                   | 34,107,364            | 6,784,465             | 27,322,899                |
| Unrestricted                                       | 20,434,179              | 33,609,893           | 3,102,508                | 2,752,849           | 23,536,687            | 36,362,742            | (12,826,055)              |
| <b>Total net assets</b>                            | <b>\$ 158,003,480</b>   | <b>\$133,553,766</b> | <b>\$ 3,537,041</b>      | <b>\$ 3,251,152</b> | <b>\$ 161,540,521</b> | <b>\$ 136,804,918</b> | <b>\$ 24,735,603</b>      |

## Iowa City Community School District

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2011

The District's total assets increased by 9.3 percent during the year ended June 30, 2011. 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, 2011, the District expended nearly \$8,000,000 in construction in progress, primarily for construction of a significant addition to an existing elementary school that was opened in August 2011 and the purchase and remodeling of a building for the District's administrative offices.

The total net assets of the District's business-type activities increased by approximately \$300,000 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, 2011 and 2010:

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

|                                    | Governmental Activities |                      | Business-Type Activities |                   | Total School District |                      |
|------------------------------------|-------------------------|----------------------|--------------------------|-------------------|-----------------------|----------------------|
|                                    | 2011                    | 2010                 | 2011                     | 2010              | 2011                  | 2010                 |
| <b>Revenues:</b>                   |                         |                      |                          |                   |                       |                      |
| Program revenues:                  |                         |                      |                          |                   |                       |                      |
| Charges for service and sales      | \$ 3,825,507            | \$ 3,597,037         | \$ 2,175,411             | \$ 2,262,408      | \$ 6,000,918          | \$ 5,859,445         |
| Operating grants and contributions | 23,180,191              | 25,053,119           | 2,262,074                | 2,106,387         | 25,442,265            | 27,159,506           |
| General revenues:                  |                         |                      |                          |                   |                       |                      |
| Property taxes                     | 69,122,632              | 63,980,617           | -                        | -                 | 69,122,632            | 63,980,617           |
| Sales tax                          | 13,643,664              | 13,207,890           | -                        | -                 | 13,643,664            | 13,207,890           |
| Unrestricted state grants          | 40,987,077              | 33,877,697           | -                        | -                 | 40,987,077            | 33,877,697           |
| Unrestricted investment earnings   | 197,048                 | 317,079              | 7,228                    | 8,622             | 204,276               | 325,701              |
| Other                              | 3,685,961               | 3,739,877            | -                        | -                 | 3,685,961             | 3,739,877            |
| <b>Total revenues</b>              | <b>154,642,080</b>      | <b>143,773,316</b>   | <b>4,444,713</b>         | <b>4,377,417</b>  | <b>159,086,793</b>    | <b>148,150,733</b>   |
| <b>Program expenses:</b>           |                         |                      |                          |                   |                       |                      |
| Governmental activities:           |                         |                      |                          |                   |                       |                      |
| Instruction                        | 88,288,063              | 85,736,202           | -                        | -                 | 88,288,063            | 85,736,202           |
| Support services                   | 36,042,383              | 36,507,145           | -                        | -                 | 36,042,383            | 36,507,145           |
| Noninstructional programs          | 6,026                   | 47,444               | -                        | -                 | 6,026                 | 47,444               |
| Other expenses                     | 5,855,894               | 5,757,331            | -                        | -                 | 5,855,894             | 5,757,331            |
| Business-type activities,          |                         |                      |                          |                   |                       |                      |
| nutritional services               | -                       | -                    | 4,158,824                | 4,177,028         | 4,158,824             | 4,177,028            |
| <b>Total expenses</b>              | <b>130,192,366</b>      | <b>128,048,122</b>   | <b>4,158,824</b>         | <b>4,177,028</b>  | <b>134,351,190</b>    | <b>132,225,150</b>   |
| <b>Change in net assets</b>        | <b>\$ 24,449,714</b>    | <b>\$ 15,725,194</b> | <b>\$ 285,889</b>        | <b>\$ 200,389</b> | <b>\$ 24,735,603</b>  | <b>\$ 15,925,583</b> |

Property and sales taxes and unrestricted state grants account for 69 percent and 66 percent of the total revenue for the years ended June 30, 2011 and 2010, respectively. The District's expenses primarily relate to instruction and support services which account for 93 percent and 92 percent of the total expenses for the years ended June 30, 2011 and 2010, respectively.

**Iowa City Community School District**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2011**

**Governmental Activities**

Revenues for governmental activities were \$154,642,080 and expenses were \$130,192,366. This difference of \$24,449,714 was used for the repayment of the general obligations bonds as scheduled in Note 6 to the basic financial statements, approximately \$8,000,000 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 \$10,900,000 or 7.6 percent over 2010. Most of this increase is due to property taxes as provided in the state funding formula. Unrestricted state grants in the governmental activities increased approximately \$7,100,000 primarily from state aid received in accordance with the state funding formula compared to the state ordered 10 percent across the board reduction of state financing in fiscal 2010. Operating grants and contributions in the governmental activities decreased by approximately \$2,000,000 primarily from lower revenues from federal programs including the Federal Government's American Recovery and Reinvestment Act of 2009.

The increase in expenses in governmental activities of \$2,144,244 or 1.7 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 three percent. The District also recorded \$26,353 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

|                           | 2011                      |                         | 2010                      |                         |
|---------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
|                           | Total Cost<br>of Services | Net Cost<br>of Services | Total Cost<br>of Services | Net Cost<br>of Services |
| Instruction               | \$ 88,288,063             | \$ (66,660,005)         | \$ 85,736,202             | \$ (62,181,134)         |
| Support services          | 36,042,383                | (35,616,060)            | 36,507,145                | (36,189,002)            |
| Noninstructional programs | 6,026                     | 4,595                   | 47,444                    | (36,503)                |
| Other expenses            | 5,855,894                 | (915,198)               | 5,757,331                 | (991,327)               |
| <b>Totals</b>             | <b>\$ 130,192,366</b>     | <b>\$ (103,186,668)</b> | <b>\$ 128,048,122</b>     | <b>\$ (99,397,966)</b>  |

- The cost financed by users of the District's programs was \$3,825,507 for 2011 and \$3,597,037 for 2010.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$23,180,191 for 2011 and \$25,053,119 for 2010.
- 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, 2011

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#### Business-Type Activities

Revenues of the District's business-type activities were \$4,437,485, excluding \$7,228 of investment earnings, and expenses were \$4,158,824. 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 1.5 percent due to increased reimbursements from federal and state programs. Expenditures decreased by approximately 0.4 percent primarily due to control of personnel and food supply costs.

#### 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 \$44,257,355 which was above last year's ending fund balances of \$32,354,880. The primary reason for the increase in combined fund balances in fiscal year 2011 is due to increases in the District's General Fund and 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 for the year ending June 30, 2011 was the full funding of state aid as provided in the state funding formula as previously discussed and the District's ability to control expenditures based upon a plan approved by the Board of Directors in April 2009. The District was also able to reduce utility expenses by nearly \$150,000. In addition, the District was able to increase its reimbursements from Medicaid by nearly \$600,000 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 (PEEL) Fund balance decreased from a balance of \$2,868,660 in fiscal year 2010 to \$793,632 in fiscal year 2011. This decrease is primarily due to the completion of certain construction projects and the purchase and remodeling of a new administrative office building in the current year. The District also sold its central office for \$4.5 million, but will close the transaction after June 30, 2011 with proceeds deposited into the Physical Plant and Equipment Levy Fund.
- The Capital Projects Fund balance increased from a balance of \$19,289,186 in fiscal year 2010 to \$27,824,949 in fiscal year 2011. 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 \$2,756,228 as of June 30, 2010 to \$2,948,136 as of June 30, 2011, representing an increase of approximately 7.0 percent for 2011 compared to an increase of 3.9 percent for 2010. The District experienced this increase as a result of increased federal and state reimbursements from higher qualifying 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 \$10,379,778 in 2010 to \$12,243,956 in 2011. This increase was due to the continuing 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, 2011

#### 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 \$5,592,587 more than the total budgeted revenues, a variance of 3.6 percent from the final budget. Significantly all of the increase in budgeted revenue is due to revenues from the Federal Governments American and Reinvestment Act of 2009 and the Education Jobs Fund Program of 2010.

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, the Board of Directors implemented certain budget controls over the last two years to reduce expenditures.

#### Capital Asset and Debt Administration

Capital assets: As of June 30, 2011, the District had invested \$125.5 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 \$7.6 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 \$4,080,300.

The original costs of the District's capital assets was over \$192 million. Governmental funds account for approximately \$191 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 building category. This category increased primarily from the completion of a new elementary school placed in service in August 2010 that was previously classified as construction in progress. The District also increased its construction in progress by approximately \$8,000,000 with a significant addition to an existing elementary school and the purchase and remodeling of a new building for the District's administrative offices.

Figure A-6  
Capital Assets, Net of Depreciation

|                                   | Governmental Activities |                       | Business-Type Activities |                   | Total School District |                       | Total Change        |
|-----------------------------------|-------------------------|-----------------------|--------------------------|-------------------|-----------------------|-----------------------|---------------------|
|                                   | 2011                    | 2010                  | 2011                     | 2010              | 2011                  | 2010                  | 2010-2011           |
| Land                              | \$ 4,487,131            | \$ 4,477,319          | \$ -                     | \$ -              | \$ 4,487,131          | \$ 4,477,319          | \$ 9,812            |
| Construction-in-progress          | 8,950,360               | 11,479,445            | -                        | -                 | 8,950,360             | 11,479,445            | (2,529,085)         |
| Buildings                         | 104,711,423             | 95,178,647            | -                        | -                 | 104,711,423           | 95,178,647            | 9,532,776           |
| Improvements other than buildings | 5,484,473               | 4,534,962             | -                        | -                 | 5,484,473             | 4,534,962             | 949,511             |
| Furniture and equipment           | 1,432,413               | 1,773,655             | 434,533                  | 498,303           | 1,866,946             | 2,271,958             | (405,012)           |
| <b>Total</b>                      | <b>\$ 125,065,800</b>   | <b>\$ 117,444,028</b> | <b>\$ 434,533</b>        | <b>\$ 498,303</b> | <b>\$ 125,500,333</b> | <b>\$ 117,942,331</b> | <b>\$ 7,558,002</b> |

## Iowa City Community School District

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2011

Long-Term Debt: As of June 30, 2011, the District had \$24 million in general obligation and other long-term debt outstanding. This represents a decrease of approximately \$4 million from last year. The decrease in the early retirement obligation is due to a greater number of employees accepting the District's early retirement incentive in 2010 than 2011. (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          |
|--------------------------|-----------------------|----------------------|-----------------------|
|                          | 2011                  | 2010                 | 2010-2011             |
| General obligation bonds | \$ 21,505,000         | \$ 24,160,000        | \$ (2,655,000)        |
| Early retirement         | 1,907,802             | 3,252,513            | (1,344,711)           |
| Compensated absences     | 549,191               | 546,315              | 2,876                 |
| <b>Totals</b>            | <b>\$ 23,961,993</b>  | <b>\$ 27,958,828</b> | <b>\$ (3,996,835)</b> |

### 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 continue a slow recovery from recession type conditions. These conditions resulted in the state of Iowa not fully funding its state aid obligations as determined by the state's education funding formula for fiscal years 2009 and 2010 and the District used its General Fund balance to finance its operations. The District implemented a cash reserve levy for fiscal year 2011 to replenish the fund balance. The District received allowable growth of two percent for fiscal year 2011; however, the state of Iowa has established a 0 percent allowable growth rate for fiscal year 2012 and 2 percent allowable growth rate for fiscal year 2013. 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. As the District's General Fund budget is comprised of approximately 80 percent salary and benefits, the ability to negotiate future salary settlements will have a significant impact on future budget decisions.
- The Iowa school funding formula is highly dependent upon student enrollment. The District has experienced enrollment growth of 451, 32, 158,107 and 170 students in the last five years, respectively. The enrollment growth of 443 students in fiscal year ending 2012 will assist the District's budget in fiscal year ending 2013. 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 opened a new elementary school, Buford Garner, at an approximate construction cost of \$10,300,000 plus the cost of furniture and fixtures in August 2010. The District has begun the construction of a new elementary school, Norman Borlaug, at an approximate cost of \$11,000,000 with an expected opening date of August 2012. Many of the students for this new school are 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 completed an addition to an existing elementary school with an approximate cost of \$3,500,000 and opened the addition in August 2011. In addition, the district has begun the planning of a fine arts addition to one of its high school buildings with an expected cost of \$6,200,000 and planned opening date in 2013. The construction expenditures of Buford Garner, the fine arts addition and future facilities will be financed from the local option sales taxes as approved by county residents in February 2007.

## Iowa City Community School District

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2011

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- On August 10, 2010, the United States Government approved the Education Jobs Fund (AKA Ed Jobs Bill) to provide further resources to school districts through September 2012. The District received approximately \$2,400,000 from this legislative action and expended approximately \$650,000 of this allocation in fiscal year 2011. The District plans to expend the remaining funds 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. The final closing on this agreement is pending the University of Iowa's anticipated funding from the Federal Emergency Management Agency and is expected to close in December 2011.

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 as a replacement for its central administrative offices. The District completed the relocation of its central administration office in November 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 expected to approximate \$4,500,000.

- In August 2011 the District's Board of Directors approved a contract for approximately \$60,000 for the process review of several support functions, including business services, human resources, technology and physical plant and maintenance operations. The impact of any recommendations related to operations or staffing is unknown.
- In August 2011, the Iowa Supreme Court upheld lower court rulings regarding the classification of certain dwellings that would allow taxpayers to petition for the reclassification of property from commercial to residential status for property tax computations. Property that is reclassified as a result of this ruling would be taxed at lower rates subsequent to the reclassification. The County Auditor has estimated that approximately \$512,000,000 of taxable values that may be subject to this reclassification. If all the taxpayers requested and were granted this reclassification it is estimated the District might experience a \$264 million reduction in taxable valuation. The impact on the district and its property tax levy is unknown.
- Effective July 1, 2012, the state of Iowa will change the method used to distribute sales tax dollars to the District. For fiscal year 2012, sales tax generated in Johnson County is retained and distributed back to Johnson County schools at approximately \$1,012 per student. Effective July 1, 2012, the District joins the state-wide pool which is approximately \$843 per student in fiscal 2012.
- At the November 22, 2011 meeting, the Board of Education authorized the Administration to pursue refunding options on both the 2003 and 2004 General Obligation Bonds. The refunding is anticipated to occur after January 1, 2012.

#### 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, 1725 North Dodge Street, Iowa City, Iowa 52245.

Iowa City Community School District

Statement of Net Assets  
June 30, 2011

| Assets  | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
|---|----------------------------|-----------------------------|-----------------------|
| Current assets:   |                            |                             |                       |
| Cash and cash equivalents and investments                   | \$ 63,767,364              | \$ 2,532,979                | \$ 66,300,343         |
| Restricted cash   | 1,250,367                  | -                           | 1,250,367             |
| Receivables:  |                            |                             |                       |
| Property tax:   |                            |                             |                       |
| Current year  | 408,384                    | -                           | 408,384               |
| Succeeding year   | 65,691,101                 | -                           | 65,691,101            |
| Income surtax   | 5,060,561                  | -                           | 5,060,561             |
| Sales taxes   | 325,000                    | -                           | 325,000               |
| Other   | 98,419                     | -                           | 98,419                |
| Due from other governments                                  | 7,622,580                  | 11,498                      | 7,634,078             |
| Internal balances   | (588,807)                  | 588,807                     | -                     |
| Inventories   | -                          | 103,997                     | 103,997               |
| Prepaid expenses  | 771,671                    | 48,597                      | 820,268               |
| <b>Total current assets</b>                                 | <b>144,406,640</b>         | <b>3,285,878</b>            | <b>147,692,518</b>    |
|   |                            |                             |                       |
| Noncurrent assets:  |                            |                             |                       |
| Unamortized bond issuance costs                             | 16,992                     | -                           | 16,992                |
| Capital assets:   |                            |                             |                       |
| Nondepreciable:   |                            |                             |                       |
| Land  | 4,487,131                  | -                           | 4,487,131             |
| Construction-in-progress                                    | 8,950,360                  | -                           | 8,950,360             |
| Depreciable capital assets, net of accumulated depreciation | 111,628,309                | 434,533                     | 112,062,842           |
| <b>Net capital assets</b>                                   | <b>125,065,800</b>         | <b>434,533</b>              | <b>125,500,333</b>    |
| <b>Total noncurrent assets</b>                              | <b>125,082,792</b>         | <b>434,533</b>              | <b>125,517,325</b>    |
|   |                            |                             |                       |
| <b>Total assets</b>   | <b>\$ 269,489,432</b>      | <b>\$ 3,720,411</b>         | <b>\$ 273,209,843</b> |

See Notes to Basic Financial Statements.

| <b>Liabilities</b>                                   | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
|--|----------------------------|-----------------------------|-----------------------|
| <b>Current liabilities:</b>                          |                            |                             |                       |
| Accounts payable                                     | \$ 3,569,320               | \$ 7,445                    | \$ 3,576,765          |
| Salaries and benefits payable                        | 9,265,865                  | 168,598                     | 9,434,463             |
| Claims payable                                       | 1,280,000                  | -                           | 1,280,000             |
| Accrued interest payable                             | 68,642                     | -                           | 68,642                |
| Unearned revenue, succeeding year property tax       | 65,691,101                 | -                           | 65,691,101            |
| Unearned revenue, succeeding year income surtax      | 5,060,561                  | -                           | 5,060,561             |
| Unearned, grant revenues                             | 2,118,419                  | 7,327                       | 2,125,746             |
| General obligation bonds                             | 2,775,000                  | -                           | 2,775,000             |
| Early retirement                                     | 1,159,121                  | -                           | 1,159,121             |
| Compensated absences                                 | 549,191                    | -                           | 549,191               |
| <b>Total current liabilities</b>                     | <b>91,537,220</b>          | <b>183,370</b>              | <b>91,720,590</b>     |
| <b>Noncurrent liabilities:</b>                       |                            |                             |                       |
| Other postemployment benefit                         | 371,188                    | -                           | 371,188               |
| Early retirement                                     | 748,681                    | -                           | 748,681               |
| General obligation bonds, net of unamortized premium | 18,828,863                 | -                           | 18,828,863            |
| <b>Total noncurrent liabilities</b>                  | <b>19,948,732</b>          | <b>-</b>                    | <b>19,948,732</b>     |
| <b>Total liabilities</b>                             | <b>111,485,952</b>         | <b>183,370</b>              | <b>111,669,322</b>    |
| <b>Net Assets</b>                                    |                            |                             |                       |
| Invested in capital assets, net of related debt      | 103,461,937                | 434,533                     | 103,896,470           |
| Restricted for:                                      |                            |                             |                       |
| Management levy                                      | 345,868                    | -                           | 345,868               |
| Capital improvements and equipment                   | 28,943,581                 | -                           | 28,943,581            |
| Federal and state programs                           | 3,612,498                  | -                           | 3,612,498             |
| Student activities                                   | 1,205,417                  | -                           | 1,205,417             |
| Unrestricted   | 20,434,179                 | 3,102,508                   | 23,536,687            |
| <b>Total net assets</b>                              | <b>158,003,480</b>         | <b>3,537,041</b>            | <b>161,540,521</b>    |
| <b>Total liabilities and net assets</b>              | <b>\$ 269,489,432</b>      | <b>\$ 3,720,411</b>         | <b>\$ 273,209,843</b> |

Iowa City Community School District

Statement of Activities  
Year Ended June 30, 2011

| Functions/Programs  | Expenses              | Program Revenues                  |  |                                      |
|---|-----------------------|-----------------------------------|--|--------------------------------------|
|   |                       | Charges for<br>Services and Sales | Operating Grants,<br>and Contributions | Capital Grants,<br>and Contributions |
| <b>Governmental Activities</b>                            |                       |                                   |  |                                      |
| Instruction:  |                       |                                   |  |                                      |
| Regular instruction                                       | \$ 54,203,260         | \$ 2,319,377                      | \$ 9,212,253                           | \$ -                                 |
| Special instruction                                       | 30,126,604            | 1,383,688                         | 8,561,767                              | -                                    |
| Other instruction   | 3,958,199             | -                                 | 150,973                                | -                                    |
|   | 88,288,063            | 3,703,065                         | 17,924,993                             | -                                    |
| Support services:   |                       |                                   |  |                                      |
| Student services  | 3,833,693             | -                                 | -                                      | -                                    |
| Instructional services                                    | 6,017,524             | -                                 | -                                      | -                                    |
| Administration services                                   | 9,113,670             | -                                 | 56,285                                 | -                                    |
| Operation and maintenance                                 | 12,285,578            | 122,442                           | -                                      | -                                    |
| Transportation services                                   | 4,791,918             | -                                 | 247,596                                | -                                    |
|   | 36,042,383            | 122,442                           | 303,881                                | -                                    |
| Noninstructional programs                                 | 6,026                 | -                                 | 10,621                                 | -                                    |
| Other:  |                       |                                   |  |                                      |
| Long-term debt interest                                   | 882,375               | -                                 | -                                      | -                                    |
| AEA flowthrough   | 4,940,696             | -                                 | 4,940,696                              | -                                    |
| Depreciation (unallocated), excluding direct depreciation | 32,823                | -                                 | -                                      | -                                    |
|   | 5,855,894             | -                                 | 4,940,696                              | -                                    |
| <b>Total governmental activities</b>                      | <b>130,192,366</b>    | <b>3,825,507</b>                  | <b>23,180,191</b>                      | <b>-</b>                             |
| Business-type activities, nutritional services            | 4,158,824             | 2,175,411                         | 2,262,074                              | -                                    |
| <b>Total primary government</b>                           | <b>\$ 134,351,190</b> | <b>\$ 6,000,918</b>               | <b>\$ 25,442,265</b>                   | <b>\$ -</b>                          |

General revenues:

Property taxes levied for:

General purposes

Debt service

Capital outlay

Local option sales taxes

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<br>Activities                      | Business-Type<br>Activities | Total           |
| \$ (42,671,630)                                 | \$ -                        | \$ (42,671,630) |
| (20,181,149)                                    | -                           | (20,181,149)    |
| (3,807,226)                                     | -                           | (3,807,226)     |
| (66,660,005)                                    | -                           | (66,660,005)    |
| (3,833,693)                                     | -                           | (3,833,693)     |
| (6,017,524)                                     | -                           | (6,017,524)     |
| (9,057,385)                                     | -                           | (9,057,385)     |
| (12,163,136)                                    | -                           | (12,163,136)    |
| (4,544,322)                                     | -                           | (4,544,322)     |
| (35,616,060)                                    | -                           | (35,616,060)    |
| 4,595   | -                           | 4,595           |
| (882,375)                                       | -                           | (882,375)       |
| -   | -                           | -               |
| (32,823)  | -                           | (32,823)        |
| (915,198)                                       | -                           | (915,198)       |
| (103,186,668)                                   | -                           | (103,186,668)   |
| -   | 278,661                     | 278,661         |
| (103,186,668)                                   | 278,661                     | (102,908,007)   |
| 57,971,131                                      | -                           | 57,971,131      |
| 3,382,231                                       | -                           | 3,382,231       |
| 7,769,270                                       | -                           | 7,769,270       |
| 13,643,664                                      | -                           | 13,643,664      |
| 40,987,077                                      | -                           | 40,987,077      |
| 197,048   | 7,228                       | 204,276         |
| 3,685,961                                       | -                           | 3,685,961       |
| 127,636,382                                     | 7,228                       | 127,643,610     |
| 24,449,714                                      | 285,889                     | 24,735,603      |
| 133,553,766                                     | 3,251,152                   | 136,804,918     |
| \$ 158,003,480                                  | \$ 3,537,041                | \$ 161,540,521  |

Iowa City Community School District

Balance Sheet - Governmental Funds  
June 30, 2011

| Assets                                     | General              | Physical Plant<br>and Equipment<br>Levy | Capital<br>Projects  | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|---|----------------------|--------------------------------|--------------------------------|
| Cash and cash equivalents and investments  | \$ 20,338,542        | \$ 562,916                              | \$ 26,657,863        | \$ 1,596,374                   | \$ 49,155,695                  |
| Restricted cash                            | -                    | 1,250,367                               | -                    | -                              | 1,250,367                      |
| Receivables:                               |                      |   |                      |                                |                                |
| Property tax:                              |                      |   |                      |                                |                                |
| Current year                               | 319,932              | 50,278                                  | -                    | 38,174                         | 408,384                        |
| Succeeding year                            | 51,775,854           | 8,026,066                               | -                    | 5,889,181                      | 65,691,101                     |
| Income surtax                              | 5,060,561            | -                                       | -                    | -                              | 5,060,561                      |
| Sales tax                                  | -                    | -                                       | 325,000              | -                              | 325,000                        |
| Other                                      | 91,489               | 6,930                                   | -                    | -                              | 98,419                         |
| Due from other governments                 | 5,261,448            | -                                       | 2,361,132            | -                              | 7,622,580                      |
| Due from other funds                       | 98                   | 17,452                                  | -                    | -                              | 17,550                         |
| Prepaid items                              | 771,671              | -                                       | -                    | -                              | 771,671                        |
| <b>Total assets</b>                        | <b>\$ 83,619,595</b> | <b>\$ 9,914,009</b>                     | <b>\$ 29,343,995</b> | <b>\$ 7,523,729</b>            | <b>\$ 130,401,328</b>          |
| <b>Liabilities and Fund Balances</b>       |                      |   |                      |                                |                                |
| Liabilities:                               |                      |   |                      |                                |                                |
| Accounts payable                           | \$ 1,219,588         | \$ 1,094,311                            | \$ 1,194,046         | \$ 61,375                      | \$ 3,569,320                   |
| Salaries and benefits payable              | 9,265,865            | -                                       | -                    | -                              | 9,265,865                      |
| Due to other funds                         | -                    | -                                       | -                    | 17,452                         | 17,452                         |
| Deferred and unearned revenue:             |                      |   |                      |                                |                                |
| Succeeding year property tax               | 51,775,854           | 8,026,066                               | -                    | 5,889,181                      | 65,691,101                     |
| Succeeding year income surtax              | 5,060,561            | -                                       | -                    | -                              | 5,060,561                      |
| Sales tax                                  | -                    | -                                       | 325,000              | -                              | 325,000                        |
| Grant revenues                             | 2,214,674            | -                                       | -                    | -                              | 2,214,674                      |
| <b>Total liabilities</b>                   | <b>69,536,542</b>    | <b>9,120,377</b>                        | <b>1,519,046</b>     | <b>5,968,008</b>               | <b>86,143,973</b>              |
| Fund balance:                              |                      |   |                      |                                |                                |
| Nonspendable                               | 771,671              | -                                       | -                    | -                              | 771,671                        |
| Restricted                                 | 3,516,243            | 793,632                                 | 27,824,949           | 1,555,721                      | 33,690,545                     |
| Assigned                                   | 502,365              | -                                       | -                    | -                              | 502,365                        |
| Unassigned                                 | 9,292,774            | -                                       | -                    | -                              | 9,292,774                      |
| <b>Total fund balances</b>                 | <b>14,083,053</b>    | <b>793,632</b>                          | <b>27,824,949</b>    | <b>1,555,721</b>               | <b>44,257,355</b>              |
| <b>Total liabilities and fund balances</b> | <b>\$ 83,619,595</b> | <b>\$ 9,914,009</b>                     | <b>\$ 29,343,995</b> | <b>\$ 7,523,729</b>            | <b>\$ 130,401,328</b>          |

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, 2011**

---

|   |                    |                       |
|---|--------------------|-----------------------|
| Total governmental fund balances  |                    | \$ 44,257,355         |
| 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.  |                    | 125,065,800           |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.  |                    | 421,255               |
| 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  | \$ 14,611,669      |                       |
| Liabilities   | <u>(2,367,713)</u> | 12,243,956            |
| Internal service funds allocated to business-type activities  |                    | (588,905)             |
| 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.  |                    | (68,642)              |
| 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   | (2,775,000)        |                       |
| General obligation bonds, noncurrent  | (18,730,000)       |                       |
| Early retirement, current   | (820,089)          |                       |
| Other postemployment benefits   | (371,188)          |                       |
| Compensated absences, current   | (549,191)          |                       |
| Unamortized premium on general obligation bonds   | (98,863)           |                       |
| Unamortized bond issuance costs   | 16,992             | <u>(23,327,339)</u>   |
| <b>Net assets of governmental activities</b>  |                    | <u>\$ 158,003,480</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, 2011

|  | General              | Physical Plant<br>and Equipment<br>Levy |
|--|----------------------|---|
| Revenues:  |                      |   |
| Local sources:   |                      |   |
| Local tax  | \$ 55,415,570        | \$ 7,769,270                            |
| Tuition  | 2,043,023            | -                                       |
| Other  | 4,528,071            | 36,430                                  |
| State sources  | 53,955,043           | -                                       |
| Federal sources  | 8,222,274            | -                                       |
| <b>Total revenues</b>                                    | <b>124,163,981</b>   | <b>7,805,700</b>                        |
| Expenditures:  |                      |   |
| Current:   |                      |   |
| Instruction:   |                      |   |
| Regular instruction                                      | 50,135,197           | -                                       |
| Special instruction                                      | 29,710,694           | -                                       |
| Other instruction  | 1,345,115            | -                                       |
|  | <b>81,191,006</b>    | <b>-</b>                                |
| Support services:  |                      |   |
| Student services   | 3,853,422            | -                                       |
| Instructional services                                   | 6,119,871            | -                                       |
| Administration services                                  | 8,764,190            | -                                       |
| Operation and maintenance                                | 9,723,942            | 327,703                                 |
| Transportation services                                  | 3,206,515            | 1,417,725                               |
|  | <b>31,667,940</b>    | <b>1,745,428</b>                        |
| Noninstructional programs                                | 34,444               | -                                       |
| Other, AEA flowthrough                                   | 4,940,696            | -                                       |
| Capital outlay   | -                    | 8,135,300                               |
| Debt service:  |                      |   |
| Principal  | -                    | -                                       |
| Interest and fiscal charges                              | -                    | -                                       |
|  | <b>-</b>             | <b>-</b>                                |
| <b>Total expenditures</b>                                | <b>117,834,086</b>   | <b>9,880,728</b>                        |
| <b>Excess (deficiency) of revenues over expenditures</b> | <b>6,329,895</b>     | <b>(2,075,028)</b>                      |
| Other financing sources (uses):                          |                      |   |
| Transfers in   | -                    | -                                       |
| Transfers out  | (182,000)            | -                                       |
| <b>Total other financing sources (uses)</b>              | <b>(182,000)</b>     | <b>-</b>                                |
| Net change in fund balances                              | 6,147,895            | (2,075,028)                             |
| Fund balances, beginning of year                         | 7,935,158            | 2,868,660                               |
| Fund balances, end of year                               | <b>\$ 14,083,053</b> | <b>\$ 793,632</b>                       |

See Notes to Basic Financial Statements.

|    | Capital<br>Projects | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----|---------------------|--------------------------------|--------------------------------|
| \$ | 14,078,665          | \$ 5,937,793                   | \$ 83,201,298                  |
|    | -                   | -                              | 2,043,023                      |
|    | 99,604              | 2,586,972                      | 7,251,077                      |
|    | -                   | -                              | 53,955,043                     |
|    | -                   | -                              | 8,222,274                      |
|    | 14,178,269          | 8,524,765                      | 154,672,715                    |
|    | -                   | 1,822,046                      | 51,957,243                     |
|    | -                   | -                              | 29,710,694                     |
|    | -                   | 2,321,019                      | 3,666,134                      |
|    | -                   | 4,143,065                      | 85,334,071                     |
|    | -                   | -                              | 3,853,422                      |
|    | -                   | -                              | 6,119,871                      |
|    | -                   | 709,888                        | 9,474,078                      |
|    | -                   | 826,311                        | 10,877,956                     |
|    | -                   | 167,678                        | 4,791,918                      |
|    | -                   | 1,703,877                      | 35,117,245                     |
|    | -                   | -                              | 34,444                         |
|    | -                   | -                              | 4,940,696                      |
|    | 5,642,506           | -                              | 13,777,806                     |
|    | -                   | 2,655,000                      | 2,655,000                      |
|    | -                   | 910,978                        | 910,978                        |
|    | -                   | 3,565,978                      | 3,565,978                      |
|    | 5,642,506           | 9,412,920                      | 142,770,240                    |
|    | 8,535,763           | (888,155)                      | 11,902,475                     |
|    | -                   | 182,000                        | 182,000                        |
|    | -                   | -                              | (182,000)                      |
|    | -                   | 182,000                        | -                              |
|    | 8,535,763           | (706,155)                      | 11,902,475                     |
|    | 19,289,186          | 2,261,876                      | 32,354,880                     |
| \$ | 27,824,949          | \$ 1,555,721                   | \$ 44,257,355                  |

**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, 2011**

---

Net change in fund balances, total governmental funds \$ 11,902,475

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       | \$ 11,619,445 |           |
| Depreciation expense | (3,997,673)   | 7,621,772 |
|                      |               |           |

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. (501,062)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 2,655,000

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. 7,273

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 | (26,353)  |         |
| Change in early retirement              | 1,001,957 |         |
| Change in compensated absences          | (2,876)   | 972,728 |
|   |           |         |

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets in the internal service fund is reported with governmental activities in the statement of activities. 1,864,178

Change in Internal Service Fund allocation to business-type activities. (93,981)

Amortization of bond premium and bond issuance costs. 21,331

**Change in net assets of governmental activities** \$ 24,449,714

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Net Assets  
 Proprietary Funds  
 June 30, 2011

|  | Nonmajor<br>Enterprise Fund -<br>School Nutrition | Internal Service<br>Fund |
|--|---|--------------------------|
| <b>Assets</b>  |   |                          |
| Current assets:  |   |                          |
| Cash and cash equivalents  | \$ 2,532,979                                      | \$ 14,611,669            |
| Accounts receivable  | 11,498  | -                        |
| Inventories  | 103,997   | -                        |
| Due from other funds   | -   | -                        |
| Prepaid expenses and deposits  | 48,597  | -                        |
| <b>Total current assets</b>  | <u>2,697,071</u>                                  | <u>14,611,669</u>        |
| Noncurrent assets, capital assets, net of accumulated depreciation   | <u>434,533</u>                                    | <u>-</u>                 |
| <b>Total assets</b>  | <u>\$ 3,131,604</u>                               | <u>\$ 14,611,669</u>     |
| <b>Liabilities</b>   |   |                          |
| Current liabilities:   |   |                          |
| Accounts payable   | \$ 7,445  | \$ -                     |
| Salaries and benefits payable  | 168,598   | -                        |
| Due to other funds   | 98  | -                        |
| Grant revenues, unearned   | 7,327   | -                        |
| Claims payable   | -   | 1,280,000                |
| Early retirement   | -   | 339,032                  |
| <b>Total current liabilities</b>   | <u>183,468</u>                                    | <u>1,619,032</u>         |
| Noncurrent liabilities, early retirement   | <u>-</u>  | <u>748,681</u>           |
| <b>Total liabilities</b>   | <u>183,468</u>                                    | <u>2,367,713</u>         |
| <b>Net Assets</b>  |   |                          |
| Invested in capital assets   | 434,533   | -                        |
| Unrestricted   | 2,513,603   | 12,243,956               |
| <b>Total net assets</b>  | <u>2,948,136</u>                                  | <u>12,243,956</u>        |
| <b>Total liabilities and net assets</b>  | <u>\$ 3,131,604</u>                               | <u>\$ 14,611,669</u>     |
| Total enterprise funds net assets  | \$ 2,948,136                                      |                          |
| 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. Certain assets and liabilities of the internal service funds are included in business-type activities in the statement of net assets. | <u>588,905</u>                                    |                          |
| <b>Net assets of business-type activities</b>  | <u>\$ 3,537,041</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, 2011

|  | Nonmajor<br>Enterprise Fund -<br>School Nutrition | Internal Service<br>Fund |
|--|---|--------------------------|
| Operating revenue:                     |   |                          |
| Charges for services:                  |   |                          |
| Food sales                             | \$ 2,175,411                                      | \$ -                     |
| Internal service charges               | -   | 7,992,629                |
| Employee contributions                 | -   | 2,142,984                |
| <b>Total operating revenue</b>         | <u>2,175,411</u>                                  | <u>10,135,613</u>        |
| Operating expenses:                    |   |                          |
| Food consumed                          | 1,851,244   | -                        |
| Salaries and benefits                  | 1,773,495   | -                        |
| Supplies, services and repairs         | 189,227   | -                        |
| Administration expense                 | 60,000  | -                        |
| Depreciation                           | 67,819  | -                        |
| Food and meal delivery:                |   |                          |
| Salaries and benefits                  | 287,812   | -                        |
| Truck expenses                         | 8,400   | -                        |
| Depreciation                           | 14,808  | -                        |
| Claims, losses and administrative fees | -   | 8,251,646                |
| Other                                  | -   | 65,257                   |
| <b>Total operating expenses</b>        | <u>4,252,805</u>                                  | <u>8,316,903</u>         |
| <b>Operating income (loss)</b>         | <u>(2,077,394)</u>                                | <u>1,818,710</u>         |
| Nonoperating revenues:                 |   |                          |
| Federal appropriations                 | 1,913,559   | -                        |
| State appropriations                   | 35,170  | -                        |
| Federal food commodities               | 313,345   | -                        |
| Interest income                        | 7,228   | 45,468                   |
| <b>Total nonoperating revenues</b>     | <u>2,269,302</u>                                  | <u>45,468</u>            |
| Changes in net assets                  | 191,908   | 1,864,178                |
| Net assets, beginning of year          | 2,756,228   | 10,379,778               |
| Net assets, end of year                | <u>\$ 2,948,136</u>                               | <u>\$ 12,243,956</u>     |

See Notes to Basic Financial Statements.

**Iowa City Community School District**

**Reconciliation of Changes in Net Assets of Enterprise Funds to the  
Statement of Activities  
Year Ended June 30, 2011**

---

Net changes in net assets in enterprise funds. \$ 191,908

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.

93,981

**Change in net assets of business-type activities**

\$ 285,889

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Cash Flows  
 Proprietary Funds  
 Year Ended June 30, 2011

|   | Nonmajor<br>Enterprise Fund -<br>School Nutrition | Internal Service<br>Fund |
|---|---|--------------------------|
| Cash flows from operating activities:   |   |                          |
| Cash received from sales of breakfasts and lunches  | \$ 2,214,598                                      | \$ -                     |
| Cash received from charges for service  | -   | 7,992,629                |
| Cash received from employees for benefits   | -   | 2,142,984                |
| Cash payments to suppliers for goods and services   | (1,790,406)                                       | (65,257)                 |
| Cash payments to employees for services   | (1,468,411)                                       | -                        |
| Cash payments for employee benefits   | (594,975)   | -                        |
| Cash payments for claims, losses and administrative fees  | -   | (8,586,400)              |
| <b>Net cash provided by (used in) operating activities</b>  | <b>(1,639,194)</b>                                | <b>1,483,956</b>         |
| Cash flows from noncapital financing activities:  |   |                          |
| Operating grants received   | 1,934,029   | -                        |
| Payments from interfund accounts  | 13,054  | -                        |
| <b>Net cash provided by noncapital financing activities</b>   | <b>1,947,083</b>                                  | <b>-</b>                 |
| Cash flows from capital and related financing activities, acquisition of capital assets   |   |                          |
|   | (18,857)  | -                        |
| Cash flows from investing activities, interest on cash and cash equivalents   |   |                          |
|   | 7,228   | 45,468                   |
| <b>Net increase in cash and cash equivalents</b>  | <b>296,260</b>                                    | <b>1,529,424</b>         |
| Cash and cash equivalents:  |   |                          |
| Beginning   | 2,236,719   | 13,082,245               |
| Ending  | <u>\$ 2,532,979</u>                               | <u>\$ 14,611,669</u>     |
| Operating income (loss)   | \$ (2,077,394)                                    | \$ 1,818,710             |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:                        |   |                          |
| Depreciation  | 82,627  | -                        |
| Federal food commodities consumed   | 327,149   | -                        |
| Change in assets and liabilities:   |   |                          |
| Decrease in accounts receivable   | 39,187  | -                        |
| (Increase) in purchased inventory   | (10,746)  | -                        |
| Decrease in prepaid expenses and deposits   | 4,679   | -                        |
| (Decrease) in accounts payable  | (2,617)   | -                        |
| (Decrease) in salaries and benefits payable   | (2,079)   | -                        |
| Increase in claims payable  | -   | 8,000                    |
| (Decrease) in early retirement  | -   | (342,754)                |
| <b>Total adjustments</b>  | <b>438,200</b>                                    | <b>(334,754)</b>         |
| <b>Net cash provided by (used in) operating activities</b>  | <b>\$ (1,639,194)</b>                             | <b>\$ 1,483,956</b>      |
| Noncash item, noncapital financing activities, food commodities donated to the District from the U.S. Department of Agriculture |   |                          |
|   | \$ 313,345  | \$ -                     |

See Notes to Basic Financial Statements.

**Iowa City Community School District**

**Statement of Fiduciary Net Assets**

**Fiduciary Funds**

**June 30, 2011**

---

|  | Private Purpose<br>Trust Fund  |    | Agency Funds |
|--|--------------------------------|----|--------------|
|  | Winbigler Estate<br>Trust Fund |    |              |
| <b>Assets</b> , cash and cash equivalents and investments                          | \$ 71,646                      | \$ | 252,406      |
| <b>Liabilities</b> , due to private individuals                                    | 96                             |    | 252,406      |
| <b>Net Assets</b> , 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, 2011

---

|  | Private Purpose<br>Trust Fund | Winbigler Estate<br>Trust Fund |
|--|-------------------------------|--------------------------------|
| Additions, local sources, interest             | \$                            | 96                             |
| Deductions, noninstructional programs supplies |                               | 96                             |
| <b>Changes in net assets</b>                   |                               | -                              |
| Net assets, beginning of year                  |                               | 71,550                         |
| Net assets, end of year                        | \$                            | <u>71,550</u>                  |

See Notes to Basic Financial Statements.

## Iowa City Community School District

### Notes to Basic Financial Statements

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#### 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 capital projects 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. Revenues of the Fund primarily consist of local sales taxes.

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

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

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

## Iowa City Community School District

### Notes to Basic Financial Statements

---

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

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 property taxes levied and collected for the payment of general long-term debt principal, interest and related costs.

**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 of granting scholarships at City High School.

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

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#### 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 when levied for, intergovernmental revenues when eligibility requirements have been met (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be measurable and are recognized as revenue, if available. 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, early retirement payments, other postemployment benefits 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 resources. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program then 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 amortized 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 date of purchase have a maturity date of no more than three months.

Property tax receivable: Property tax receivable is recognized on the levy or lien date, which is the date the tax asking is certified by the Board of Education.

Current year property tax receivable represents unpaid taxes related to April 2010 levy certification. Property taxes become due and collectible in September and March of the following fiscal year with a 1½ percent per month penalty for delinquent payments. This tax levy is based on January 1, 2009 assessed property valuations and is revenue for fiscal year ended June 30, 2011.

The succeeding year property tax receivable represents taxes certified by the Board of Education in April 2011. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. The tax asking represents a lien which is effective on the first day of that calendar 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 ended June 30, 2012, the year for which it is levied.

Due from other governments and income surtax: Due from other governments and income surtax represent 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 one year.

## Iowa City Community School District

### Notes to Basic Financial Statements

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

| <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            |

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

| <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, 2011, has also been accrued as a liability as of June 30, 2011.

**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.

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 with a contract of 200 days or more 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, 2011. 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 and premiums: Bond issuance costs and premiums are amortized over the life of the contracts using a method which approximates the effective interest method.

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

Nonspendable: Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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

Committed: Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the District's Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned: Amounts constrained by the District's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Executive Director of Administrative Services.

Unassigned: All amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

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.

Iowa City Community School District

Notes to Basic Financial Statements

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

Net assets restricted through enabling legislation consists of \$345,868 for management levy, \$28,943,581 for the capital improvements and equipment and \$1,205,417 for student activities.

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.”

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 Investments**

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, 2011, 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    | 19,153,037           | 19,153,037                       | -           | -           | -            |
|                                     | <u>\$ 19,153,040</u> | <u>\$ 19,153,040</u>             | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u>  |

## Iowa City Community School District

### Notes to Basic Financial Statements

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#### Note 2. Cash and Cash Equivalents (Continued)

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.

The IPAS Education Money Market Fund and Iowa Schools Joint Investment Trust are valued at an amortized cost of \$19,153,040 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

As of June 30, 2011, the District's investments were rated as follows:

| Investment Type                     | Moody's<br>Investor<br>Services | Standard<br>and Poor's |
|-------------------------------------|---------------------------------|------------------------|
| Iowa Schools Joint Investment Trust | Aaa                             | Not rated              |
| IPAS Education Money Market Fund    | Not rated                       | Not rated              |

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.

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. Chapter 12c of the Code of Iowa requires all District funds be deposited into an approved depository and be either insured or collateralized.

As of June 30, 2011, the District's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds.

As of June 30, 2011, none of the District's deposit bank balance or investments were exposed to custodial credit risk.

**Iowa City Community School District**

**Notes to Basic Financial Statements**

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**Note 3. Interfund Receivables and Payables**

Individual interfund receivable and payable balances as of June 30, 2011, are as follows:

| Receivable Fund                               | Payable Fund                                    | Amount           |
|---|---|------------------|
| Major Fund, General Fund                      | Nonmajor Enterprise Fund, School Nutrition Fund | \$ 98            |
| Major Fund, Physical Plant and Equipment Fund | Nonmajor Governmental Fund, Debt Service Fund   | 17,452           |
|   |   | <u>\$ 17,550</u> |

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 amount payable from the Debt Service Fund relates to a negative cash balance in the fund.

**Note 4. Interfund Transfers**

Detail of interfund transfers for the year ended June 30, 2011, is as follows:

| Transfer To   | Transfer From            | Amount     |
|---|--------------------------|------------|
| Nonmajor Governmental Fund,<br>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.

Iowa City Community School District

Notes to Basic Financial Statements

**Note 5. Capital Assets**

Capital assets activity for the year ended June 30, 2011, is as follows:

| <b>Governmental Activities</b>                      | Balance,<br>Beginning of<br>Year | Increases            | Decreases            | Balance,<br>End of Year |
|---|----------------------------------|----------------------|----------------------|-------------------------|
| Capital assets not being depreciated:               |                                  |                      |                      |                         |
| Land  | \$ 4,477,319                     | \$ 9,812             | \$ -                 | \$ 4,487,131            |
| Construction-in-progress                            | 11,479,445                       | 8,538,313            | 11,067,398           | 8,950,360               |
| <b>Total capital assets not being depreciated</b>   | <b>15,956,764</b>                | <b>8,548,125</b>     | <b>11,067,398</b>    | <b>13,437,491</b>       |
| Capital assets being depreciated:                   |                                  |                      |                      |                         |
| Buildings   | 138,799,711                      | 12,356,253           | -                    | 151,155,964             |
| Improvements other than buildings                   | 8,544,105                        | 1,288,196            | -                    | 9,832,301               |
| Furniture, equipment and vehicles                   | 16,254,767                       | 494,269              | 64,587               | 16,684,449              |
| <b>Total capital assets being depreciated</b>       | <b>163,598,583</b>               | <b>14,138,718</b>    | <b>64,587</b>        | <b>177,672,714</b>      |
| Less accumulated depreciation for:                  |                                  |                      |                      |                         |
| Buildings   | 43,621,064                       | 2,823,477            | -                    | 46,444,541              |
| Improvements other than buildings                   | 4,009,143                        | 338,685              | -                    | 4,347,828               |
| Furniture, equipment and vehicles                   | 14,481,112                       | 835,511              | 64,587               | 15,252,036              |
| <b>Total accumulated depreciation</b>               | <b>62,111,319</b>                | <b>3,997,673</b>     | <b>64,587</b>        | <b>66,044,405</b>       |
| <b>Total capital assets being depreciated, net</b>  | <b>101,487,264</b>               | <b>10,141,045</b>    | <b>-</b>             | <b>111,628,309</b>      |
| <b>Governmental activities capital assets, net</b>  | <b>\$ 117,444,028</b>            | <b>\$ 18,689,170</b> | <b>\$ 11,067,398</b> | <b>\$ 125,065,800</b>   |
| <b>Business-Type Activities</b>                     |                                  |                      |                      |                         |
| Furniture, equipment and vehicles                   | \$ 1,000,486                     | \$ 18,857            | \$ -                 | \$ 1,019,343            |
| Less accumulated depreciation                       | 502,183                          | 82,627               | -                    | 584,810                 |
| <b>Business-type activities capital assets, net</b> | <b>\$ 498,303</b>                | <b>\$ (63,770)</b>   | <b>\$ -</b>          | <b>\$ 434,533</b>       |

**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 | \$ 2,755,454 |
| Special | 486,257      |
| Other   | 239,866      |

Support services:

|                           |         |
|---------------------------|---------|
| Instructional services    | 23,935  |
| Administration services   | 184,718 |
| Operation and maintenance | 274,620 |

3,964,850

Unallocated depreciation, excluding direct depreciation 32,823

**Total governmental activities depreciation expense** \$ 3,997,673

Business-type activities, nutritional services \$ 82,627

**Note 6. Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011, are summarized as follows:

|                          | Balance<br>Beginning<br>of Year | Additions           | Reductions          | Balance, End<br>of Year | Due Within<br>One Year |
|--------------------------|---------------------------------|---------------------|---------------------|-------------------------|------------------------|
| General obligation bonds | \$ 24,160,000                   | \$ -                | \$ 2,655,000        | \$ 21,505,000           | \$ 2,775,000           |
| Early retirement         | 3,252,513                       | 820,088             | 2,164,799           | 1,907,802               | 1,159,121              |
| Compensated absences     | 546,315                         | 567,253             | 564,377             | 549,191                 | 549,191                |
| <b>Total</b>             | <u>\$ 27,958,828</u>            | <u>\$ 1,387,341</u> | <u>\$ 5,384,176</u> | <u>\$ 23,961,993</u>    | <u>\$ 4,483,312</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 cannot, and do not, contribute to the incentive program.

Early retirement participation is based on the following criteria:

1. It is available to employees 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 fifteen (15) years of service to the District and has been actively employed during the school year that they request early retirement benefits.
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.

**Iowa City Community School District**

**Notes to Basic Financial Statements**

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**Note 6. Long-Term Liabilities (Continued)**

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), 403(b), 70 percent of current year's salary based on average full time equivalence (FTE) status for the past 10 years.

During the year ended June 30, 2011, 23 District employees requested early retirement, to be payable during the year ending June 30, 2012. The benefits to be paid to these employees will be made in October 2011 and total \$820,089 to be generally liquidated from the Management Fund. During the year ended June 30, 2011, the District paid \$1,822,046 of early retirement benefits approved during the year ended June 30, 2010 from the Management Fund. In addition, \$1,087,713 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.

Bonds payable: Details of the District's general obligation bond indebtedness as of June 30, 2011 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 3.40 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<br>June 30, | Bond Issue of May 1, 2003 |                     |                   |
|-------------------------|---------------------------|---------------------|-------------------|
|                         | Interest<br>Rates         | Principal           | Interest          |
| 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 - 2018             | 3.75 - 3.875              | 1,665,000           | 96,438            |
|                         |                           | <u>\$ 5,305,000</u> | <u>\$ 812,596</u> |

**Iowa City Community School District**

**Notes to Basic Financial Statements**

**Note 6. Long-Term Liabilities (Continued)**

General obligation bond Series 2004 with an original issue amount of \$29,000,000 maturing through June 2018 with rates ranging from 3.25 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<br>June 30, | Bond Issue of March 1, 2004 |                      |                     |
|-------------------------|-----------------------------|----------------------|---------------------|
|                         | Interest<br>Rates           | Principal            | Interest            |
| 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>\$ 16,200,000</u> | <u>\$ 2,676,250</u> |

As of June 30, 2011, the District did not exceed its legal debt margin computed as follows:

|   |                              |
|---|------------------------------|
| Total assessed valuation  | <u>\$ 7,677,489,497</u>      |
| Debt limit, 5% of total assessed valuation                                | \$ 383,874,475               |
| Amount of debt applicable to debt limitation,<br>general obligation bonds | <u>21,505,000</u>            |
| <b>Excess of debt limit over debt outstanding, legal debt margin</b>      | <u><b>\$ 362,369,475</b></u> |

The District has authorized the sale of bonds to current refund \$4,630,000 of the 2003 General Obligation Bonds and crossover advance refund \$12,000,000 of the 2004 General Obligation Bonds. The sale of the refunding bonds is anticipated to occur in January 2012.

**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.

For the fiscal year ended June 30, 2011, plan members were required to contribute 4.50 percent of their annual covered salary and the District was required to contribute 6.95 percent of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$5,160,450, \$4,877,682 and \$4,558,004, respectively, equal to the required contributions for each year.

## Iowa City Community School District

### Notes to Basic Financial Statements

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#### 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, 2011, 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.

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, 2011 and 2010 were as follows:

| Self-Insurance Liability | Beginning    | Claims and<br>Changes in<br>Estimates | Claims<br>Payments | Ending       |
|--------------------------|--------------|---------------------------------------|--------------------|--------------|
| Health:                  |              |                                       |                    |              |
| 2011                     | \$ 1,272,000 | \$ 7,374,431                          | \$ 7,366,431       | \$ 1,280,000 |
| 2010                     | 1,272,000    | 6,920,029                             | 6,920,029          | 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 \$4,940,696 for the year ended June 30, 2011. The District's actual constructive revenue and constructive expenses are included in the General Fund.

## Iowa City Community School District

### Notes to Basic Financial Statements

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#### Note 10. Commitments

As of June 30, 2011, the District had outstanding construction commitments totaling approximately \$12,800,000.

In July 2010, the District's Board of Directors sold the District's central administration office to the University of Iowa for \$4,500,000 and anticipates closing in December 2011.

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 relocated the Central Administration Office to the new facility in November 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. As of June 30, 2011, the District has expended \$3,374,468 towards the project.

#### 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 \$18,800,000 as of June 30, 2011. 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, 2011.

#### 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, 2011. Rental expense during the year ended June 30, 2011 was \$122,832.

Lease commitments as of June 30, 2011, for these leases are as follows:

Year ending June 30:

|      |    |               |
|------|----|---------------|
| 2012 | \$ | 47,724        |
| 2013 |    | 17,459        |
|      | \$ | <u>65,183</u> |

#### Note 13. Contingencies

As of June 30, 2011, 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.

## Iowa City Community School District

### Notes to Basic Financial Statements

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#### 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 2011, monthly payments were approximately \$7,000 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 2011, the District contributed \$573,647. Contributions are required for both retiree and dependent coverage. The active and retiree premium equivalents effective April 1, 2011, 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     |  | 28.58 |
| Retiree + Family |  | 83.47 |

**Iowa City Community School District**

**Notes to Basic Financial Statements**

**Note 15. Other Postemployment Benefits (OPEB) (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               | \$ 597,000               |
| Interest on net OPEB obligation            | 16,000                   |
| Adjustment to annual required contribution | (13,000)                 |
| Annual OPEB cost (expense)                 | <u>600,000</u>           |
| Contributions and payments made            | <u>573,647</u>           |
| Increase in net OPEB obligation            | 26,353                   |
| <br>                                       |                          |
| Net OPEB obligation July 1, 2010           | <u>344,835</u>           |
| Net OPEB obligation June 30, 2011          | <u><u>\$ 371,188</u></u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for 2011 and the two preceding years follows.

| Fiscal Year Ending | Annual<br>OPEB Cost | Percentage of<br>Annual OPEB<br>Cost Contributed | Net OPEB<br>Obligation |
|--------------------|---------------------|--|------------------------|
| 06/30/2009         | \$ 679,000          | 79%  | \$ 143,000             |
| 06/30/2010         | 677,837             | 70   | 344,835                |
| 06/30/2011         | 600,000             | 96   | 371,188                |

Funded status and funding progress: As of July 1, 2010, 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 \$74,746,252 and the ratio of the UAAL to the covered payroll was 5.94 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 (OPEB) (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, 2010, 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. Fund Balances**

In fiscal year 2011, the District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The details for the District's fund balance are as follows:

| <b>Fund Balances:</b>                 | General              | Physical Plant<br>and Equipment<br>Levy | Capital<br>Projects  | Nonmajor<br>Governmental | Total                |
|---------------------------------------|----------------------|---|----------------------|--------------------------|----------------------|
| Nonspendable,<br>prepaids             | \$ 771,671           | \$ -                                    | \$ -                 | \$ -                     | \$ 771,671           |
| Restricted:                           |                      |   |                      |                          |                      |
| Categorical funding                   | 3,516,243            | -                                       | -                    | -                        | 3,516,243            |
| Debt service                          | -                    | -                                       | -                    | 4,436                    | 4,436                |
| Management levy purposes              | -                    | -                                       | -                    | 345,868                  | 345,868              |
| Student activities                    | -                    | -                                       | -                    | 1,205,417                | 1,205,417            |
| Capital improvements<br>and equipment | -                    | 793,632                                 | 27,824,949           | -                        | 28,618,581           |
| <b>Total Restricted</b>               | <b>3,516,243</b>     | <b>793,632</b>                          | <b>27,824,949</b>    | <b>1,555,721</b>         | <b>33,690,545</b>    |
| Assigned,<br>general government       | 502,365              | -                                       | -                    | -                        | 502,365              |
| Unassigned                            | 9,292,774            | -                                       | -                    | -                        | 9,292,774            |
| <b>Total fund balances</b>            | <b>\$ 14,083,053</b> | <b>\$ 793,632</b>                       | <b>\$ 27,824,949</b> | <b>\$ 1,555,721</b>      | <b>\$ 44,257,355</b> |

## Iowa City Community School District

### Notes to Basic Financial Statements

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#### Note 17. New Governmental Accounting Standards Board (GASB) Statements

During the fiscal year ended June 30, 2011, the District adopted the following GASB Statements:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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. As described in Note 16 to the basic financial statements, the District reclassified the fund balances for all governmental as a result of the implementation of this Statement.
- GASB Statement No. 59, *Financial Instruments Omnibus*, issued June 2010. 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 included additional disclosures for their external investment pools.

As of June 30, 2011, 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. 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. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.

## Iowa City Community School District

### Notes to Basic Financial Statements

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#### Note 17. New Governmental Accounting Standards Board (GASB) Statements (Continued)

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.
- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), issued July 2011, will be effective for the District beginning with its year ending June 30, 2012. This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectibility of swap payments is considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied.

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

**Iowa City Community School District**

**Required Supplementary Information  
Other Postemployment Benefit Plan**

SCHEDULE OF FUNDING PROGRESS

| Fiscal Year Ended | Actuarial Valuation Date | Actuarial Value of Net Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|-------------------|--------------------------|-----------------------------------|---------------------------------------|--------------------|--------------------|---------------------|---|
| 2009              | 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%   |
| <b>2011</b>       | <b>07/01/2010</b>        | -                                 | <b>4,441,000</b>                      | <b>4,441,000</b>   | - %                | <b>74,746,252</b>   | 5.94%   |

The information presented in the required supplementary schedules was determined as part of the actuarial valuation date as of July 1, 2010. Additional information follows:

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

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Iowa City Community School District

Required Supplementary Information  
 Budgetary Comparison Schedule  
 All Governmental Funds and Enterprise Fund  
 Year Ended June 30, 2011

|  | Governmental<br>Fund Types<br>Actual | Enterprise<br>Fund Type<br>Actual | Total<br>Actual      |
|--|--------------------------------------|-----------------------------------|----------------------|
| Revenues:  |                                      |                                   |                      |
| Local sources  | \$ 92,495,398                        | \$ 2,182,639                      | \$ 94,678,037        |
| State sources  | 53,955,043                           | 35,170                            | 53,990,213           |
| Federal sources  | 8,222,274                            | 2,226,904                         | 10,449,178           |
| <b>Total revenues</b>                                    | <b>154,672,715</b>                   | <b>4,444,713</b>                  | <b>159,117,428</b>   |
| Expenditures:  |                                      |                                   |                      |
| Instruction  | 85,512,118                           | -                                 | 85,512,118           |
| Support services   | 34,939,198                           | -                                 | 34,939,198           |
| Noninstructional programs                                | 34,444                               | 4,252,805                         | 4,287,249            |
| Other expenditures                                       | 22,284,480                           | -                                 | 22,284,480           |
| <b>Total expenditures</b>                                | <b>142,770,240</b>                   | <b>4,252,805</b>                  | <b>147,023,045</b>   |
| <b>Excess of revenues over<br/>expenditures/expenses</b> | <b>11,902,475</b>                    | <b>191,908</b>                    | <b>12,094,383</b>    |
| Fund balances, beginning of year                         | 32,354,880                           | 2,756,228                         | 35,111,108           |
| Fund balances, end of year                               | <b>\$ 44,257,355</b>                 | <b>\$ 2,948,136</b>               | <b>\$ 47,205,491</b> |

See Note to Required Supplementary Information.

| Budgeted Amounts      |                        | Final to<br>Actual<br>Variance-<br>Over<br>(Under) |
|-----------------------|------------------------|--|
| Original              | Final                  |  |
| \$ 87,599,942         | \$ 87,599,942          | \$ 7,078,095                                       |
| 59,430,676            | 59,430,676             | (5,440,463)  |
| 6,494,223             | 6,494,223              | 3,954,955  |
| <u>153,524,841</u>    | <u>153,524,841</u>     | <u>5,592,587</u>                                   |
| 87,321,111            | 93,000,000             | (7,487,882)  |
| 37,123,147            | 37,200,000             | (2,260,802)  |
| 5,700,900             | 5,800,000              | (1,512,751)  |
| <u>25,320,813</u>     | <u>31,500,000</u>      | <u>(9,215,520)</u>                                 |
| <u>155,465,971</u>    | <u>167,500,000</u>     | <u>(20,476,955)</u>                                |
| <u>\$ (1,941,130)</u> | <u>\$ (13,975,159)</u> | <u>\$ 26,069,542</u>                               |

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## Iowa City Community School District

### Note to Required Supplementary Information – Budgetary Reporting

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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, 2011, the District adopted one budget amendment which increased the budgeted expenditures by \$12,034,029.

During the year ended June 30, 2011, 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, 2011

|  | Special Revenue     |                     |                     | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|---------------------|---------------------|---------------------|--|
|  | Management          | Student<br>Activity | Debt<br>Service     |  |
| <b>Assets</b>                                  |                     |                     |                     |  |
| Cash and cash equivalents and investments      | \$ 363,868          | \$ 1,232,506        | \$ -                | \$ 1,596,374                               |
| Receivables:                                   |                     |                     |                     |  |
| Property tax:                                  |                     |                     |                     |  |
| Current year                                   | 16,286              | -                   | 21,888              | 38,174                                     |
| Succeeding year                                | 2,289,466           | -                   | 3,599,715           | 5,889,181                                  |
| <b>Total assets</b>                            | <b>\$ 2,669,620</b> | <b>\$ 1,232,506</b> | <b>\$ 3,621,603</b> | <b>\$ 7,523,729</b>                        |
| <b>Liabilities and Fund Balances</b>           |                     |                     |                     |  |
| Liabilities:                                   |                     |                     |                     |  |
| Accounts payable                               | \$ 34,286           | \$ 27,089           | \$ -                | \$ 61,375                                  |
| Due to other funds                             | -                   | -                   | 17,452              | 17,452                                     |
| Deferred revenue, succeeding year property tax | 2,289,466           | -                   | 3,599,715           | 5,889,181                                  |
| <b>Total liabilities</b>                       | <b>2,323,752</b>    | <b>27,089</b>       | <b>3,617,167</b>    | <b>5,968,008</b>                           |
| Fund balances, restricted                      | 345,868             | 1,205,417           | 4,436               | 1,555,721                                  |
| <b>Total fund balances</b>                     | <b>345,868</b>      | <b>1,205,417</b>    | <b>4,436</b>        | <b>1,555,721</b>                           |
| <b>Total liabilities and fund balances</b>     | <b>\$ 2,669,620</b> | <b>\$ 1,232,506</b> | <b>\$ 3,621,603</b> | <b>\$ 7,523,729</b>                        |

Iowa City Community School District

**Combining Statement of Revenues, Expenditures and Changes in  
Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2011**

|   | Special Revenue  |                     |                  | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|------------------|---------------------|------------------|--|
|   | Management       | Student<br>Activity | Debt<br>Service  |  |
| Revenues:   |                  |                     |                  |  |
| Local sources:  |                  |                     |                  |  |
| Local tax   | \$ 2,555,561     | \$ -                | \$ 3,382,232     | \$ 5,937,793                               |
| Other   | 43,371           | 2,540,796           | 2,805            | 2,586,972                                  |
| <b>Total revenues</b>                                   | <b>2,598,932</b> | <b>2,540,796</b>    | <b>3,385,037</b> | <b>8,524,765</b>                           |
| Expenditures:   |                  |                     |                  |  |
| Current:  |                  |                     |                  |  |
| Instruction:  |                  |                     |                  |  |
| Regular   | 1,822,046        | -                   | -                | 1,822,046                                  |
| Other instruction                                       | -                | 2,321,019           | -                | 2,321,019                                  |
| Support services:                                       |                  |                     |                  |  |
| Administration services                                 | 530,941          | 178,047             | 900              | 709,888                                    |
| Operations and maintenance                              | 825,216          | 1,095               | -                | 826,311                                    |
| Transportation services                                 | -                | 167,678             | -                | 167,678                                    |
| Debt service:   |                  |                     |                  |  |
| Principal   | -                | -                   | 2,655,000        | 2,655,000                                  |
| Interest and fiscal charges                             | -                | -                   | 910,978          | 910,978                                    |
| <b>Total expenditures</b>                               | <b>3,178,203</b> | <b>2,667,839</b>    | <b>3,566,878</b> | <b>9,412,920</b>                           |
| <b>Deficiency of<br/>revenues over<br/>expenditures</b> | <b>(579,271)</b> | <b>(127,043)</b>    | <b>(181,841)</b> | <b>(888,155)</b>                           |
| Other financing sources, transfers in                   | -                | 182,000             | -                | 182,000                                    |
| Net change in fund balances                             | (579,271)        | 54,957              | (181,841)        | (706,155)                                  |
| Fund balances, beginning of year                        | 925,139          | 1,150,460           | 186,277          | 2,261,876                                  |
| Fund balances, end of year                              | \$ 345,868       | \$ 1,205,417        | \$ 4,436         | \$ 1,555,721                               |

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, 2011

|  | City<br>High<br>School | West<br>High<br>School | Northwest<br>Junior High and<br>Elementary<br>Schools | South East<br>Junior High and<br>Elementary<br>Schools |
|--|------------------------|------------------------|---|--|
| Revenues:  |                        |                        |   |  |
| Local sources:   |                        |                        |   |  |
| Other:   |                        |                        |   |  |
| Interest income  | \$ 2,192               | \$ 2,444               | \$ 525  | \$ 460   |
| Student activity fees,<br>sales and miscellaneous                        | 790,418                | 1,190,148              | 152,616   | 89,605   |
| <b>Total revenues</b>  | <b>792,610</b>         | <b>1,192,592</b>       | <b>153,141</b>  | <b>90,065</b>  |
| Expenditures:  |                        |                        |   |  |
| Current:   |                        |                        |   |  |
| Instruction, other instruction   | 782,606                | 1,002,893              | 149,662   | 86,798   |
| Support services:  |                        |                        |   |  |
| Administration services  | 73,042                 | 84,305                 | 7,608   | 4,622  |
| Operations and maintenance   | -                      | -                      | -   | -  |
| Transportation services  | -                      | -                      | -   | -  |
| <b>Total expenditures</b>  | <b>855,648</b>         | <b>1,087,198</b>       | <b>157,270</b>  | <b>91,420</b>  |
| <b>Excess (deficiency) of<br/>    revenues over<br/>    expenditures</b> | <b>(63,038)</b>        | <b>105,394</b>         | <b>(4,129)</b>  | <b>(1,355)</b>   |
| Other financing sources, transfers in                                    | 16,000                 | 16,000                 | -   | -  |
| Net change in fund balances (deficits)                                   | (47,038)               | 121,394                | (4,129)   | (1,355)  |
| Fund balances (deficits), beginning of year                              | 520,788                | 439,729                | 77,845  | 38,839   |
| Fund balances (deficits), end of year                                    | <b>\$ 473,750</b>      | <b>\$ 561,123</b>      | <b>\$ 73,716</b>                                      | <b>\$ 37,484</b>                                       |

| North Central<br>Junior High and<br>Elementary<br>Schools |         | Athletic Fund | District-Wide<br>Activities Account | Vocational Auto<br>Mechanics | Total Student<br>Activity Funds |    |         |    |           |
|---|---------|---------------|-------------------------------------|------------------------------|---------------------------------|----|---------|----|-----------|
| \$  | 166     | \$            | 78                                  | \$                           | 19                              | \$ | 2       | \$ | 5,886     |
|   | 74,561  |               | 229,005                             |                              | 3,612                           |    | 4,945   |    | 2,534,910 |
|   | 74,727  |               | 229,083                             |                              | 3,631                           |    | 4,947   |    | 2,540,796 |
|   | 71,588  |               | 218,586                             |                              | 2,227                           |    | 6,659   |    | 2,321,019 |
|   | 8,470   |               | -                                   |                              | -                               |    | -       |    | 178,047   |
|   | -       |               | 1,095                               |                              | -                               |    | -       |    | 1,095     |
|   | -       |               | 167,678                             |                              | -                               |    | -       |    | 167,678   |
|   | 80,058  |               | 387,359                             |                              | 2,227                           |    | 6,659   |    | 2,667,839 |
|   | (5,331) |               | (158,276)                           |                              | 1,404                           |    | (1,712) |    | (127,043) |
|   | -       |               | 150,000                             |                              | -                               |    | -       |    | 182,000   |
|   | (5,331) |               | (8,276)                             |                              | 1,404                           |    | (1,712) |    | 54,957    |
|   | 50,035  |               | (30,933)                            |                              | 26,287                          |    | 27,870  |    | 1,150,460 |
| \$  | 44,704  | \$            | (39,209)                            | \$                           | 27,691                          | \$ | 26,158  | \$ | 1,205,417 |

Iowa City Community School District

**Statement of Changes in Fiduciary  
Assets and Liabilities - Agency Funds  
Year Ended June 30, 2011**

|                                    | Balance<br>June 30,<br>2010 | Additions    | Deductions   | Balance<br>June 30,<br>2011 |
|------------------------------------|-----------------------------|--------------|--------------|-----------------------------|
| <b>Flexible Benefits Account</b>   |                             |              |              |                             |
| <b>Assets,</b>                     |                             |              |              |                             |
| cash and cash equivalents          | \$ 208,080                  | \$ 1,554,699 | \$ 1,559,948 | \$ 202,831                  |
| <b>Liabilities,</b>                |                             |              |              |                             |
| due to private individuals         | \$ 208,080                  | \$ 1,554,699 | \$ 1,559,948 | \$ 202,831                  |
| <b>School Children's Aid</b>       |                             |              |              |                             |
| <b>Assets,</b>                     |                             |              |              |                             |
| cash and cash equivalents          | \$ 4,510                    | \$ 44,486    | \$ 14,674    | \$ 34,322                   |
| <b>Liabilities,</b>                |                             |              |              |                             |
| due to private individuals         | \$ 4,510                    | \$ 44,486    | \$ 14,674    | \$ 34,322                   |
| <b>Opportunity Funds</b>           |                             |              |              |                             |
| <b>Assets,</b>                     |                             |              |              |                             |
| cash and cash equivalents          | \$ 2,188                    | \$ -         | \$ -         | \$ 2,188                    |
| <b>Liabilities,</b>                |                             |              |              |                             |
| due to private individuals         | \$ 2,188                    | \$ -         | \$ -         | \$ 2,188                    |
| <b>School Based Health Clinics</b> |                             |              |              |                             |
| <b>Assets,</b>                     |                             |              |              |                             |
| cash and cash equivalents          | \$ 23,731                   | \$ 58,191    | \$ 68,857    | \$ 13,065                   |
| <b>Liabilities,</b>                |                             |              |              |                             |
| due to private individuals         | \$ 23,731                   | \$ 58,191    | \$ 68,857    | \$ 13,065                   |
| <b>Total Agency Funds</b>          |                             |              |              |                             |
| <b>Assets,</b>                     |                             |              |              |                             |
| cash and cash equivalents          | \$ 238,509                  | \$ 1,657,376 | \$ 1,643,479 | \$ 252,406                  |
| <b>Liabilities,</b>                |                             |              |              |                             |
| due to private individuals         | \$ 238,509                  | \$ 1,657,376 | \$ 1,643,479 | \$ 252,406                  |

# Iowa City Community School District

## Statistical Section Contents

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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.

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| Contents   | Page    |
|--|---------|
| <b>Financial Trends</b>  |         |
| These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.  | 60 - 73 |
| <b>Revenue Capacity</b>  |         |
| These schedules contain information to help the reader assess the District's most significant local revenue sources, the property tax (or sales tax).  | 74 - 77 |
| <b>Debt Capacity</b>   |         |
| 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.                     | 78 - 81 |
| <b>Demographic and Economic Information</b>  |         |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.   | 82 - 83 |
| <b>Operating Information</b>   |         |
| 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. | 84 - 93 |

**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 Nine Fiscal Years\***  
*(accrual basis of accounting)*  
**(Unaudited)**

|   | Fiscal Year          |                      |                      |
|---|----------------------|----------------------|----------------------|
|   | 2003                 | 2004                 | 2005                 |
| Governmental activities:                        |                      |                      |                      |
| Invested in capital assets, net of related debt | \$ 45,605,519        | \$ 46,666,309        | \$ 47,646,574        |
| Restricted                                      | 7,591,623            | 5,424,194            | 6,693,449            |
| Unrestricted                                    | 10,489,115           | 12,432,086           | 15,542,661           |
| <b>Total governmental activities</b>            |                      |                      |                      |
| <b>net assets</b>                               | <b>\$ 63,686,257</b> | <b>\$ 64,522,589</b> | <b>\$ 69,882,684</b> |
| Business-type activities:                       |                      |                      |                      |
| Invested in capital assets, net of related debt | \$ 192,320           | \$ 186,141           | \$ 285,874           |
| Unassigned                                      | 1,083,843            | 1,388,847            | 1,559,611            |
| <b>Total business-type activities</b>           |                      |                      |                      |
| <b>net assets</b>                               | <b>\$ 1,276,163</b>  | <b>\$ 1,574,988</b>  | <b>\$ 1,845,485</b>  |
| Primary government:                             |                      |                      |                      |
| Invested in capital assets, net of related debt | \$ 45,797,839        | \$ 46,852,450        | \$ 47,932,448        |
| Restricted                                      | 7,591,623            | 5,424,194            | 6,693,449            |
| Unrestricted                                    | 11,572,958           | 13,820,933           | 17,102,272           |
| <b>Total primary government</b>                 |                      |                      |                      |
| <b>net assets</b>                               | <b>\$ 64,962,420</b> | <b>\$ 66,097,577</b> | <b>\$ 71,728,169</b> |

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

|           |                   |           |                   |           |                   |           | Fiscal Year        |           |                    |           |                    |  |
|-----------|-------------------|-----------|-------------------|-----------|-------------------|-----------|--------------------|-----------|--------------------|-----------|--------------------|--|
| 2006      |                   | 2007      |                   | 2008      |                   | 2009      |                    | 2010      |                    | 2011      |                    |  |
| \$        | 60,614,632        | \$        | 64,933,021        | \$        | 73,555,648        | \$        | 80,393,020         | \$        | 93,159,408         | \$        | <b>103,461,937</b> |  |
|           | 7,951,013         |           | 9,460,390         |           | 5,669,654         |           | 5,416,705          |           | 6,784,465          |           | <b>34,107,364</b>  |  |
|           | 7,670,949         |           | 6,659,080         |           | 17,882,764        |           | 32,018,847         |           | 33,609,893         |           | <b>20,434,179</b>  |  |
| <b>\$</b> | <b>76,236,594</b> | <b>\$</b> | <b>81,052,491</b> | <b>\$</b> | <b>97,108,066</b> | <b>\$</b> | <b>117,828,572</b> | <b>\$</b> | <b>133,553,766</b> | <b>\$</b> | <b>158,003,480</b> |  |
| \$        | 342,565           | \$        | 456,833           | \$        | 496,000           | \$        | 490,509            | \$        | 498,303            | \$        | <b>434,533</b>     |  |
|           | 1,872,776         |           | 2,111,394         |           | 2,345,817         |           | 2,560,254          |           | 2,752,849          |           | <b>3,102,508</b>   |  |
| <b>\$</b> | <b>2,215,341</b>  | <b>\$</b> | <b>2,568,227</b>  | <b>\$</b> | <b>2,841,817</b>  | <b>\$</b> | <b>3,050,763</b>   | <b>\$</b> | <b>3,251,152</b>   | <b>\$</b> | <b>3,537,041</b>   |  |
| \$        | 60,957,197        | \$        | 65,389,854        | \$        | 74,051,648        | \$        | 80,883,529         | \$        | 93,657,711         | \$        | <b>103,896,470</b> |  |
|           | 7,951,013         |           | 9,460,390         |           | 5,669,654         |           | 5,416,705          |           | 6,784,465          |           | <b>34,107,364</b>  |  |
|           | 9,543,725         |           | 8,770,474         |           | 20,228,581        |           | 34,579,101         |           | 36,362,742         |           | <b>23,536,687</b>  |  |
| <b>\$</b> | <b>78,451,935</b> | <b>\$</b> | <b>83,620,718</b> | <b>\$</b> | <b>99,949,883</b> | <b>\$</b> | <b>120,879,335</b> | <b>\$</b> | <b>136,804,918</b> | <b>\$</b> | <b>161,540,521</b> |  |

Iowa City Community School District

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

|   | Fiscal Year            |                        |                        |
|---|------------------------|------------------------|------------------------|
|   | 2003                   | 2004                   | 2005                   |
| Expenses:   |                        |                        |                        |
| Governmental activities:                              |                        |                        |                        |
| Instruction   | \$ 54,192,731          | \$ 57,327,726          | \$ 58,885,279          |
| Support services:                                     |                        |                        |                        |
| Student services                                      | 2,288,553              | 2,555,746              | 2,710,002              |
| Instructional services                                | 4,763,351              | 5,493,335              | 4,806,321              |
| Administration services                               | 8,849,714              | 8,655,750              | 8,410,711              |
| Operation and maintenance of plant                    | 7,082,754              | 7,257,390              | 7,891,471              |
| Pupil transportation services                         | 2,541,268              | 2,794,426              | 2,670,509              |
| Other, primarily AEA flowthrough                      | 3,888,833              | 3,163,595              | 4,101,623              |
| Noninstructional programs                             | 255,004                | 266,996                | 268,069                |
| Interest on long-term debt                            | 144,369                | 693,336                | 1,307,945              |
| <b>Total governmental activities expenses</b>         | <b>84,006,577</b>      | <b>88,208,300</b>      | <b>91,051,930</b>      |
| Business-type activities, nutrition                   | 2,501,061              | 2,714,004              | 2,941,497              |
| <b>Total primary government expenses</b>              | <b>\$ 86,507,638</b>   | <b>\$ 90,922,304</b>   | <b>\$ 93,993,427</b>   |
| Program revenues:                                     |                        |                        |                        |
| Governmental activities:                              |                        |                        |                        |
| Charges for services:                                 |                        |                        |                        |
| Instruction   | \$ 1,812,378           | \$ 2,652,444           | \$ 2,821,032           |
| Support services                                      | 168,610                | 160,929                | 180,094                |
| Operating grants and contributions                    | 8,082,908              | 7,822,835              | 8,613,823              |
| Capital grants and contributions                      | 33,792                 | 268,404                | 1,536,790              |
| <b>Total governmental activities program revenues</b> | <b>10,097,688</b>      | <b>10,904,612</b>      | <b>13,151,739</b>      |
| Business-type activities:                             |                        |                        |                        |
| Charges for services, nutrition                       | 1,711,059              | 1,820,661              | 1,956,544              |
| Operating grants and contributions                    | 1,029,798              | 1,181,182              | 1,231,176              |
| Capital grants and contributions                      | -                      | -                      | -                      |
| <b>Total business-type program revenues</b>           | <b>2,740,857</b>       | <b>3,001,843</b>       | <b>3,187,720</b>       |
| <b>Total primary government program revenues</b>      | <b>\$ 12,838,545</b>   | <b>\$ 13,906,455</b>   | <b>\$ 16,339,459</b>   |
| Net (expense) revenue:                                |                        |                        |                        |
| Governmental activities                               | \$ (73,908,889)        | \$ (77,303,688)        | \$ (77,900,191)        |
| Business-type activities                              | 239,796                | 287,839                | 246,223                |
| <b>Total primary government net expense</b>           | <b>\$ (73,669,093)</b> | <b>\$ (77,015,849)</b> | <b>\$ (77,653,968)</b> |

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

|      |                     |      |                     |      |                     |      | Fiscal Year         |      |                     |      |                      |  |
|------|---------------------|------|---------------------|------|---------------------|------|---------------------|------|---------------------|------|----------------------|--|
| 2006 |                     | 2007 |                     | 2008 |                     | 2009 |                     | 2010 |                     | 2011 |                      |  |
| \$   | 63,495,701          | \$   | 67,906,615          | \$   | 75,311,719          | \$   | 80,135,420          | \$   | 85,736,202          | \$   | <b>88,288,063</b>    |  |
|      | 2,836,912           |      | 2,945,952           |      | 3,151,173           |      | 3,410,990           |      | 4,189,268           |      | <b>3,833,693</b>     |  |
|      | 4,930,194           |      | 5,125,575           |      | 6,292,532           |      | 6,277,063           |      | 5,950,476           |      | <b>6,017,524</b>     |  |
|      | 8,047,884           |      | 8,663,947           |      | 9,585,085           |      | 9,177,313           |      | 9,894,942           |      | <b>9,113,670</b>     |  |
|      | 9,251,147           |      | 10,391,249          |      | 10,149,107          |      | 11,020,902          |      | 12,031,969          |      | <b>12,285,578</b>    |  |
|      | 3,544,445           |      | 3,764,939           |      | 5,011,447           |      | 5,670,355           |      | 4,440,490           |      | <b>4,791,918</b>     |  |
|      | 5,055,519           |      | 5,998,900           |      | 5,188,131           |      | 4,986,103           |      | 4,798,409           |      | <b>4,973,519</b>     |  |
|      | 18,775              |      | 13,762              |      | 17,660              |      | 44,222              |      | 47,444              |      | <b>6,026</b>         |  |
|      | 1,229,057           |      | 1,167,068           |      | 1,065,987           |      | 1,028,590           |      | 958,922             |      | <b>882,375</b>       |  |
|      | <b>98,409,634</b>   |      | <b>105,978,007</b>  |      | <b>115,772,841</b>  |      | <b>121,750,958</b>  |      | <b>128,048,122</b>  |      | <b>130,192,366</b>   |  |
|      | 3,205,272           |      | 3,451,139           |      | 3,806,588           |      | 4,044,118           |      | 4,177,028           |      | <b>4,158,824</b>     |  |
| \$   | <b>101,614,906</b>  | \$   | <b>109,429,146</b>  | \$   | <b>119,579,429</b>  | \$   | <b>125,795,076</b>  | \$   | <b>132,225,150</b>  | \$   | <b>134,351,190</b>   |  |
|      |                     |      |                     |      |                     |      |                     |      |                     |      |                      |  |
| \$   | 3,016,916           | \$   | 3,375,102           | \$   | 3,544,907           | \$   | 3,875,751           | \$   | 3,494,113           | \$   | <b>3,703,065</b>     |  |
|      | 11,447              |      | 19,701              |      | 11,919              |      | 113,293             |      | 102,924             |      | <b>122,442</b>       |  |
|      | 10,502,795          |      | 10,904,544          |      | 13,447,339          |      | 17,401,300          |      | 25,053,119          |      | <b>23,180,191</b>    |  |
|      | 457,884             |      | 709,601             |      | 181,603             |      | -                   |      | -                   |      | <b>-</b>             |  |
|      | <b>13,989,042</b>   |      | <b>15,008,948</b>   |      | <b>17,185,768</b>   |      | <b>21,717,231</b>   |      | <b>28,650,156</b>   |      | <b>27,005,698</b>    |  |
|      |                     |      |                     |      |                     |      |                     |      |                     |      |                      |  |
|      | 2,094,665           |      | 2,153,019           |      | 2,258,569           |      | 2,321,754           |      | 2,262,408           |      | <b>2,175,411</b>     |  |
|      | 1,384,365           |      | 1,545,561           |      | 1,759,123           |      | 1,906,739           |      | 2,106,387           |      | <b>2,262,074</b>     |  |
|      | 33,057              |      | 11,000              |      | -                   |      | -                   |      | -                   |      | <b>-</b>             |  |
|      | <b>3,512,087</b>    |      | <b>3,709,580</b>    |      | <b>4,017,692</b>    |      | <b>4,228,493</b>    |      | <b>4,368,795</b>    |      | <b>4,437,485</b>     |  |
| \$   | <b>17,501,129</b>   | \$   | <b>18,718,528</b>   | \$   | <b>21,203,460</b>   | \$   | <b>25,945,724</b>   | \$   | <b>33,018,951</b>   | \$   | <b>31,443,183</b>    |  |
|      |                     |      |                     |      |                     |      |                     |      |                     |      |                      |  |
| \$   | (84,420,592)        | \$   | (90,969,059)        | \$   | (98,587,073)        | \$   | (100,033,727)       | \$   | (99,397,966)        | \$   | <b>(103,186,668)</b> |  |
|      | 306,815             |      | 258,441             |      | 211,104             |      | 184,375             |      | 191,767             |      | <b>278,661</b>       |  |
| \$   | <b>(84,113,777)</b> | \$   | <b>(90,710,618)</b> | \$   | <b>(98,375,969)</b> | \$   | <b>(99,849,352)</b> | \$   | <b>(99,206,199)</b> | \$   | <b>(102,908,007)</b> |  |

Iowa City Community School District

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

|   | Fiscal Year         |                     |                     |
|---|---------------------|---------------------|---------------------|
|   | 2003                | 2004                | 2005                |
| Net (expense) revenue:                            |                     |                     |                     |
| Governmental activities                           | \$ (73,908,889)     | \$ (77,303,688)     | \$ (77,900,191)     |
| Business-type activities                          | 239,796             | 287,839             | 246,223             |
| <b>Total primary government net expense</b>       | <b>(73,669,093)</b> | <b>(77,015,849)</b> | <b>(77,653,968)</b> |
| General revenues and other changes in net assets: |                     |                     |                     |
| Governmental activities:                          |                     |                     |                     |
| Taxes:  |                     |                     |                     |
| Property taxes levied for general purposes        | 34,160,355          | 38,274,234          | 37,415,151          |
| Property taxes levied for capital projects        | 3,096,315           | 3,198,248           | 3,349,897           |
| Property taxes levied debt service                | 1,804,031           | 913,381             | 3,604,392           |
| Sales taxes provided for capital projects#        | -                   | -                   | -                   |
| Unrestricted grants and contributions             | 33,006,442          | 32,984,278          | 35,092,649          |
| Investment earnings                               | 317,551             | 157,253             | 380,544             |
| Other   | 3,303,383           | 3,017,626           | 3,012,653           |
| <b>Total governmental activities</b>              | <b>75,688,077</b>   | <b>78,545,020</b>   | <b>82,855,286</b>   |
| Business-type activities, investment earnings     | 13,962              | 10,986              | 24,274              |
| <b>Total primary government</b>                   | <b>75,702,039</b>   | <b>78,556,006</b>   | <b>82,879,560</b>   |
| Change in net assets:                             |                     |                     |                     |
| Governmental activities                           | 1,779,188           | 1,241,332           | 4,955,095           |
| Business-type activities                          | 253,758             | 298,825             | 270,497             |
| <b>Total primary government</b>                   | <b>\$ 2,032,946</b> | <b>\$ 1,540,157</b> | <b>\$ 5,225,592</b> |

\* 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     |                 |                 |                  |                 |                  |
|-----------------|-----------------|-----------------|------------------|-----------------|------------------|
| 2006            | 2007            | 2008            | 2009             | 2010            | 2011             |
| \$ (84,420,592) | \$ (90,969,059) | \$ (98,587,073) | \$ (100,033,727) | \$ (99,397,966) | \$ (103,186,668) |
| 306,815         | 258,441         | 211,104         | 184,375          | 191,767         | 278,661          |
| (84,113,777)    | (90,710,618)    | (98,375,969)    | (99,849,352)     | (99,206,199)    | (102,908,007)    |
| 39,354,754      | 43,260,607      | 46,156,268      | 50,280,460       | 52,974,155      | 57,971,131       |
| 5,827,602       | 6,463,349       | 6,715,464       | 7,131,726        | 7,481,779       | 7,769,270        |
| 3,640,090       | 3,603,181       | 3,117,301       | 3,573,769        | 3,524,683       | 3,382,231        |
| -               | -               | 13,952,660      | 12,870,778       | 13,207,890      | 13,643,664       |
| 36,727,158      | 38,000,023      | 40,899,909      | 43,398,531       | 33,877,697      | 40,987,077       |
| 989,882         | 1,214,815       | 756,496         | 642,596          | 317,079         | 197,048          |
| 4,235,016       | 3,242,981       | 3,044,550       | 3,183,260        | 3,739,877       | 3,685,961        |
| 90,774,502      | 95,784,956      | 114,642,648     | 120,754,233      | 115,123,160     | 127,636,382      |
| 63,041          | 94,445          | 62,486          | 24,571           | 8,622           | 7,228            |
| 90,837,543      | 95,879,401      | 114,705,134     | 120,778,804      | 115,131,782     | 127,643,610      |
| 6,353,910       | 4,815,897       | 16,055,575      | 20,720,506       | 15,725,194      | 24,449,714       |
| 369,856         | 352,886         | 273,590         | 208,946          | 200,389         | 285,889          |
| \$ 6,723,766    | \$ 5,168,783    | \$ 16,329,165   | \$ 20,929,452    | \$ 15,925,583   | \$ 24,735,603    |

Iowa City Community School District

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

|   | Fiscal Year          |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 2002                 | 2003                 | 2004                 | 2005                 |
| General Fund:                             |                      |                      |                      |                      |
| Nonspendable                              | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Restricted                                | -                    | -                    | -                    | -                    |
| Committed                                 | -                    | -                    | -                    | -                    |
| Assigned                                  | -                    | -                    | -                    | -                    |
| Unassigned                                | -                    | -                    | -                    | -                    |
| Reserved                                  | 751,948              | 753,308              | 621,500              | 735,539              |
| Unreserved                                | 12,589,484           | 13,119,873           | 11,243,223           | 11,654,539           |
| <b>Total General Fund</b>                 | <b>\$ 13,341,432</b> | <b>\$ 13,873,181</b> | <b>\$ 11,864,723</b> | <b>\$ 12,390,078</b> |
| All other governmental funds:             |                      |                      |                      |                      |
| Nonspendable                              | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Restricted                                | -                    | -                    | -                    | -                    |
| Committed                                 | -                    | -                    | -                    | -                    |
| Assigned                                  | -                    | -                    | -                    | -                    |
| Unassigned                                | -                    | -                    | -                    | -                    |
| Reserved                                  | 362,131              | 370,397              | 450,071              | 471,401              |
| Unreserved, reported in:                  |                      |                      |                      |                      |
| Special revenue funds                     | 4,216,995            | 3,781,113            | 5,340,982            | 5,772,504            |
| Capital projects funds                    | 169,130              | 10,001,895           | 32,896,901           | 8,117,685            |
| <b>Total all other governmental funds</b> | <b>\$ 4,748,256</b>  | <b>\$ 14,153,405</b> | <b>\$ 38,687,954</b> | <b>\$ 14,361,590</b> |

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, implemented in fiscal year 2011

| Fiscal Year          |                      |                      |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2006                 | 2007                 | 2008                 | 2009                 | 2010                 | 2011                 |
| \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ 771,671           |
| -                    | -                    | -                    | -                    | -                    | 3,516,243            |
| -                    | -                    | -                    | -                    | -                    | -                    |
| -                    | -                    | -                    | -                    | -                    | 502,365              |
| -                    | -                    | -                    | -                    | -                    | 9,292,774            |
| 1,071,626            | 1,334,507            | 1,546,798            | 1,534,839            | 3,539,004            | -                    |
| 10,400,123           | 9,208,308            | 3,554,114            | 5,344,723            | 4,396,154            | -                    |
| <b>\$ 11,471,749</b> | <b>\$ 10,542,815</b> | <b>\$ 5,100,912</b>  | <b>\$ 6,879,562</b>  | <b>\$ 7,935,158</b>  | <b>\$ 14,083,053</b> |
| \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| -                    | -                    | -                    | -                    | -                    | 30,174,302           |
| -                    | -                    | -                    | -                    | -                    | -                    |
| -                    | -                    | -                    | -                    | -                    | -                    |
| -                    | -                    | -                    | -                    | -                    | -                    |
| 552,899              | 642,360              | 168,233              | 178,454              | 186,277              | -                    |
| 8,054,048            | 9,335,752            | 5,774,720            | 5,491,255            | 4,944,259            | -                    |
| (7,704,715)          | (8,986,375)          | 8,161,146            | 17,028,974           | 19,289,186           | -                    |
| <b>\$ 902,232</b>    | <b>\$ 991,737</b>    | <b>\$ 14,104,099</b> | <b>\$ 22,698,683</b> | <b>\$ 24,419,722</b> | <b>\$ 30,174,302</b> |

Iowa City Community School District

Governmental Funds Revenues

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

|                                       | Fiscal Year          |                      |                      |                      |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                       | 2002                 | 2003                 | 2004                 | 2005                 |
| Federal sources, federal grants       | \$ 1,731,845         | \$ 2,122,528         | \$ 2,211,501         | \$ 3,849,343         |
| State sources, state grants and other | 36,682,827           | 38,424,534           | 38,088,997           | 40,391,200           |
| Local sources:                        |                      |                      |                      |                      |
| Ad valorem taxes                      | 36,739,202           | 39,060,701           | 42,385,863           | 44,369,440           |
| Interest and other income             | 629,759              | 317,551              | 157,253              | 380,544              |
| Other revenues                        | 5,621,735            | 5,865,674            | 6,193,427            | 6,597,126            |
| <b>Total local sources</b>            | <b>42,990,696</b>    | <b>45,243,926</b>    | <b>48,736,543</b>    | <b>51,347,110</b>    |
| <b>Total revenues</b>                 | <b>\$ 81,405,368</b> | <b>\$ 85,790,988</b> | <b>\$ 89,037,041</b> | <b>\$ 95,587,653</b> |

|      |             |      |             |      |             | Fiscal Year |             |      |             |      |                    |
|------|-------------|------|-------------|------|-------------|-------------|-------------|------|-------------|------|--------------------|
| 2006 |             | 2007 |             | 2008 |             | 2009        |             | 2010 |             | 2011 |                    |
| \$   | 4,022,837   | \$   | 3,846,094   | \$   | 3,691,110   | \$          | 5,440,340   | \$   | 11,278,777  | \$   | <b>8,222,274</b>   |
|      | 42,726,134  |      | 45,049,784  |      | 50,154,765  |             | 54,506,988  |      | 46,487,840  |      | <b>53,955,043</b>  |
|      | 48,822,446  |      | 53,327,137  |      | 69,075,496  |             | 73,835,697  |      | 76,978,507  |      | <b>83,201,298</b>  |
|      | 989,882     |      | 1,214,815   |      | 1,321,185   |             | 196,284     |      | 60,266      |      | <b>42,246</b>      |
|      | 7,845,172   |      | 6,640,304   |      | 7,159,282   |             | 7,991,035   |      | 8,623,115   |      | <b>9,251,854</b>   |
|      | 57,657,500  |      | 61,182,256  |      | 77,555,963  |             | 82,023,016  |      | 85,661,888  |      | <b>92,495,398</b>  |
| \$   | 104,406,471 | \$   | 110,078,134 | \$   | 131,401,838 | \$          | 141,970,344 | \$   | 143,428,505 | \$   | <b>154,672,715</b> |

Iowa City Community School District

Governmental Funds Expenditures and Debt Service Ratio

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

|   | Fiscal Year          |                      |                      |                       |
|---|----------------------|----------------------|----------------------|-----------------------|
|   | 2002                 | 2003 (1)             | 2004 (1)             | 2005 (1)              |
| Instruction   | \$ 48,966,449        | \$ 51,047,044        | \$ 54,905,152        | \$ 56,638,793         |
| Pupil personnel services                                | 2,137,569            | 2,288,553            | 2,555,746            | 2,710,002             |
| Instructional media services                            | 2,586,598            | -                    | -                    | -                     |
| Instruction and curriculum development services         | 2,397,475            | 4,730,821            | 5,473,625            | 4,798,911             |
| Board of education                                      | 82,037               | -                    | -                    | -                     |
| General administration                                  | 1,379,233            | -                    | -                    | -                     |
| School administration                                   | 3,662,790            | 8,757,421            | 8,339,612            | 8,661,234             |
| Fiscal services   | 607,940              | -                    | -                    | -                     |
| Central services  | 1,691,849            | -                    | -                    | -                     |
| Plant operation and maintenance                         | 6,774,076            | 6,983,505            | 7,412,390            | 7,769,887             |
| Pupil transportation services                           | 2,345,281            | 2,541,268            | 2,794,426            | 2,670,509             |
| AEA flowthrough   | 3,099,086            | 3,187,081            | 3,035,870            | 3,127,792             |
| Community services                                      | 231,893              | 255,004              | 271,862              | 271,913               |
| Noncapital facilities acquisition/construction          | -                    | -                    | -                    | 902,669               |
| Capital outlay, facilities acquisition/construction     | 2,902,281            | 4,567,357            | 9,939,999            | 27,607,472            |
| Debt service:   |                      |                      |                      |                       |
| Principal   | 1,650,000            | 1,865,000            | 705,000              | 2,650,000             |
| Interest  | 157,437              | 80,988               | 404,944              | 1,579,480             |
| <b>Total expenditures</b>                               | <b>\$ 80,671,994</b> | <b>\$ 86,304,042</b> | <b>\$ 95,838,626</b> | <b>\$ 119,388,662</b> |
| Debt service as a percentage of noncapital expenditures | 2.32%                | 2.38%                | 1.29%                | 4.61%                 |

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

| Fiscal Year           |                       |                       |                       |                       |                       |  |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--|
| 2006 (1)              | 2007 (1)              | 2008 (1)              | 2009 (1)              | 2010 (1)              | 2011 (1)              |  |
| \$ 62,091,439         | \$ 65,440,584         | \$ 71,694,880         | \$ 79,469,308         | \$ 80,550,680         | \$ 85,334,071         |  |
| 2,836,912             | 2,945,952             | 3,151,173             | 3,405,973             | 4,082,113             | 3,853,422             |  |
| -                     | -                     | -                     | -                     | -                     | -                     |  |
| 4,923,439             | 5,106,837             | 6,264,667             | 6,221,272             | 5,796,009             | 6,119,871             |  |
| -                     | -                     | -                     | -                     | -                     | -                     |  |
| -                     | -                     | -                     | -                     | -                     | -                     |  |
| 8,299,518             | 9,074,574             | 9,619,098             | 9,624,966             | 9,817,405             | 9,474,078             |  |
| -                     | -                     | -                     | -                     | -                     | -                     |  |
| -                     | -                     | -                     | -                     | -                     | -                     |  |
| 9,105,165             | 10,204,862            | 9,918,437             | 10,583,745            | 10,468,714            | 10,877,956            |  |
| 3,544,445             | 3,764,939             | 5,011,447             | 5,670,355             | 4,440,490             | 4,791,918             |  |
| 3,284,598             | 3,561,580             | 3,855,124             | 4,265,250             | 4,766,004             | 4,940,696             |  |
| 18,962                | 13,762                | 17,660                | 24,542                | 38,690                | 34,444                |  |
| 1,760,485             | 2,407,038             | 1,301,574             | 674,733               | 3,145,655             | 2,158,361             |  |
| 19,300,592            | 4,825,783             | 9,273,067             | 8,082,813             | 14,027,658            | 11,619,445            |  |
| 2,365,000             | 2,380,000             | 2,495,000             | 2,515,000             | 2,530,000             | 2,655,000             |  |
| 1,253,603             | 1,191,652             | 1,129,252             | 1,059,153             | 988,452               | 910,978               |  |
| <b>\$ 118,784,158</b> | <b>\$ 110,917,563</b> | <b>\$ 123,731,379</b> | <b>\$ 131,597,110</b> | <b>\$ 140,651,870</b> | <b>\$ 142,770,240</b> |  |
| 3.64%                 | 3.37%                 | 3.01%                 | 2.89%                 | 2.78%                 | 2.72%                 |  |

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       |                      |                      |                        |
|--|-------------------|----------------------|----------------------|------------------------|
|  | 2002              | 2003                 | 2004                 | 2005                   |
| Excess of revenues over (under) expenditures | \$ 733,374        | \$ (513,054)         | \$ (6,801,585)       | \$ (23,801,009)        |
| Other financing sources (uses):              |                   |                      |                      |                        |
| General long-term debt issued                | \$ -              | \$ 10,039,661        | \$ 29,327,676        | \$ -                   |
| Real estate contract financing               | -                 | 940,000              | -                    | -                      |
| Transfers in                                 | 143,456           | 514,537              | 455,260              | 849,694                |
| Transfers out                                | (143,456)         | (514,537)            | (455,260)            | (849,694)              |
| <b>Total other financing sources (uses)</b>  | <b>-</b>          | <b>10,979,661</b>    | <b>29,327,676</b>    | <b>-</b>               |
| <b>Net change in fund balances</b>           | <b>\$ 733,374</b> | <b>\$ 10,466,607</b> | <b>\$ 22,526,091</b> | <b>\$ (23,801,009)</b> |

| Fiscal Year            |                     |                     |                      |                     |                      |
|------------------------|---------------------|---------------------|----------------------|---------------------|----------------------|
| 2006                   | 2007                | 2008                | 2009                 | 2010                | 2011                 |
| \$ (14,377,687)        | \$ (839,429)        | \$ 7,670,459        | \$ 10,373,234        | \$ 2,776,635        | <b>\$ 11,902,475</b> |
| \$ -                   | \$ -                | \$ -                | \$ -                 | \$ -                | \$ -                 |
| -                      | -                   | -                   | -                    | -                   | -                    |
| 235,841                | 200,906             | 9,149,956           | 182,000              | 182,000             | <b>182,000</b>       |
| (235,841)              | (200,906)           | (9,149,956)         | (182,000)            | (182,000)           | <b>(182,000)</b>     |
| -                      | -                   | -                   | -                    | -                   | -                    |
| <b>\$ (14,377,687)</b> | <b>\$ (839,429)</b> | <b>\$ 7,670,459</b> | <b>\$ 10,373,234</b> | <b>\$ 2,776,635</b> | <b>\$ 11,902,475</b> |

Iowa City Community School District

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

| Fiscal<br>Year | Actual Value            |                        |                                       | Total<br>Actual Value | Total<br>Taxable Value | Total<br>Direct Rate |
|----------------|-------------------------|------------------------|---------------------------------------|-----------------------|------------------------|----------------------|
|                | Residential<br>Property | Commercial<br>Property | Agricultural and<br>Other<br>Property |                       |                        |                      |
| 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               |
| <b>2011</b>    | <b>5,868,493,394</b>    | <b>1,795,253,782</b>   | <b>147,989,706</b>                    | <b>7,811,436,882</b>  | <b>4,643,640,687</b>   | <b>14.690</b>        |

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 \$7,677,489,497 from January 1, 2009 are used for the taxable values for fiscal year 2011.

\* Utility and gas and electric valuations are not included for 2011 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<br>Year<br>Ended<br>June 30 | District Direct Rates |                     |                          |        | Overlapping Rates |                      |                |          |  |
|------------------------------------|-----------------------|---------------------|--------------------------|--------|-------------------|----------------------|----------------|----------|--|
|                                    | General<br>Purposes   | Capital<br>Purposes | Debt Service<br>Purposes | Total  | County            | City of<br>Iowa City | Area<br>School | Other    |  |
| 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    |  |
| 2011                               | 12.293                | 1.670               | 0.727                    | 14.690 | 7.222             | 17.756               | 0.926          | 0.321    |  |

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                               | 2011                    |      |                                   | 2002                    |      |                                   |
|--|-------------------------|------|-----------------------------------|-------------------------|------|-----------------------------------|
|  | Taxable Value           | Rank | Percentage of Total Taxable Value | Taxable Value           | Rank | Percentage of Total Taxable Value |
| Mid American Energy Co                 | \$ 93,010,293           | 1    | 2.00%                             | -                       | -    | -                                 |
| Coral Ridge Mall LLC                   | 69,878,000              | 2    | 1.50                              | -                       | -    | -                                 |
| American College Testing Program, Inc. | 48,207,020              | 3    | 1.04                              | 9,136,802               | 10   | 0.32                              |
| City of Coralville                     | 29,923,570              | 4    | 0.64                              | -                       | -    | -                                 |
| Raycal Iowa LTD                        | 24,293,720              | 5    | 0.52                              | -                       | -    | -                                 |
| Individual                             | 22,481,407              | 6    | 0.48                              | -                       | -    | -                                 |
| ITC Midwest LLC                        | 21,031,317              | 7    | 0.45                              | -                       | -    | -                                 |
| Individual                             | 20,443,080              | 8    | 0.44                              | -                       | -    | -                                 |
| Three Guys Holdings                    | 19,881,790              | 9    | 0.43                              | -                       | -    | -                                 |
| Southgate Development Co, Inc.         | 18,054,703              | 10   | 0.39                              | 11,336,965              | 7    | 0.40                              |
| GGP Limited Partnership                | -                       | -    | -                                 | 46,582,564              | 1    | 1.64                              |
| Individual                             | -                       | -    | -                                 | 24,626,452              | 2    | 0.87                              |
| Old Capital Mall Associates LP         | -                       | -    | -                                 | 13,195,727              | 4    | 0.46                              |
| Proctor & Gamble Mfg. Co.              | -                       | -    | -                                 | 9,744,580               | 8    | 0.34                              |
| National Computer Systems, Inc.        | -                       | -    | -                                 | 14,870,196              | 3    | 0.52                              |
| MIP Iowa City LLP                      | -                       | -    | -                                 | 11,843,137              | 6    | 0.42                              |
| Ambrose Properties                     | -                       | -    | -                                 | 12,809,184              | 5    | 0.45                              |
| Aimco Lakeside Manor                   | -                       | -    | -                                 | 9,198,778               | 9    | 0.32                              |
| All other taxpayers                    | 4,276,435,787           | -    | -                                 | 2,678,851,261           | -    | -                                 |
| <b>Total</b>                           | <b>\$ 4,643,640,687</b> |      |                                   | <b>\$ 2,842,195,646</b> |      |                                   |

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 |
| 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              |
| <b>2011</b> | <b>63,761,728</b>                | <b>63,688,547</b>                            | <b>99.88</b>       | <b>11,073</b>                   | <b>63,699,620</b>         | <b>99.90</b>       |

Source: Johnson County Auditor and District records.

Iowa City Community School District

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

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| Fiscal Year | General<br>Obligation Bonds<br>Outstanding | Percent of Actual<br>Taxable Value<br>of Property | Per Capita    | Percentage of<br>Personal<br>Income |
|-------------|--|---|---------------|-------------------------------------|
| 2002        | \$ 1,725,000                               | 6.00%   | \$ 19.17      | 4.928%                              |
| 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  | 280.82        | *                                   |
| 2009        | 26,690,000                                 | 0.62  | 256.63        | *                                   |
| 2010        | 24,160,000                                 | 0.54  | 232.31        | *                                   |
| <b>2011</b> | <b>21,505,000</b>                          | <b>0.46</b>                                       | <b>195.50</b> | *                                   |

Source: District records

\* Information not available

**Iowa City Community School District**

**Direct and Overlapping Governmental Activities Debt**

**As of June 30, 2011**

**(Unaudited)**

| Governmental Unit                        | Debt<br>Outstanding | Estimated<br>Percentage<br>Applicable* | Estimated<br>Share of Direct and<br>Overlapping Debt |
|--|---------------------|--|--|
| City of Iowa City                        | 80,575,000          | 99.998%                                | \$ 80,573,388  |
| City of Coralville                       | 150,102,874         | 75.422                                 | 113,210,590  |
| City of North Liberty                    | 21,894              | 71.969                                 | 15,756,893   |
| Kirkwood Community College               | 55,225              | 75.282                                 | 41,574,484   |
| Johnson County                           | 17,622,000          | 75.228                                 | 13,256,678   |
| City of University Heights               | 170,000             | 100.000                                | 170,000  |
| <b>Subtotal, overlapping debt</b>        |                     |  | <u>264,542,033</u>                                   |
| District direct debt                     |                     |  | <u>21,505,000</u>                                    |
| <b>Total direct and overlapping debt</b> |                     |  | <u><u>\$ 286,047,033</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)**

|   | 2002           | 2003           | 2004           | 2005           |
|---|----------------|----------------|----------------|----------------|
| Debt limit  | \$ 193,918,784 | \$ 202,988,628 | \$ 222,536,021 | \$ 262,674,791 |
| Total net debt applicable to limit  | 1,725,000      | -              | 38,495,000     | 36,445,000     |
| Legal debt margin   | \$ 192,193,784 | \$ 202,988,628 | \$ 184,041,021 | \$ 226,229,791 |
| <b>Total net debt applicable to the limit as a percentage of debt limit</b> | 0.90%          | 0.00%          | 20.92%         | 16.11%         |

Source: Johnson County Auditor and District records.

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value - 2009 valuation

**\$ 7,677,489,497**

Debt limit (5% of assessed value)

**\$ 383,874,475**

Debt applicable to limit

**21,505,000**

Legal debt margin

**\$ 362,369,475**

|    | 2006               | 2007                  | 2008                  | 2009                  | 2010                  | 2011                  |
|----|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ | 275,197,931        | \$ 317,997,232        | \$ 332,855,691        | \$ 363,164,677        | \$ 374,506,391        | \$ <b>383,874,475</b> |
|    | 34,080,000         | 31,700,000            | 29,205,000            | 26,690,000            | 24,160,000            | <b>21,505,000</b>     |
| \$ | <b>241,117,931</b> | \$ <b>286,297,232</b> | \$ <b>303,650,691</b> | \$ <b>336,474,677</b> | \$ <b>350,346,391</b> | \$ <b>362,369,475</b> |

14.13%

11.07%

9.62%

7.35%

6.45%

**5.60%**

**Iowa City Community School District**

**Demographic and Economic Statistics**

**Last Ten Calendar Years**

**(Unaudited)**

| Calendar Year | Iowa City Population | Total District Population<br>(approximate) | Personal Income<br>(000's)<br>(Johnson County) | Per Capita Personal Income<br>(Johnson County) | Iowa City MSA Unemployment Rate |
|---------------|----------------------|--|--|--|---------------------------------|
| 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                            |
| <b>2010</b>   | <b>67,862</b>        | <b>110,000</b>                             | *  | *  | <b>5.00</b>                     |

\* 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 2011) and Johnson County Auditor.

Iowa City Community School District

Principal Employers  
Current Year and Nine Years Ago  
(Unaudited)

| Employer   | 2011          |      |                                | 2002          |      |                                |
|--|---------------|------|--------------------------------|---------------|------|--------------------------------|
|  | Employees     | Rank | Percentage of Total Employment | Employees     | Rank | Percentage of Total Employment |
| The University of Iowa (1)                           | 18,486        | 1    | 20.27%                         | 16,495        | 1    | 21.88%                         |
| The University of Iowa Hospitals and Clinics (1)     | 7,791         | 2    | 8.54                           | 6,130         | 2    | 0.08                           |
| Iowa City Community School District                  | 1,676         | 3    | 1.84                           | 1,100         | 7    | 0.01                           |
| Veterans Administration Hospital                     | 1,351         | 4    | 1.48                           | 1,232         | 6    | 1.63                           |
| Mercy Hospital                                       | 1,266         | 5    | 1.39                           | 1,250         | 5    | 1.66                           |
| American College Testing                             | 1,254         | 6    | 1.38                           | 1,340         | 3    | 1.78                           |
| Pearson (formerly National Computer Systems)         | 1,200         | 7    | 1.32                           | 1,300         | 4    | 1.72                           |
| Hy-Vee Food Stores, Inc.                             | 1,166         | 8    | 1.28                           | 927           | 8    | 1.23                           |
| City of Iowa City                                    | 1,140         | 9    | 1.25                           | 620           | 11   |                                |
| Systems Unlimited                                    | 838           | 10   | 0.92                           | -             | -    | -                              |
| Vangent  | 800           | 11   | 0.88                           | -             | -    |                                |
| International Automotive Comp (formerly United Tech) | 774           | 12   | 0.85                           | 850           | 9    |                                |
| Rockwell International                               | 770           | 13   | 0.84                           | 673           | 10   | 0.89                           |
| Riverside Casino and Golf Resort                     | 735           | 14   | 0.81                           | -             | -    | -                              |
| All other employers                                  | 51,953        | -    | -                              | 43,483        | -    | -                              |
| <b>Total</b>   | <b>91,200</b> |      | <b>42.03%</b>                  | <b>75,400</b> |      | <b>47.64%</b>                  |

Source: City of Iowa City, as last updated October 2007 and Iowa Department of Economic Development (2011 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 |                 |                 |                 |
|---|--|-----------------|-----------------|-----------------|
|   | 2002   | 2003            | 2004            | 2005            |
| 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            |
| <b>Total supervisory</b>                | <b>38.00</b>                                 | <b>38.00</b>    | <b>38.00</b>    | <b>38.00</b>    |
| Instruction:                            |  |                 |                 |                 |
| Elementary classroom teachers           | 308.26                                       | 318.74          | 313.30          | 314.31          |
| Secondary classroom teachers            | 242.04                                       | 222.93          | 231.49          | 224.64          |
| Other classroom teachers                | 132.20                                       | 136.65          | 143.04          | 143.66          |
| Paraprofessionals                       | 190.00                                       | 200.00          | 215.00          | 290.00          |
| <b>Total instruction</b>                | <b>872.50</b>                                | <b>878.32</b>   | <b>902.83</b>   | <b>972.61</b>   |
| Student services:                       |  |                 |                 |                 |
| Guidance counselors                     | 25.00  | 25.60           | 27.50           | 27.50           |
| Media specialists                       | 23.30  | 24.50           | 24.50           | 24.00           |
| Other professionals (noninstructional)  | 12.80  | 14.50           | 19.30           | 21.88           |
| Consultants/supervisory                 | 12.00  | 21.99           | 14.00           | 14.00           |
| <b>Total student services</b>           | <b>73.10</b>                                 | <b>86.59</b>    | <b>85.30</b>    | <b>87.38</b>    |
| Support and administration:             |  |                 |                 |                 |
| Clerical/secretarial                    | 102.00                                       | 106.00          | 101.00          | 103.00          |
| Food service workers                    | 69.00  | 70.00           | 69.00           | 60.00           |
| Physical plant                          | 115.00                                       | 105.00          | 108.00          | 109.00          |
| Other                                   | 8.00   | 26.00           | 21.00           | 34.00           |
| <b>Total support and administration</b> | <b>294.00</b>                                | <b>307.00</b>   | <b>299.00</b>   | <b>306.00</b>   |
| <b>Total</b>                            | <b>1,277.60</b>                              | <b>1,309.91</b> | <b>1,325.13</b> | <b>1,403.99</b> |

Source: District records

| Full-Time Equivalent Employees as of June 30 |          |          |          |          |                 | Percentage<br>Change<br>2002 - 2011 |
|--|----------|----------|----------|----------|-----------------|-------------------------------------|
| 2006   | 2007     | 2008     | 2009     | 2010     | 2011            |                                     |
| 2.00   | 2.00     | 2.00     | 2.00     | 1.50     | <b>1.00</b>     | -50.00%                             |
| 7.00   | 7.00     | 7.50     | 7.50     | 8.00     | <b>9.00</b>     | 28.57%                              |
| 2.00   | 2.00     | 2.00     | 2.00     | 2.00     | <b>2.00</b>     | 0.00%                               |
| 22.00  | 24.00    | 24.00    | 24.00    | 23.50    | <b>24.00</b>    | 14.29%                              |
| 6.00   | 6.00     | 8.00     | 8.00     | 8.50     | <b>7.00</b>     | 16.67%                              |
| 39.00  | 41.00    | 43.50    | 43.50    | 43.50    | <b>43.00</b>    | 13.16%                              |
| 326.95                                       | 337.84   | 354.27   | 356.34   | 349.46   | <b>349.08</b>   | 13.24%                              |
| 223.12                                       | 223.55   | 235.59   | 239.68   | 230.25   | <b>230.82</b>   | -4.64%                              |
| 169.29                                       | 182.58   | 196.90   | 207.42   | 214.85   | <b>219.01</b>   | 65.67%                              |
| 313.00                                       | 318.00   | 344.00   | 323.00   | 311.90   | <b>307.70</b>   | 61.95%                              |
| 1,032.36                                     | 1,061.97 | 1,130.76 | 1,126.44 | 1,106.46 | <b>1,106.61</b> | 26.83%                              |
| 28.30  | 28.30    | 28.38    | 28.93    | 29.05    | <b>29.93</b>    | 19.72%                              |
| 26.00  | 26.00    | 25.80    | 26.80    | 26.80    | <b>26.82</b>    | 15.11%                              |
| 20.78  | 24.23    | 26.51    | 20.00    | 27.00    | <b>29.00</b>    | 126.56%                             |
| 12.00  | 12.00    | 14.00    | 12.30    | 14.33    | <b>11.98</b>    | -0.17%                              |
| 87.08  | 90.53    | 94.69    | 88.03    | 97.18    | <b>97.73</b>    | 33.69%                              |
| 98.00  | 96.50    | 104.50   | 107.75   | 109.00   | <b>111.00</b>   | 8.82%                               |
| 62.00  | 65.00    | 79.70    | 81.00    | 93.00    | <b>87.00</b>    | 26.09%                              |
| 116.00                                       | 122.00   | 120.10   | 121.80   | 117.80   | <b>116.20</b>   | 1.04%                               |
| 20.00  | 19.00    | 19.00    | 16.00    | 16.00    | <b>14.00</b>    | 75.00%                              |
| 296.00                                       | 302.50   | 323.30   | 326.55   | 335.80   | <b>328.20</b>   | 11.63%                              |
| 1,454.44                                     | 1,496.00 | 1,592.25 | 1,584.52 | 1,582.94 | <b>1,575.54</b> | 23.32%                              |

**Iowa City Community School**

**Operating Statistics  
Last Ten Fiscal Years  
(Unaudited)**

| Fiscal Year | Official Enrollment | Operating Expenditures | Cost Per Pupil | Percentage Change |
|-------------|---------------------|------------------------|----------------|-------------------|
| 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         | 4.95              |
| 2010        | 11,903              | 127,089,200            | 10,677         | 3.91              |
| <b>2011</b> | <b>12,011</b>       | <b>129,559,803</b>     | <b>10,787</b>  | <b>1.03</b>       |

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.

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| Expenses         | Cost Per Pupil | Percentage Change | Teaching Staff<br>(in FTE) | Pupil-Teacher<br>Ratio | Percentage of Students<br>Receiving Free or<br>Reduced-Priced Meals |
|------------------|----------------|-------------------|----------------------------|------------------------|---|
| *                | *              | *                 | 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   |
| <b>4,158,824</b> | <b>346</b>     | <b>(1.42)</b>     | <b>798.91</b>              | <b>15.03</b>           | <b>29.60</b>  |

# Iowa City Community School

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

| School                                       | Fiscal Year |        |        |        |        |
|--|-------------|--------|--------|--------|--------|
|  | 2002        | 2003   | 2004   | 2005   | 2006   |
| 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                                   | 455         | 430    | 433    | 458    | 437    |
| 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                                   | 360         | 359    | 376    | 366    | 385    |
| 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                                   | 286         | 277    | 287    | 275    | 302    |
| Hills Elementary (1965, 1969)                |             |        |        |        |        |
| Square feet                                  | 24,449      | 24,449 | 24,449 | 24,449 | 24,449 |
| Capacity                                     | 220         | 220    | 220    | 220    | 220    |
| Enrollment                                   | 258         | 247    | 189    | 164    | 140    |
| Ernest Horn Elementary (1969, 1978)          |             |        |        |        |        |
| Square feet                                  | 35,303      | 35,303 | 35,303 | 35,303 | 35,303 |
| Capacity                                     | 286         | 286    | 286    | 286    | 286    |
| Enrollment                                   | 291         | 293    | 315    | 303    | 292    |
| 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                                   | 269         | 275    | 286    | 273    | 286    |
| Lincoln Elementary (1926, 1988)              |             |        |        |        |        |
| Square feet                                  | 25,832      | 25,832 | 25,832 | 25,832 | 25,832 |
| Capacity                                     | 220         | 220    | 220    | 220    | 220    |
| Enrollment                                   | 218         | 241    | 249    | 256    | 244    |
| Longfellow Elementary (1917)                 |             |        |        |        |        |
| Square feet                                  | 30,148      | 30,148 | 30,148 | 30,148 | 30,148 |
| Capacity                                     | 308         | 308    | 308    | 308    | 308    |
| Enrollment                                   | 304         | 283    | 289    | 276    | 289    |
| Robert Lucas Elementary (1962, 1978, 1990)   |             |        |        |        |        |
| Square feet                                  | 42,080      | 42,080 | 42,080 | 42,080 | 42,080 |
| Capacity                                     | 418         | 418    | 418    | 418    | 418    |
| Enrollment                                   | 364         | 383    | 408    | 420    | 438    |
| Horace Mann Elementary (1917)                |             |        |        |        |        |
| Square feet                                  | 29,360      | 29,360 | 29,360 | 29,360 | 29,360 |
| Capacity                                     | 286         | 286    | 286    | 286    | 286    |
| Enrollment                                   | 272         | 259    | 270    | 261    | 258    |
| Penn Elementary (1961, 1985, 1995)           |             |        |        |        |        |
| Square feet                                  | 38,838      | 38,838 | 38,838 | 38,838 | 38,838 |
| Capacity                                     | 418         | 418    | 418    | 418    | 418    |
| Enrollment                                   | 417         | 437    | 456    | 487    | 354    |

(Continued)

| Fiscal Year |        |        |        |               |
|-------------|--------|--------|--------|---------------|
| 2007        | 2008   | 2009   | 2010   | 2011          |
| 52,967      | 52,967 | 52,967 | 52,967 | <b>52,967</b> |
| 462         | 462    | 462    | 462    | <b>462</b>    |
| 448         | 423    | 427    | 430    | <b>430</b>    |
| 48,045      | 48,045 | 48,045 | 48,045 | <b>48,045</b> |
| 352         | 352    | 352    | 352    | <b>352</b>    |
| 441         | 438    | 439    | 345    | <b>314</b>    |
| 36,643      | 36,643 | 36,643 | 36,643 | <b>36,643</b> |
| 330         | 330    | 330    | 330    | <b>330</b>    |
| 306         | 308    | 306    | 362    | <b>377</b>    |
| 24,449      | 24,449 | 24,449 | 24,449 | <b>24,449</b> |
| 220         | 220    | 220    | 220    | <b>220</b>    |
| 152         | 132    | 137    | 126    | <b>98</b>     |
| 35,303      | 35,303 | 35,303 | 35,303 | <b>35,303</b> |
| 286         | 286    | 286    | 286    | <b>286</b>    |
| 288         | 292    | 279    | 331    | <b>363</b>    |
| 36,293      | 36,293 | 36,293 | 36,293 | <b>36,293</b> |
| 308         | 308    | 308    | 308    | <b>308</b>    |
| 283         | 289    | 296    | 332    | <b>338</b>    |
| 25,832      | 25,832 | 25,832 | 25,832 | <b>25,832</b> |
| 220         | 220    | 220    | 220    | <b>220</b>    |
| 256         | 260    | 253    | 263    | <b>250</b>    |
| 30,148      | 30,148 | 30,148 | 30,148 | <b>30,148</b> |
| 308         | 308    | 308    | 308    | <b>308</b>    |
| 284         | 317    | 305    | 311    | <b>318</b>    |
| 42,080      | 42,080 | 42,080 | 42,080 | <b>42,080</b> |
| 418         | 418    | 418    | 418    | <b>418</b>    |
| 426         | 415    | 424    | 416    | <b>411</b>    |
| 29,360      | 29,360 | 29,360 | 29,360 | <b>29,360</b> |
| 286         | 286    | 286    | 286    | <b>286</b>    |
| 249         | 257    | 244    | 259    | <b>250</b>    |
| 38,838      | 38,838 | 38,838 | 38,838 | <b>38,838</b> |
| 418         | 418    | 418    | 418    | <b>418</b>    |
| 391         | 417    | 461    | 511    | <b>464</b>    |

**Iowa City Community School District**

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

| School  | Fiscal Year |         |         |         |         |
|---|-------------|---------|---------|---------|---------|
|   | 2002        | 2003    | 2004    | 2005    | 2006    |
| 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  | 288         | 273     | 264     | 248     | 289     |
| Bouhmil Shimek Elementary (1970, 1991)              |             |         |         |         |         |
| Square feet   | 28,130      | 28,130  | 28,130  | 28,130  | 28,130  |
| Capacity  | 242         | 242     | 242     | 242     | 242     |
| Enrollment  | 246         | 236     | 232     | 224     | 220     |
| Mark Twain Elementary (1954, 1961)                  |             |         |         |         |         |
| Square feet   | 40,204      | 40,204  | 40,204  | 40,204  | 40,204  |
| Capacity  | 330         | 330     | 330     | 330     | 330     |
| Enrollment  | 293         | 242     | 314     | 295     | 264     |
| Irving Weber Elementary (1993, 2001)                |             |         |         |         |         |
| Square feet   | 48,400      | 48,400  | 48,400  | 48,400  | 47,820  |
| Capacity  | 484         | 484     | 484     | 484     | 484     |
| Enrollment  | 467         | 464     | 492     | 493     | 490     |
| Grant Wood Elementary (1969, 1993, 2006)            |             |         |         |         |         |
| Square feet   | 47,190      | 47,190  | 47,190  | 47,190  | 59,890  |
| Capacity  | 484         | 484     | 484     | 484     | 484     |
| Enrollment  | 439         | 446     | 433     | 432     | 417     |
| Kate Wickham Elementary (1997)                      |             |         |         |         |         |
| Square feet   | 56,049      | 56,049  | 56,049  | 56,049  | 56,049  |
| Capacity  | 418         | 418     | 418     | 418     | 418     |
| Enrollment  | 469         | 492     | 538     | 563     | 447     |
| James Van Allen Elementary (2005)                   |             |         |         |         |         |
| Square feet   | -           | -       | -       | -       | 61,081  |
| Capacity  | -           | -       | -       | -       | 484     |
| Enrollment  | -           | -       | -       | -       | 392     |
| Buford Garner Elementary (2010)                     |             |         |         |         |         |
| 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  | 874         | 912     | 875     | 907     | 912     |
| South East Junior High School<br>(1959, 1982, 1995) |             |         |         |         |         |
| Square feet   | 115,604     | 115,604 | 115,604 | 115,604 | 115,604 |
| Capacity  | 775         | 775     | 775     | 775     | 775     |
| Enrollment  | 745         | 775     | 727     | 677     | 681     |
| North Central Junior High School (2006)             |             |         |         |         |         |
| Square feet   | -           | -       | -       | -       | 82,612  |
| Capacity  | -           | -       | -       | -       | 450     |
| Enrollment  | -           | -       | -       | -       | -       |

(Continued)

| Fiscal Year |         |         |         |                |
|-------------|---------|---------|---------|----------------|
| 2007        | 2008    | 2009    | 2010    | 2011           |
| 29,008      | 29,008  | 29,008  | 29,008  | <b>29,008</b>  |
| 264         | 264     | 264     | 264     | <b>264</b>     |
| 298         | 340     | 365     | 309     | <b>299</b>     |
| 28,130      | 28,130  | 28,130  | 28,130  | <b>28,130</b>  |
| 242         | 242     | 242     | 242     | <b>242</b>     |
| 220         | 204     | 191     | 201     | <b>202</b>     |
| 40,204      | 40,204  | 40,204  | 40,204  | <b>40,204</b>  |
| 330         | 330     | 330     | 330     | <b>330</b>     |
| 220         | 239     | 234     | 229     | <b>203</b>     |
| 47,820      | 48,400  | 48,400  | 48,400  | <b>48,400</b>  |
| 484         | 484     | 484     | 484     | <b>484</b>     |
| 494         | 523     | 540     | 544     | <b>553</b>     |
| 59,890      | 59,890  | 59,890  | 59,890  | <b>59,890</b>  |
| 484         | 484     | 484     | 484     | <b>484</b>     |
| 486         | 524     | 510     | 492     | <b>474</b>     |
| 56,049      | 56,049  | 56,049  | 56,049  | <b>56,049</b>  |
| 418         | 418     | 418     | 418     | <b>418</b>     |
| 452         | 491     | 493     | 492     | <b>489</b>     |
| 61,081      | 61,081  | 61,081  | 61,081  | <b>61,081</b>  |
| 484         | 484     | 484     | 484     | <b>484</b>     |
| 484         | 551     | 599     | 661     | <b>425</b>     |
| -           | -       | -       | -       | <b>63,715</b>  |
| -           | -       | -       | -       | <b>500</b>     |
| -           | -       | -       | -       | <b>388</b>     |
| 124,436     | 124,436 | 124,436 | 124,436 | <b>124,436</b> |
| 875         | 875     | 875     | 875     | <b>875</b>     |
| 620         | 610     | 622     | 615     | <b>638</b>     |
| 115,604     | 111,183 | 138,806 | 138,806 | <b>138,806</b> |
| 775         | 775     | 775     | 775     | <b>775</b>     |
| 660         | 701     | 705     | 688     | <b>674</b>     |
| 82,612      | 82,612  | 82,612  | 82,612  | <b>82,612</b>  |
| 450         | 450     | 450     | 450     | <b>450</b>     |
| 308         | 349     | 359     | 398     | <b>400</b>     |

# Iowa City Community School

## School Building Information (Continued)

### Last Ten Fiscal Years

(Unaudited)

| School                                     | Fiscal Year |         |         |         |         |
|--|-------------|---------|---------|---------|---------|
|  | 2002        | 2003    | 2004    | 2005    | 2006    |
| High School:                               |             |         |         |         |         |
| City High School                           |             |         |         |         |         |
| (1939, 1974, 1982, 1985, 1990, 1995, 2005) |             |         |         |         |         |
| Square feet                                | 247,052     | 247,052 | 247,052 | 247,052 | 267,752 |
| Capacity                                   | 1,400       | 1,400   | 1,400   | 1,400   | 1,600   |
| Enrollment                                 | 1,562       | 1,527   | 1,521   | 1,542   | 1,438   |
| West High School                           |             |         |         |         |         |
| (1969, 1983, 1986, 1993, 1996, 2005)       |             |         |         |         |         |
| Square feet                                | 272,663     | 272,663 | 272,663 | 272,663 | 309,943 |
| Capacity                                   | 1,600       | 1,600   | 1,600   | 1,600   | 1,800   |
| Enrollment                                 | 1,640       | 1,648   | 1,675   | 1,754   | 1,755   |
| Elizabeth Tate High School (2005)          |             |         |         |         |         |
| Square feet                                |             |         |         |         | 19,700  |
| Capacity                                   |             |         |         |         |         |
| Enrollment                                 |             |         |         |         | 97      |
| Portable Classrooms (Various)              |             |         |         |         |         |
| Square feet                                | 22,800      | 24,240  | 24,240  | 25,744  | 24,992  |
| Capacity                                   |             |         |         |         |         |
| Number                                     | 31          | 33      | 33      | 35      | 34      |
| 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      | 18      |

Source: District records

| Fiscal Year |         |         |         |                |
|-------------|---------|---------|---------|----------------|
| 2007        | 2008    | 2009    | 2010    | 2011           |
| 267,752     | 267,752 | 267,752 | 267,752 | <b>267,752</b> |
| 1,600       | 1,600   | 1,600   | 1,600   | <b>1,600</b>   |
| 1,356       | 1,507   | 1,383   | 1,371   | <b>1,409</b>   |
| 309,943     | 339,217 | 339,217 | 339,217 | <b>339,217</b> |
| 1,800       | 1,800   | 1,800   | 1,800   | <b>1,800</b>   |
| 1,838       | 1,764   | 1,754   | 1,770   | <b>1,863</b>   |
| 19,700      | 19,700  | 19,700  | 19,700  | <b>19,700</b>  |
| 121         | 118     | 110     | 120     | <b>118</b>     |
| 24,992      | 33,296  | 33,296  | 33,296  | <b>33,296</b>  |
| 34          | 37      | 37      | 37      | <b>37</b>      |
| 24,588      | 24,588  | 24,588  | 24,588  | <b>24,588</b>  |
| 19,638      | 19,638  | 19,638  | 19,638  | <b>19,638</b>  |
| 5           | 5       | 5       | 5       | <b>5</b>       |
| 1           | 1       | 1       | 1       | <b>1</b>       |
| 2           | 2       | 2       | 2       | <b>2</b>       |
| 4           | 4       | 4       | 4       | <b>4</b>       |
| 2           | 2       | 2       | 2       | <b>2</b>       |
| 18          | 18      | 18      | 18      | <b>19</b>      |

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Iowa City Community School District

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011

| Federal Grantor/Pass-Through Grantor/Program Title   | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures |
|--|---------------------------|--|-------------------------|
| U.S. Department of Agriculture:  |                           |  |                         |
| Passed through the State Department of Agriculture and<br>State of Iowa Department of Education: |                           |  |                         |
| USDA Commodities (Noncash)   | 10.555                    | 77-1737                                      | \$ 313,345              |
| National School Lunch Program  | 10.555                    | 77-1737                                      | 1,579,110               |
| National School Summer Program   | 10.559                    | 77-1737                                      | 34,264                  |
| National School Breakfast Program  | 10.553                    | 77-1737                                      | 281,670                 |
| National School Lunch Program - After School Snacks  | 10.555                    | 77-1737                                      | 16,211                  |
| USDA Team Nutrition Demonstration Grant  | 10.574                    | 77-1737                                      | 897                     |
| Fresh Fruit & Vegetable Grant  | 10.582                    | N/A  | 17,789                  |
| <b>U.S. Department of Agriculture</b>  |                           |  | <b>2,243,286</b>        |
| U.S. Army Corps of Engineers:  |                           |  |                         |
| Passed through Johnson County, Iowa:   |                           |  |                         |
| Flood Control Projects   | 12.106                    | N/A  | 3,680                   |
| U.S. Department of Education:  |                           |  |                         |
| Passed through State of Iowa Department of Education:  |                           |  |                         |
| Title I - Grants to Local Educational Agencies   | 84.010A                   | N/A  | 1,615,901               |
| Title I - Grants to Local Educational Agencies - Schools<br>in Need of Assistance                | 84.010A                   | N/A  | 66,300                  |
| IDEA - High Cost Claim   | 84.027                    | N/A  | 56,793                  |
| Vocational Education Basic Grants to States  | 84.048A                   | 77-6957                                      | 122,631                 |
| Safe and Drug-Free Schools and Communities - State Grants  | 84.186A                   | 77-6957                                      | 9,949                   |
| Education for Homeless Children & Youth  | 84.196                    | N/A  | 22,170                  |
| Twenty-First Century Learning Centers  | 84.287A                   | N/A  | 707,886                 |
| Education Technology Grants  | 84.318                    | N/A  | 20,223                  |
| Advanced Placement Program   | 84.330                    | N/A  | 2,052                   |
| Title II - Improving Teacher Quality State Grant   | 84.367                    | N/A  | 415,087                 |
| Grants for State Assessments and Related Activities  | 84.369                    | N/A  | 60,728                  |
| ARRA - Education for Homeless Children & Youth -<br>Stabilization Funds                          | 84.387                    | N/A  | 21,949                  |
| ARRA - Title I - Grants to Local Educational Agencies -<br>Stabilization Funds                   | 84.389                    | N/A  | 323,740                 |
| ARRA - State Stabilization Funds   | 84.394                    | N/A  | 632,506                 |
| ARRA - Government Services   | 84.397                    | N/A  | 564,164                 |
| Education Jobs Fund  | 84.410                    | N/A  | 639,294                 |
|  |                           |  | <b>5,281,373</b>        |
| U.S. Department of Education:  |                           |  |                         |
| Passed through Grant Wood Area Education Agency:   |                           |  |                         |
| Special Education Grants to States   | 84.027                    | N/A  | 645,009                 |
| Title III - English Language Acquisition   | 84.365                    | N/A  | 44,731                  |
| ARRA - IDEA - Special Education Grants to States -<br>Stabilization Funds                        | 84.391                    | N/A  | 832,189                 |
|  |                           |  | <b>1,521,929</b>        |

(Continued)

**Iowa City Community School District**

**Schedule of Expenditures of Federal Awards (Continued)**

**Year Ended June 30, 2011**

| Federal Grantor/Pass-Through Grantor/Program Title            | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures     |
|---|---------------------------|--|-----------------------------|
| U.S. Department of Education:                                 |                           |  |                             |
| Passed through the University of Iowa:                        |                           |  |                             |
| Title IIA - SNAG II   | 84.367                    | N/A  | <u>7,620</u>                |
| U.S. Department of Education:                                 |                           |  |                             |
| Passed through the School Administrators of Iowa:             |                           |  |                             |
| iPIRC   | 84.310A                   | N/A  | <u>5,117</u>                |
| Direct Program:   |                           |  |                             |
| Safe and Drug-Free Schools and Communities -                  |                           |  |                             |
| Safe Schools/Healthy Students                                 | 84.184L                   | N/A  | 1,189,452                   |
| FIE Earmark Grant Awards - Earobics                           | 84.215K                   | N/A  | 2,623                       |
| Impact Aid  | 84.041                    | N/A  | 7,030                       |
| Funding for the Improvement of Education - Carol White PE     | 84.215F                   | N/A  | <u>13,483</u>               |
|   |                           |  | <u>1,212,588</u>            |
| <b>Total U.S. Department of Education</b>                     |                           |  | <u><u>8,028,627</u></u>     |
| U.S. Department of Health and Human Services:                 |                           |  |                             |
| Passed through State of Iowa Department of Health             |                           |  |                             |
| and Human Services, Child Care and Development                |                           |  |                             |
| Block Grant   | 93.575                    | N/A  | <u>84,077</u>               |
| U.S. Department of Health and Human Services:                 |                           |  |                             |
| Passed through the State of Iowa Department of Education,     |                           |  |                             |
| Comprehensive School Health Programs                          | 93.938                    | N/A  | <u>750</u>                  |
| <b>Total U.S. Department of Health and<br/>Human Services</b> |                           |  | <u><u>84,827</u></u>        |
| Corporation for National Community Service:                   |                           |  |                             |
| Passed through State of Iowa Department of Education,         |                           |  |                             |
| Learn and Serve America - School and Community                | 94.004                    | N/A  | <u>10,621</u>               |
| <b>Total expenditures of federal awards</b>                   |                           |  | <u><u>\$ 10,371,041</u></u> |

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, 2011**

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**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, 2011. 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**

For governmental funds, revenue from federal grants is recognized when they become both measurable and available. For proprietary funds, revenue from federal grants is recognized when they are earned.

## Iowa City Community School District

### Summary Schedule of Prior Audit Findings Year Ended June 30, 2011

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|   | Finding   | Status         | Corrective<br>Action Plan<br>or Other Explanation |
|---|---|----------------|---|
| <b>Significant Deficiencies in Internal Control:</b>              |   |                |   |
| 10-II-A   | The District has insufficient segregation of duties over the payroll process.   | Not corrected. | See corrective action plan at 11-II-A.            |
| 10-II-B   | The District has insufficient segregation of duties over the cash disbursement function.  | Not corrected. | See corrective action plan at 11-II-B.            |
| 10-II-C   | The District has insufficient segregation of duties over the cash receipts and bank transfer functions.                                 | Not corrected. | See corrective action plan at 11-II-C.            |
| 10-II-D   | The District does not have a formal policy for approving new vendors.   | Not corrected. | See corrective action plan at 11-II-D.            |
| 10-II-E   | The District has improper segregation of duties over student activity funds.  | Not corrected. | See corrective action plan at 11-II-E.            |
| <b>Instance of Noncompliance in Administering Federal Awards:</b> |   |                |   |
| 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.      | Corrected.     |   |
| 10-III-B  | The District did not obtain semiannual certifications for employees fully funded by a federal program as required by OMB Circular A-87. | Corrected.     |   |
| <b>Other Finding Related to Statutory Reporting</b>               |   |                |   |
| 10-IV-G   | The District's supporting documentation did not agree to Project Easier (Peace) submitted to the Iowa Department of Education.          | Not corrected. | See corrective action plan at 11-IV-G.            |



**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, 2011, which collectively comprise Iowa City Community School District's basic financial statements and have issued our report thereon dated December 13, 2011. 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**

Management of Iowa City Community School District is responsible for establishing and maintaining effective 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 11-II-A, 11-II-B and 11-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 11-II-D and 11-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, 2011 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 December 13, 2011.

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

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

*McGladrey & Pullen, LLP*

Davenport, Iowa  
December 13, 2011



**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, 2011. 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 are could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**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.

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

*McGladrey & Pullen, LLP*

Davenport, Iowa  
December 13, 2011

**Iowa City Community School District**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011**

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**I. Summary of the Independent Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

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

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

**Identification of major program:**

| CFDA Number            | Name of Federal Program  |
|------------------------|--|
| 84.410                 | Education Jobs Funds   |
| 84.287A                | Twenty-First Century Community Learning Centers  |
| 10.555, 10.553, 10.559 | Nutrition Cluster  |
| 84.367                 | Title II - Improving Teacher Quality State Grant   |
| 84.394, 84.397         | ARRA - State Fiscal Stabilization Fund - Education State Grant,<br>ARRA - Government Services Grant                                |
| 84.027, 84.391         | Special Education - Grants to States (IDEA Part B), ARRA - IDEA Part B Special Education<br>Grants to States - Stabilization Funds |

Dollar threshold used to distinguish between type A and type B programs: \$311,131

Auditee qualified as low-risk auditee?  Yes  No

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2011

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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

11-II-A

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

Condition: The Payroll Supervisor and Director of Business Services 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 has access to the payroll disbursement functions noted above.

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, a Human Resources Department employee other than the Payroll Supervisor or Director of Business Services 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. Additionally, a Human Resources Department employee outside of the payroll process should review the payroll supervisor's reconciliation of salary costs of each employee group for every payroll that tracks all new and terminated employees.

Response and Corrective Action Plan: The District does not utilize the Human Resource module that is integrated with its accounting software. This results in Human Resources Department providing the Payroll Department all employees and their wages and requires the Payroll Department to input all employee wages into the accounting software. This, along with any changes to an existing employee's wages, are then made by the Payroll Supervisor or Director of Business Services and this provides these two options with edit capabilities to the employee master file. The Payroll Department and Human Resources Department will work better to implement the compensating controls recommended above.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2011

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**11-II-B**

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

Condition: The Director of Business Services position has access to perform 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 has access to all of the cash disbursement functions noted above.

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 Specialist run the checks to be disbursed accordingly. Additionally, an employee outside of the accounts payable processes should monitor the check sequence of all checks issued to ensure completeness.

Response and Corrective Action Plan: The District implemented the recommendation and will have the Purchasing and Budgeting Specialist perform the check sequencing monitoring.

**11-II-C**

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

Condition: The Director of Business Services position 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. The Director of Business Services has the responsibility to approve all transfers.

Context: A good internal control contemplates an adequate segregation of duties so that no one individual has access to all of the cash receipt functions noted above.

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.

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2011

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Recommendation: *For over the counter receipts:* We recommend that the full-time receptionist receive all cash receipts and maintain a daily log. The receipts should be stamped at the time of receipt with a restrictive endorsement. Another individual should deposit the receipts. The log prepared at the time of the receipt and the deposit slip received within the bank statement should be compared by the individual responsible for the bank reconciliation. *For direct deposit or ACH transactions:* We recommend the District remove the access of making bank transfers from the Director of Business Services and have the responsibility be with the Executive Director of Administrative Services.

Response and Corrective Action Plan: The District will direct all receipts to the receptionist to be logged. In December 2011, the District implemented a remote deposit system whereby checks will receive restrictive endorsement and then electronically submitted to the bank on a daily basis. The receptionist will provide the Purchasing and Budgeting Specialists cash receipts, who will prepare a bank deposit slip, place it in a locked bank bag and have the District courier deliver the locked deposit to the bank on a daily basis.

**11-II-D**

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

Condition: The Director of Business Services 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: Pursuant to the October 25, 2011 Board directive, the District will develop a formal written policy to review and approve new vendors and review existing vendors. 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.

(Continued)

**Iowa City Community School District**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2011**

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**11-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.

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. We recognize additional segregation of duties may require additional staffing, reorganization of duties or other costs, to address the finding.

Response and Corrective Action Plan: The District will work to implement recommendation #2. This will also further comply with the audit and follow requirements of Iowa Code Chapter 279.29.

**III. Findings and Questioned Costs for Federal Awards**

**Significant Deficiencies in Administering Federal Awards**

None reported.

**Instances of Noncompliance**

None reported.

**IV. Other Findings Related to Required Statutory Reporting**

**11-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, 2011

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**11-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.

**11-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.

**11-IV-D – Business Transactions with District Officials and Employees**

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

**11-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.

**11-IV-F – Board Minutes**

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

**11-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 2010. The variances included a total reduction of certified students by a net of 2.3 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.

**11-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, 2011**

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**11-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.

**11-IV-J – Certified Annual Report**

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

**11-IV-K – Categorical Funding**

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

**11-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, 2011, the District's financial activity and other required information for the state-wide sales, services and use tax revenue are as follows:

|  |                      |
|--|----------------------|
| Beginning balance                      | \$ 19,289,186        |
| State-wide sales, services and use tax | 14,078,665           |
| Interest                               | 99,604               |
| Expenditures/transfers out:            |                      |
| School infrastructure:                 |                      |
| Buildings                              | (5,168,211)          |
| Equipment                              | (474,295)            |
|  | <u>\$ 27,824,949</u> |

The state-wide sales, services and use tax revenue received during the year ended June 30, 2011 is equivalent to a reduction in the following levies:

|                                   | Per \$1,000<br>of Taxable<br>Valuation | Property<br>Tax<br>Dollars |
|-----------------------------------|--|----------------------------|
| Physical plant and equipment levy | \$ 3.03182                             | \$ 14,078,665              |

**Iowa City Community School District**

**Corrective Action Plan  
Year Ended June 30, 2011**

| Current Number   | Comment   | Corrective Action Plan                 | Anticipated Date of Completion | Contact Person |
|--|---|--|--------------------------------|----------------|
| <b>Significant Deficiencies and Material Weaknesses in Internal Control:</b> |   |  |                                |                |
| 11-II-A  | The District has insufficient segregation of duties over the payroll process.   | See corrective action plan at 11-II-A. | June 30, 2012                  | Paul Bobek     |
| 11-II-B  | The District has insufficient segregation of duties over the cash disbursement function.  | See corrective action plan at 11-II-B. | June 30, 2012                  | Paul Bobek     |
| 11-II-C  | The District has insufficient segregation of duties over the cash receipts and bank transfer functions.   | See corrective action plan at 11-II-C. | June 30, 2012                  | Paul Bobek     |
| 11-II-D  | The District does not have a formal policy for approving new vendors.   | See corrective action plan at 11-II-D. | June 30, 2012                  | Paul Bobek     |
| 11-II-E  | The District has improper segregation of duties over student activity funds.  | See corrective action plan at 11-II-E. | June 30, 2012                  | Paul Bobek     |
| <b>Other Finding Related to Required Statutory Reporting</b>                 |   |  |                                |                |
| 11-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 11-IV-G. | June 30, 2012                  | Paul Bobek     |



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, 2011, 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 did not perform adequate independent reviews of activity fund cash account reconciliations as of June 30, 2010, and as a result, two of the activity fund cash accounts, with a balance of approximately \$58,000 as of June 30, 2010, were not recorded in the District's general ledger. In order to record these cash accounts in the general ledger in the current fiscal year, the District recorded the activity as revenue. As the activity in the accounts represented activity from prior periods, the effect of these adjustments to the fiscal year 2011 financial statements is reported on the auditor's summary of uncorrected misstatements. We recommend the District develop formal independent review processes over the activity fund reconciliations to ensure that all accounts are properly reflected in the financial statements of the District.

**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.

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

*McGladrey & Pullen, LLP*

Davenport, Iowa  
December 13, 2011