

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

Comprehensive Annual Financial Report
Year Ended June 30, 2012

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

Comprehensive Annual Financial Report
Year Ended June 30, 2012

**Official Issuing Report:
Craig Hansel
Chief Financial Officer**

**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.iowacityschools.org

November 16, 2012

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, 2012. 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 in enrollment from 10,444 in 1997 to 12,769 in October 2012. The District is currently the fifth largest public school in the state of Iowa.

The District operates two comprehensive 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 an administrative office/professional development center. 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 2012 at the rate of slightly less than five percent.

Major employers within the District include The University of Iowa and The University of Iowa Hospitals and Clinics, American College Testing and Pearson (formerly National Computer Systems) as well as two other hospitals. These employers provide a strong employment base in the education and health care industries. The unemployment rate of the Iowa City area is consistently one of the lowest in the state of Iowa and well below national averages even during periods of recessionary trends. In addition, the Iowa City area is served by two nearby regional airports and two major interstate highways. The economic development organizations of Johnson County have teamed with similar organizations in Linn County to the north to develop a "technology corridor" which combines the strong health care and education industries of Johnson County with numerous manufacturing and financial service organizations in Linn County for a wide range of economic and employment opportunities. Iowa City is also consistently promoted in major business publications as one of the best places in the United States for business, schools and quality of life. These recognitions include a 9th 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" 5th national ranking in March 2007 and "Expansion Magazines" ranking of #4 public schools in the nation.

The tax base for the area is estimated to continue to grow in the 2-5 percent range. The District has experienced an enrollment growth of over 1,200 students over the last five years. Future projections indicate a continued trend for enrollment increases at a similar annual rate over the next five years. The District has experienced an increase in its October 2012 official enrollment of 316 students.

Retail sales, building permits and population increases in the area continue to exceed 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 area 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 several years which has impacted the level of resources available for the funding of school and related education programs.

The District served the nearly 12,500 students in buildings built from 1917 to 2011. 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, including life cycle programs for major maintenance and equipment needs. The CFP projects the future needs and will be updated at least annually by the District and approved by the Board of Directors.

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. The District completed a major addition on Horn Elementary that was opened in August 2011 and construction of Norman Borlaug Elementary was substantially completed during fiscal year 2012 and opened for

classes in August 2012. The District has started construction of a \$6.4 million fine arts addition at City High School with an expected completion in August 2013.

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 owns a parcel of land in the northern portion of the District for the potential 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 sold its former central administration office for \$4,500,000 to The University of Iowa with a final closing in February 2012. The District purchased a new facility in November 2010 for its administrative offices and completed necessary remodeling on the facility in November 2011 at a total cost of approximately \$4,500,000. The District also relocated various support operations to this new facility.

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 \$10 million annually for the next five years as estimated 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 comprehensive 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, soccer, 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 of approximately 92 percent in 2012 with approximately 78 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, 2012 provided no violations of applicable laws and regulations.

Budgetary Controls. In addition, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Education. Activities of the General Fund, special revenue funds, Debt Service Fund, enterprise funds and Capital Projects Fund are included in the annual appropriated budget by program. Project length financial plans are adopted for the capital projects funds and budgeted accordingly on an annual basis. The level of 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 in the previous years. This aspect of the District's finances has gained importance in recent years as the District has sought to maximize the yield on our investments in accordance with the Board approved investment policy without forfeiting the use of fund balances.

Risk Management. The District has initiated a program to lower the experience modification factor in workers' compensation claims by utilizing a single medical care facility for these claims. A safety committee has been operational for several years and meets periodically to review the District's facilities and programs. The District manages a self-funded insurance plan for its employee medical insurance program. The plan is funded at the maximum expected claim levels and coverage for individual and aggregate stop loss coverage is purchased by the plan.

Awards and Acknowledgments

Independent Audit. The accounting firm of McGladrey 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, 2011. 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 six 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 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.

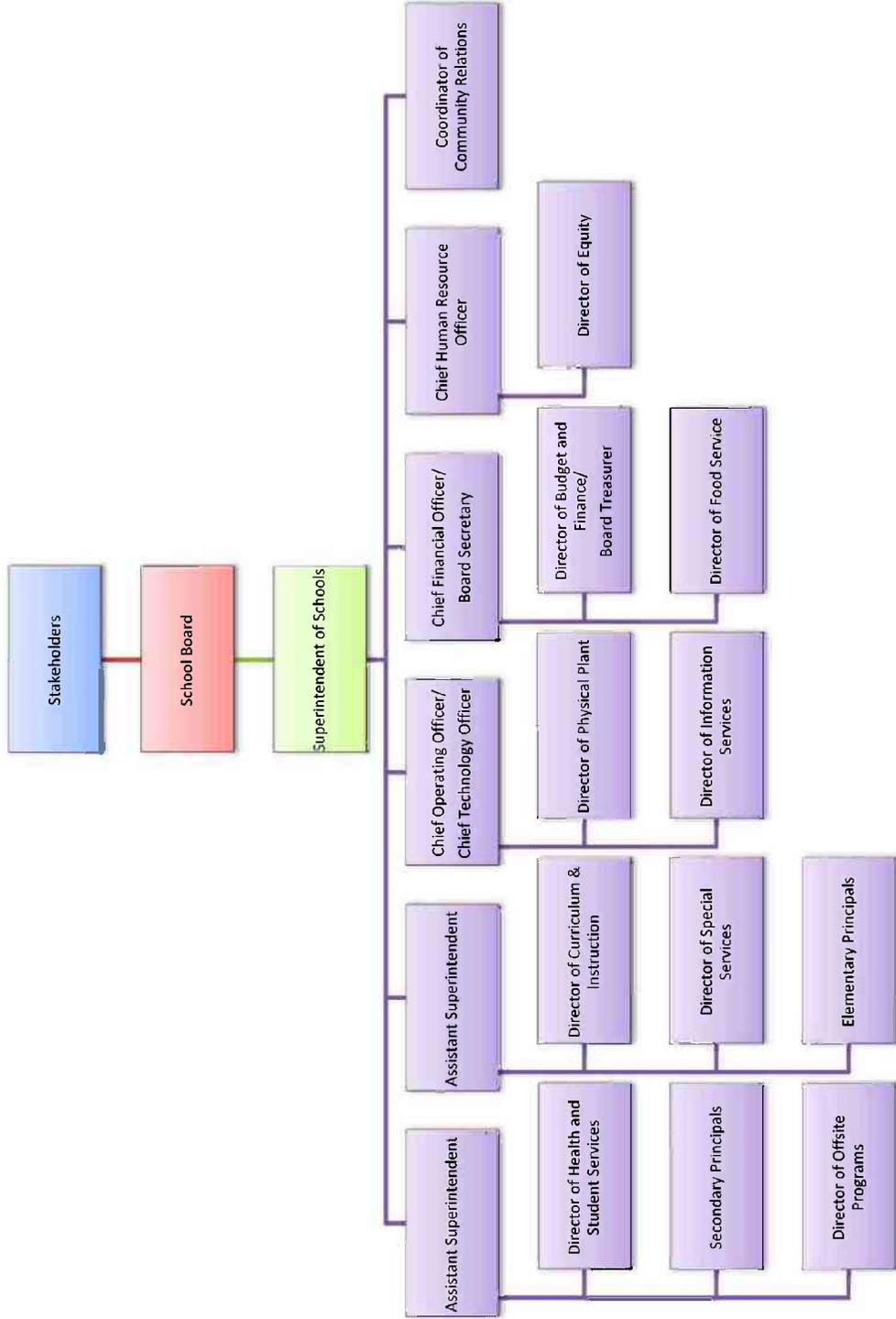
Respectfully submitted,

A handwritten signature in cursive script that reads "Leslie J. Finger".

Leslie J. Finger
Director of Budget and Finance

Iowa City Community School District Organizational Structure

Administrative Team - Central Office



Iowa City Community School District

**Board of Education and School District Officials
Year Ended June 30, 2012**

Name	Title	Term Expires
Board of Education		
Marla Swesey	President	September 2015
Patti Fields	Vice President	September 2015
Karla Cook	Board Member	September 2013
Sally Hoelscher	Board Member	September 2015
Jeff McGinness	Board Member	September 2015
Tuyet Dorau	Board Member	September 2013
Sarah Swisher	Board Member	September 2013

School District Officials

Stephen Murley	Superintendent	
Vacant	Secretary	
Leslie J. Finger	Interim Treasurer	Appointed
Kirsten H. Frey	Attorney	Appointed

Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Iowa City Community School District

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2011*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



A handwritten signature in cursive script, reading 'Brian L. Mee', positioned above a horizontal line.

Brian L. Mee, SFO, RSBA
President

A handwritten signature in cursive script, reading 'John D. Musso', positioned above a horizontal line.

John D. Musso, CAE, RSBA
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, 2011

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.



Linda C. Danison

President

Jeffrey R. Emer

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, 2012, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2012 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13, other postemployment benefit plan schedule of funding progress on page 50, budgetary comparison information on pages 51 through 53 and be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining nonmajor governmental fund financial statements and other schedules, listed in the table of contents as other supplementary information, and the accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Nonprofit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. 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. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion on or provide any assurance on it.

McGladrey LLP

Davenport, Iowa
November 6, 2012

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements.

Financial Highlights

Total net assets increased \$25,978,435 from \$161,540,521 in 2011 to \$187,518,956 in 2012. Total revenues for the fiscal year 2012 increased \$8,863,730 from 2011. Total expenses also increased from \$134,351,190 in 2011 to \$141,972,088 in 2012.

General Fund revenues increased from \$124,163,981 in fiscal year 2011 to \$127,867,725 in fiscal year 2012, while General Fund expenditures increased from \$117,834,086 in fiscal year 2011 to \$121,278,763 in fiscal year 2012. In addition, the District transferred \$182,000 to other funds during fiscal year 2012. This resulted in an increase in the District's General Fund balance from \$14,083,053 in fiscal year 2011 to \$20,490,015 in fiscal year 2012.

The increase in General Fund revenues for fiscal year 2012 was attributable to an increase in property taxes and fully funded state foundation aid as provided in the state funding formula. State aid for fiscal years 2010 and 2011 had been reduced by across the board reduction of state funding due to economic conditions during those fiscal periods. A portion of the reduction in state aid in those periods was offset by increases in amounts received from federal sources 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.

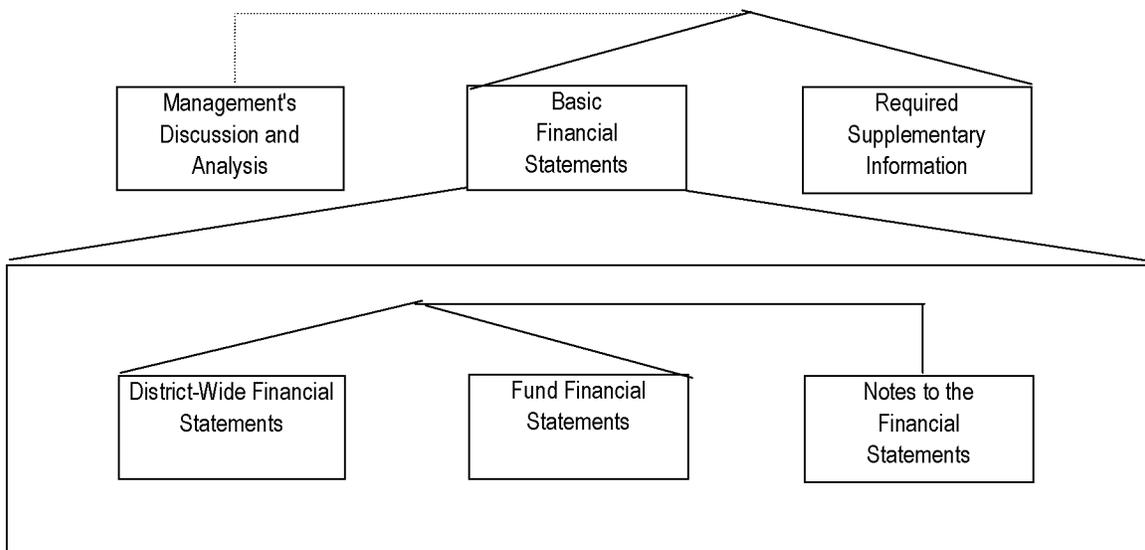
Iowa City Community School District

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012**

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, 2012**

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

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

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012

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 and Equipment Levy Fund, Management Fund, Student Activity Fund, Debt Service Fund and Capital Projects Fund.
- **Proprietary funds.** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the 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.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012

- ✓ 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, 2012 compared to 2011:

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change 2012-2011
	2012	2011	2012	2011	2012	2011	
Current and other assets	\$ 157,321,693	\$144,423,632	\$ 3,556,490	\$ 3,285,878	\$ 160,878,183	\$ 147,709,510	\$ 13,168,673
Capital assets	137,323,041	125,065,800	372,306	434,533	137,695,347	125,500,333	12,195,014
Total assets	294,644,734	269,489,432	3,928,796	3,720,411	298,573,530	273,209,843	25,363,687
Long-term obligations	17,135,233	19,948,732	-	-	17,135,233	19,948,732	2,813,499
Other liabilities	93,703,442	91,537,220	215,899	183,370	93,919,341	91,720,590	(2,198,751)
Total liabilities	110,838,675	111,485,952	215,899	183,370	111,054,574	111,669,322	614,748
Net assets:							
Invested in capital assets, net of related debt	118,552,457	103,461,937	372,306	434,533	118,924,763	103,896,470	15,028,293
Restricted	38,265,060	34,107,364	-	-	38,265,060	34,107,364	4,157,696
Unrestricted	26,988,542	20,434,179	3,340,591	3,102,508	30,329,133	23,536,687	6,792,446
Total net assets	\$ 183,806,059	\$158,003,480	\$ 3,712,897	\$ 3,537,041	\$ 187,518,956	\$ 161,540,521	\$ 25,978,435

The District's total assets increased by 9.3 percent during the year ended June 30, 2012. 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 sale of its former administrative office building in the Physical Plant and Equipment Levy Fund. During the year ended June 30, 2012, the District expended nearly \$11,000,000 in construction in progress, primarily for construction of a new elementary school that was opened in August 2012 and the construction of a fine arts addition at one of its high schools with an expected completion during 2013.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012

The total net assets of the District's business-type activities increased by approximately \$176,000 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, 2012 and 2011:

Figure A-4
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total School District	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for service and sales	\$ 3,321,213	\$ 3,825,507	\$ 2,244,238	\$ 2,175,411	\$ 5,565,451	\$ 6,000,918
Operating grants and contributions	21,043,495	23,180,191	2,358,944	2,262,074	23,402,439	25,442,265
General revenues:						
Property taxes	71,349,274	69,122,632	-	-	71,349,274	69,122,632
Sales tax	13,833,210	13,643,664	-	-	13,833,210	13,643,664
Unrestricted state grants	45,509,708	40,987,077	-	-	45,509,708	40,987,077
Unrestricted investment earnings	268,335	197,048	5,495	7,228	273,830	204,276
Other	3,632,061	3,685,961	-	-	3,632,061	3,685,961
Gain on sale of capital assets	4,384,550	-	-	-	4,384,550	-
Total revenues	163,341,846	154,642,080	4,608,677	4,444,713	167,950,523	159,086,793
Program expenses:						
Governmental activities:						
Instruction	91,391,355	88,288,063	-	-	91,391,355	88,288,063
Support services	40,580,503	36,042,383	-	-	40,580,503	36,042,383
Noninstructional programs	93,018	6,026	-	-	93,018	6,026
Other expenses	5,474,391	5,855,894	-	-	5,474,391	5,855,894
Business-type activities,						
nutritional services	-	-	4,432,821	4,158,824	4,432,821	4,158,824
Total expenses	137,539,267	130,192,366	4,432,821	4,158,824	141,972,088	134,351,190
Change in net assets	25,802,579	24,449,714	175,856	285,889	25,978,435	24,735,603
Net assets, beginning of year	158,003,480	133,553,766	3,537,041	3,251,152	161,540,521	136,804,918
Net assets, end of year	\$ 183,806,059	\$ 158,003,480	\$ 3,712,897	\$ 3,537,041	\$ 187,518,956	\$ 161,540,521

Property and sales taxes and unrestricted state grants account for 78 percent of the total revenue for the years ended June 30, 2012 and 2011, respectively. The District's expenses primarily relate to instruction and support services which account for 93 percent of the total expenses for the years ended June 30, 2012 and 2011.

Governmental Activities

Revenues for governmental activities were \$163,341,846 and expenses were \$137,539,267. This difference of \$25,802,579 was used for the repayment of the general obligations bonds as scheduled in Note 6 to the basic financial statements, approximately \$11,000,000 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 \$8,500,000 or 5.5 percent over 2011. Most of this increase is due to the sale of its former administrative office building. In addition, unrestricted state grants in the governmental activities increased approximately \$4,500,000 primarily from state aid received in accordance with the state funding formula compared to the state ordered reductions in the prior fiscal period. Operating grants and contributions in the governmental activities decreased by approximately \$2,100,000 primarily from reduced AEA flow through amounts and lower revenues from federal programs including the Federal Government's American Recovery and Reinvestment Act of 2009.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012

The increase in expenses in governmental activities of \$7,346,901 or 5.6 percent is related to instruction and support services expenses. The expenses in these areas are primarily related to salaries and benefits based upon negotiated salary settlements of approximately three percent and a planned increase in its purchase of curriculum materials as part of its curriculum review cycle. The District also recorded \$238,353 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

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 91,391,355	\$ (71,977,642)	\$ 88,288,063	\$ (66,660,005)
Support services	40,580,503	(40,220,060)	36,042,383	(35,616,060)
Noninstructional programs	93,018	(90,245)	6,026	4,595
Other expenses	5,474,391	(886,612)	5,855,894	(915,198)
Totals	\$ 137,539,267	\$ (113,174,559)	\$ 130,192,366	\$ (103,186,668)

- The cost financed by users of the District's programs was \$3,321,213 for 2012 and \$3,825,507 for 2011.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$21,043,495 for 2012 and \$23,180,191 for 2011.
- The remaining net cost of governmental activities was financed with property tax, sales tax, state foundation aid and investment earnings.

Business-Type Activities

Revenues of the District's business-type activities were \$4,603,182, excluding \$5,495 of investment earnings, and expenses were \$4,432,821. 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 3.7 percent due to an increase in the number of meals served, a higher number of qualifying student enrollments and higher reimbursement rates from federal and state programs compared to prior years. Expenditures increased by approximately 6.6 percent primarily due to the negotiated costs for personnel and increase food supply costs from additional meals served.

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 \$54,987,063 which was above last year's ending fund balances of \$44,257,355. The primary reason for the increase in combined fund balances in fiscal year 2012 is due to increases in the District's General Fund and Physical Plant and Equipment Levy Fund.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012

- 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, 2012 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 plans implemented in prior years. The District was also able to increase its cash reserve levy to replenish the fund balance from the prior year reductions. The District's also negotiated salary settlements that approximated the increased property tax and state foundation aid attributable to the state funding formula and utilized approximately \$1,800,000 of federal funds received from the Education Jobs Fund during fiscal year 2011 for support of employee costs in fiscal year 2012.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from a balance of \$793,632 in fiscal year 2011 to \$4,244,894 in fiscal year 2012. The increase is primarily due to the sale of its former administrative office building for \$4.5 million in February 2012. The proceeds of this transaction were deposited into the Physical Plant and Equipment Levy Fund.
- The Capital Projects Fund balance increased from a balance of \$27,824,949 in fiscal year 2011 to \$28,448,964 in fiscal year 2012. 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 \$2,948,136 as of June 30, 2011 to \$3,028,637 as of June 30, 2012, representing an increase of approximately 2.7 percent for 2012 compared to an increase of 7.0 percent for 2011. The increase was primarily due to increased participation in the program and increased federal and state reimbursement amounts from 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 \$12,243,956 in 2011 to \$14,389,313 in 2012. This increase was due to the continuing favorable experience for health insurance claims and a reduction of approximately \$340,000 in the liability due for future premiums of the early retirement incentives.

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 \$2,362,737 more than the total budgeted revenues, a variance of 1.5 percent from the final budget. Significantly all of the increase in budgeted revenue is due to the recognition of deferred revenues from 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 has implemented and maintained certain budget controls over the last three years to reduce expenditures.

Iowa City Community School District

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012**

Capital Asset and Debt Administration

Capital assets: As of June 30, 2012, the District had invested \$137.7 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 \$12.2 million from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$4,171,031.

The original costs of the District's capital assets was over \$208 million. Governmental funds account for approximately \$207 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 remodeling of a building for its administrative offices in November 2011 and the completion of an addition to one of its elementary schools placed in service in August 2011 that were previously classified as construction in progress. The District also increased its construction in progress by approximately \$4,600,000 with the construction of a new elementary school opened for students in August 2012.

**Figure A-6
Capital Assets, Net of Depreciation**

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2012-2011
Land	\$ 4,454,141	\$ 4,487,131	\$ -	\$ -	\$ 4,454,141	\$ 4,487,131	\$ (32,990)
Construction-in-progress	13,575,597	8,950,360	-	-	13,575,597	8,950,360	4,625,237
Buildings	111,552,258	104,711,423	-	-	111,552,258	104,711,423	6,840,835
Improvements other than buildings	6,313,884	5,484,473	-	-	6,313,884	5,484,473	829,411
Furniture and equipment	1,427,161	1,432,413	372,306	434,533	1,799,467	1,866,946	(67,479)
Total	\$ 137,323,041	\$ 125,065,800	\$ 372,306	\$ 434,533	\$ 137,695,347	\$ 125,500,333	\$ 12,195,014

Long-Term Debt: As of June 30, 2012, the District had \$22 million in general obligation and other long-term debt outstanding. This represents a decrease of approximately \$2.3 million from last year. During the year, the District issued \$4,480,000 in General Obligation Refunding Bonds, Series 2012A and \$11,410,000 in General Obligation Refunding Bonds, Series 2012B to currently refund and advance refund \$16,630,000 of previously issued bonds. The increase in the early retirement obligation is due to an increase in the retirement incentive offered by the district and greater number of employees accepting the District's early retirement incentive in 2012 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
	2012	2011	2012-2011
General obligation bonds	\$ 17,990,000	\$ 21,505,000	\$ (3,515,000)
Early retirement	3,002,798	1,907,802	1,094,996
Compensated absences	637,855	549,191	88,664
Totals	\$ 21,630,653	\$ 23,961,993	\$ (2,331,340)

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012

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 also implemented a cash reserve levy for fiscal years 2011 and 2012 to replenish the fund balance. The District received allowable growth of two percent for fiscal year 2011 and zero percent allowable growth rate for fiscal year 2012; however the State of Iowa has established a 2 percent allowable growth rate for fiscal year 2013. At this time, the District is unable to determine the level of the allowable growth rates or future reductions from the State of Iowa for any 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 32, 158, 107, 170 and 443 students in the last five years, respectively. The enrollment growth of 320 students in fiscal year ending 2013 will assist the District's budget in fiscal year ending 2014. These increases in enrollment will continue the need for additional staff and materials and the demand for additional space to the existing facilities and construction of new facilities.
- The District has purchased a parcel of land covering 12.19 acres for the possible future construction of an elementary school building. The District opened a new elementary school, Norman Borlaug, at an approximate construction cost of \$11,500,000 plus the cost of furniture and fixtures in August 2012. Many of the students for this new school have been reassigned from Roosevelt Elementary School. The District has repurposed Roosevelt Elementary School for certain offsite educational programs. In addition, the district has begun the construction 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 Norman Borlaug, the fine arts addition and future facilities will be financed from the local option sales taxes as approved by county residents in February 2007.
- 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 expended the remaining funds in fiscal year 2012.
- 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 District received the recommendations from this review in December 2011 and has established a plan for implementation and review of the recommendations. The overall impact on the District's budget as a result of these recommendations is anticipated to be minimal as efficiencies are offset by increased staff needs to deliver additional services.
- In March 2012, the District issued General Obligation Refunding Bonds to currently refund previously issued bonds. The District anticipates a reduction of interest expense on the outstanding bonds of approximately \$400,000 between July 1, 2012 and June 30, 2018 as a result of the refunding. This reduction of interest expense on the outstanding bonds will reduce the property tax levy necessary for debt service during this period.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012

- Effective July 1, 2012, the state of Iowa changed its method used to distribute sales tax dollars to the District. For fiscal year 2012, sales tax generated in Johnson County were 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 with an estimated allocation of approximately \$870 per student in fiscal 2013. The District anticipates this change will reduce the sales tax dollars received by approximately \$3.5 million per year compared to the prior method.
- On November 6, 2012, the District's Board of Directors approved a special election on February 5, 2013 for the purpose of approving the Revenue Purpose Statement (RPS) through June 30, 2029. The current voter approved RPS expires on June 30, 2017. The outcome of the election will determine the district's long range facility plans for potential construction of new facilities and upgrades to existing facilities. In addition, the outcome will assist the district in determining the options available for financing the facility plan.
- The District is currently reviewing and evaluating requests for proposals for services related to facility master planning, grounds care maintenance, demographics and transportation services. These services will be utilized to develop district long-range operational and facility plans.
- Certain federal appropriations are set to expire on December 31, 2012 unless renewed or reappropriated by the United States government. At this time, the District is unable to determine the impact on its budget for these federal revenues.

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 Craig Hansel, District Chief Financial Officer, Iowa City Community School District, 1725 North Dodge Street, Iowa City, Iowa 52245.

Iowa City Community School District

Statement of Net Assets
June 30, 2012

Assets	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and cash equivalents and investments	\$ 78,995,350	\$ 2,758,485	\$ 81,753,835
Receivables:			
Property tax:			
Current year	337,448	-	337,448
Succeeding year	66,443,766	-	66,443,766
Income surtax	5,212,812	-	5,212,812
Sales taxes	200,900	-	200,900
Other	57,671	-	57,671
Due from other governments	5,642,035	-	5,642,035
Internal balances	(681,858)	681,858	-
Inventories	-	59,181	59,181
Prepaid expenses	926,827	56,966	983,793
Total current assets	157,134,951	3,556,490	160,691,441
Noncurrent assets:			
Restricted cash	103,542	-	103,542
Unamortized bond issuance costs	83,200	-	83,200
Capital assets:			
Nondepreciable:			
Land	4,454,141	-	4,454,141
Construction-in-progress	13,575,597	-	13,575,597
Depreciable capital assets, net of accumulated depreciation	119,293,303	372,306	119,665,609
Net capital assets	137,323,041	372,306	137,695,347
Total noncurrent assets	137,509,783	372,306	137,882,089
Total assets	\$ 294,644,734	\$ 3,928,796	\$ 298,573,530

See Notes to Basic Financial Statements.

Liabilities	Governmental Activities	Business-Type Activities	Total
Current liabilities:			
Accounts payable	\$ 4,816,285	\$ 7,568	\$ 4,823,853
Salaries and benefits payable	9,745,821	201,004	9,946,825
Claims payable	1,314,235	-	1,314,235
Accrued interest payable	155,875	-	155,875
Unearned revenue, succeeding year property tax	66,443,766	-	66,443,766
Unearned revenue, succeeding year income surtax	5,212,812	-	5,212,812
Unearned, grant revenues	25,561	7,327	32,888
General obligation bonds	2,825,000	-	2,825,000
Early retirement	2,526,232	-	2,526,232
Compensated absences	637,855	-	637,855
Total current liabilities	93,703,442	215,899	93,919,341
Noncurrent liabilities:			
Other postemployment benefit	609,541	-	609,541
Early retirement	476,566	-	476,566
General obligation bonds, net of unamortized premium and deferred amount on refunding	16,049,126	-	16,049,126
Total noncurrent liabilities	17,135,233	-	17,135,233
Total liabilities	110,838,675	215,899	111,054,574
Net Assets			
Invested in capital assets, net of related debt	118,552,457	372,306	118,924,763
Restricted for:			
Management levy	455,399	-	455,399
Capital improvements and equipment	32,844,386	-	32,844,386
Federal and state programs	3,659,715	-	3,659,715
Student activities	1,305,560	-	1,305,560
Unrestricted	26,988,542	3,340,591	30,329,133
Total net assets	183,806,059	3,712,897	187,518,956
Total liabilities and net assets	\$ 294,644,734	\$ 3,928,796	\$ 298,573,530

Iowa City Community School District

**Statement of Activities
Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, and Contributions	Capital Grants, and Contributions
Governmental Activities				
Instruction:				
Regular instruction	\$ 56,947,805	\$ 2,145,755	\$ 9,293,017	\$ -
Special instruction	30,159,033	1,067,980	6,768,103	-
Other instruction	4,284,517	-	138,858	-
	<u>91,391,355</u>	<u>3,213,735</u>	<u>16,199,978</u>	<u>-</u>
Support services:				
Student services	4,612,635	-	-	-
Instructional services	6,708,676	-	-	-
Administration services	10,421,294	-	8,624	-
Operation and maintenance	13,348,760	107,478	29,602	-
Transportation services	5,489,138	-	214,739	-
	<u>40,580,503</u>	<u>107,478</u>	<u>252,965</u>	<u>-</u>
Noninstructional programs	93,018	-	2,773	-
Other:				
Long-term debt interest	857,422	-	-	-
AEA flowthrough	4,587,779	-	4,587,779	-
Depreciation (unallocated), excluding direct depreciation	29,190	-	-	-
	<u>5,474,391</u>	<u>-</u>	<u>4,587,779</u>	<u>-</u>
Total governmental activities	137,539,267	3,321,213	21,043,495	-
Business-type activities, nutritional services	4,432,821	2,244,238	2,358,944	-
Total primary government	\$ 141,972,088	\$ 5,565,451	\$ 23,402,439	\$ -

General revenues:

Property taxes levied for:
General purposes
Debt service
Capital outlay
Local option sales taxes
Unrestricted state grants
Unrestricted investment earnings
Other
Gain on sale of capital assets
Total general revenues

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

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (45,509,033)	\$ -	\$ (45,509,033)
(22,322,950)	-	(22,322,950)
(4,145,659)	-	(4,145,659)
(71,977,642)	-	(71,977,642)
(4,612,635)	-	(4,612,635)
(6,708,676)	-	(6,708,676)
(10,412,670)	-	(10,412,670)
(13,211,680)	-	(13,211,680)
(5,274,399)	-	(5,274,399)
(40,220,060)	-	(40,220,060)
(90,245)	-	(90,245)
(857,422)	-	(857,422)
-	-	-
(29,190)	-	(29,190)
(886,612)	-	(886,612)
(113,174,559)	-	(113,174,559)
-	170,361	170,361
(113,174,559)	170,361	(113,004,198)
59,722,769	-	59,722,769
3,599,933	-	3,599,933
8,026,572	-	8,026,572
13,833,210	-	13,833,210
45,509,708	-	45,509,708
268,335	5,495	273,830
3,632,061	-	3,632,061
4,384,550	-	4,384,550
138,977,138	5,495	138,982,633
25,802,579	175,856	25,978,435
158,003,480	3,537,041	161,540,521
\$ 183,806,059	\$ 3,712,897	\$ 187,518,956

Iowa City Community School District

Balance Sheet - Governmental Funds
June 30, 2012

Assets	General	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents and investments	\$ 27,765,916	\$ 5,074,437	\$ 27,880,742	\$ 1,822,026	\$ 62,543,121
Restricted cash	-	103,542	-	-	103,542
Receivables:					
Property tax:					
Current year	265,123	41,838	-	30,487	337,448
Succeeding year	50,881,513	8,368,206	-	7,194,047	66,443,766
Income surtax	5,212,812	-	-	-	5,212,812
Sales tax	-	-	200,900	-	200,900
Other	-	-	57,671	-	57,671
Due from other governments	3,332,281	36,118	2,273,636	-	5,642,035
Due from other funds	10,955	4,668	-	-	15,623
Prepaid items	876,455	-	50,372	-	926,827
Total assets	\$ 88,345,055	\$ 13,628,809	\$ 30,463,321	\$ 9,046,560	\$ 141,483,745
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,951,017	\$ 1,015,709	\$ 1,800,236	\$ 49,323	\$ 4,816,285
Salaries and benefits payable	9,745,821	-	-	-	9,745,821
Due to other funds	-	-	13,221	-	13,221
Deferred and unearned revenue:					
Succeeding year property tax	50,881,513	8,368,206	-	7,194,047	66,443,766
Succeeding year income surtax	5,212,812	-	-	-	5,212,812
Sales tax	-	-	200,900	-	200,900
Grant revenues	63,877	-	-	-	63,877
Total liabilities	67,855,040	9,383,915	2,014,357	7,243,370	86,496,682
Fund balance:					
Nonspendable	876,455	-	50,372	-	926,827
Restricted	3,621,399	4,244,894	28,398,592	1,803,190	38,068,075
Assigned	609,563	-	-	-	609,563
Unassigned	15,382,598	-	-	-	15,382,598
Total fund balances	20,490,015	4,244,894	28,448,964	1,803,190	54,987,063
Total liabilities and fund balances	\$ 88,345,055	\$ 13,628,809	\$ 30,463,321	\$ 9,046,560	\$ 141,483,745

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, 2012**

Total governmental fund balances		\$ 54,987,063
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.		137,323,041
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		239,216
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	\$ 16,452,229	
Liabilities	<u>(2,062,916)</u>	14,389,313
Internal service funds allocated to business-type activities		(684,260)
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.		(155,875)
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	(2,825,000)	
General obligation bonds, noncurrent	(15,165,000)	
Early retirement, current	(2,254,117)	
Other postemployment benefits	(609,541)	
Compensated absences, current	(637,855)	
Deferred amounts on refunding bonds	318,005	
Unamortized premium on general obligation bonds	(1,202,131)	
Unamortized bond issuance costs	<u>83,200</u>	(22,292,439)
Net assets of governmental activities		<u><u>\$ 183,806,059</u></u>

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2012

	General	Physical Plant and Equipment Levy
Revenues:		
Local sources:		
Local tax	\$ 57,418,321	\$ 8,024,947
Tuition	1,811,947	-
Other	2,197,468	10,029
State sources	58,148,506	-
Federal sources	8,291,483	29,602
Total revenues	127,867,725	8,064,578
Expenditures:		
Current:		
Instruction:		
Regular instruction	51,666,200	-
Special instruction	28,843,717	-
Other instruction	1,414,222	-
	81,924,139	-
Support services:		
Student services	4,609,186	-
Instructional services	6,585,642	-
Administration services	9,459,382	1,738
Operation and maintenance	10,091,744	262,944
Transportation services	3,993,429	1,317,341
	34,739,383	1,582,023
Noninstructional programs	27,462	-
Other, AEA flowthrough	4,587,779	-
Capital outlay	-	7,530,733
Debt service:		
Principal	-	-
Interest and fiscal charges	-	-
Bond issuance costs	-	-
	-	-
Total expenditures	121,278,763	9,112,756
Excess (deficiency) of revenues over expenditures	6,588,962	(1,048,178)
Other financing sources (uses):		
Issuance of general obligation bonds	-	-
Premium on bond issuance	-	-
Payment to bond escrow agent	-	-
Proceeds from sale of capital assets	-	4,499,440
Transfers in	-	-
Transfers out	(182,000)	-
Total other financing sources (uses)	(182,000)	4,499,440
Net change in fund balances	6,406,962	3,451,262
Fund balances, beginning of year	14,083,053	793,632
Fund balances, end of year	\$ 20,490,015	\$ 4,244,894

See Notes to Basic Financial Statements.

	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$	13,957,310	\$ 5,891,811	\$ 85,292,389
	-	-	1,811,947
	137,316	2,747,116	5,091,929
	-	-	58,148,506
	-	-	8,321,085
	14,094,626	8,638,927	158,665,856
	-	819,859	52,486,059
	-	-	28,843,717
	-	2,437,024	3,851,246
	-	3,256,883	85,181,022
	-	-	4,609,186
	-	-	6,585,642
	-	719,146	10,180,266
	-	852,927	11,207,615
	-	178,368	5,489,138
	-	1,750,441	38,071,847
	-	-	27,462
	-	-	4,587,779
	13,470,611	-	21,001,344
	-	7,405,000	7,405,000
	-	823,708	823,708
	-	83,266	83,266
	-	8,311,974	8,311,974
	13,470,611	13,319,298	157,181,428
	624,015	(4,680,371)	1,484,428
	-	15,890,000	15,890,000
	-	1,232,599	1,232,599
	-	(12,376,759)	(12,376,759)
	-	-	4,499,440
	-	182,000	182,000
	-	-	(182,000)
	-	4,927,840	9,245,280
	624,015	247,469	10,729,708
	27,824,949	1,555,721	44,257,355
\$	28,448,964	\$ 1,803,190	\$ 54,987,063

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, 2012**

Net change in fund balances, total governmental funds	\$	10,729,708
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	\$	16,458,827
Depreciation expense		<u>(4,086,696)</u>
		12,372,131
Proceeds from sale of capital assets		(4,499,440)
Gain on sale of capital assets		4,384,550
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.		(182,039)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.		
Issuance of long-term debt		(15,890,000)
Repayment of long-term liabilities		7,405,000
Payment to bond escrow agent, including \$331,483 deferred amount on refunding, \$54,673 reduction in unamortized premium and \$9,397 reduction in unamortized bond issuance costs		<u>12,376,759</u>
		3,891,759
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.		(87,233)
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		(238,353)
Change in early retirement		(1,434,028)
Change in compensated absences		<u>(88,664)</u>
		(1,761,045)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets in the internal service fund is reported with governmental activities in the statement of activities.		2,145,357
Change in Internal Service Fund allocation to business-type activities.		(95,355)
Bond premiums capitalized		(1,232,599)
Bond issuance costs capitalized		83,266
Amortization of bond premium and bond issuance costs.		53,519
Change in net assets of governmental activities	\$	<u>25,802,579</u>

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Net Assets
 Proprietary Funds
 June 30, 2012

	Nonmajor Enterprise Fund - School Nutrition	Internal Service Fund
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,758,485	\$ 16,452,229
Inventories	59,181	-
Prepaid expenses and deposits	56,966	-
Total current assets	<u>2,874,632</u>	<u>16,452,229</u>
Noncurrent assets, capital assets, net of accumulated depreciation	372,306	-
Total assets	<u>\$ 3,246,938</u>	<u>\$ 16,452,229</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 7,568	\$ -
Salaries and benefits payable	201,004	-
Due to other funds	2,402	-
Grant revenues, unearned	7,327	-
Claims payable	-	1,314,235
Early retirement	-	272,115
Total current liabilities	<u>218,301</u>	<u>1,586,350</u>
Noncurrent liabilities, early retirement	-	476,566
Total liabilities	<u>218,301</u>	<u>2,062,916</u>
Net Assets		
Invested in capital assets	372,306	-
Unrestricted	2,656,331	14,389,313
Total net assets	<u>3,028,637</u>	<u>14,389,313</u>
Total liabilities and net assets	<u>\$ 3,246,938</u>	<u>\$ 16,452,229</u>
Total enterprise funds net assets	\$ 3,028,637	
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.		
Net assets of business-type activities	<u>684,260</u>	
	<u>\$ 3,712,897</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, 2012

	Nonmajor Enterprise Fund - School Nutrition	Internal Service Fund
Operating revenue:		
Charges for services:		
Food sales	\$ 2,244,238	\$ -
Internal service charges	-	8,246,112
Employee contributions	-	2,237,001
Total operating revenue	2,244,238	10,483,113
Operating expenses:		
Food consumed	2,027,063	-
Salaries and benefits	1,862,599	-
Supplies, services and repairs	189,384	-
Administration expense	60,000	-
Depreciation	69,256	-
Food and meal delivery:		
Salaries and benefits	296,395	-
Truck expenses	8,400	-
Depreciation	15,079	-
Claims, losses and administrative fees	-	8,332,798
Other	-	81,921
Total operating expenses	4,528,176	8,414,719
Operating income (loss)	(2,283,938)	2,068,394
Nonoperating revenues:		
Federal appropriations	2,054,342	-
State appropriations	37,624	-
Federal food commodities	266,978	-
Interest income	5,495	76,963
Total nonoperating revenues	2,364,439	76,963
Changes in net assets	80,501	2,145,357
Net assets, beginning of year	2,948,136	12,243,956
Net assets, end of year	\$ 3,028,637	\$ 14,389,313

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, 2012**

Net changes in net assets in enterprise funds.	\$	80,501
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.		95,355
Change in net assets of business-type activities	\$	175,856

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2012

	Nonmajor Enterprise Fund - School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sales of breakfasts and lunches	\$ 2,255,736	\$ -
Cash received from charges for service	-	8,246,112
Cash received from employees for benefits	-	2,237,001
Cash payments to suppliers for goods and services	(1,921,868)	(81,921)
Cash payments to employees for services	(1,512,881)	-
Cash payments for employee benefits	(613,707)	-
Cash payments for claims, losses and administrative fees	-	(8,637,595)
Net cash provided by (used in) operating activities	(1,792,720)	1,763,597
Cash flows from noncapital financing activities:		
Operating grants received	2,032,535	-
Payments from interfund accounts	2,304	-
Net cash provided by noncapital financing activities	2,034,839	-
Cash flows from capital and related financing activities, acquisition of capital assets		
	(22,108)	-
Cash flows from investing activities, interest on cash and cash equivalents		
	5,495	76,963
Net increase in cash and cash equivalents	225,506	1,840,560
Cash and cash equivalents:		
Beginning	2,532,979	14,611,669
Ending	<u>\$ 2,758,485</u>	<u>\$ 16,452,229</u>
Operating income (loss)	\$ (2,283,938)	\$ 2,068,394
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	84,335	-
Federal food commodities consumed	326,409	-
Change in assets and liabilities:		
Decrease in accounts receivable	11,498	-
Decrease in purchased inventory	44,816	-
(Increase) in prepaid expenses and deposits	(8,369)	-
Increase in accounts payable	123	-
Increase in salaries and benefits payable	32,406	-
Increase in claims payable	-	34,235
(Decrease) in early retirement	-	(339,032)
Total adjustments	491,218	(304,797)
Net cash provided by (used in) operating activities	\$ (1,792,720)	\$ 1,763,597
Noncash item, noncapital financing activities, food commodities donated to the District from the U.S. Department of Agriculture		
	\$ 266,978	\$ -

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

	Private Purpose Trust Fund		Agency Funds
	Winbigler Estate Trust Fund		
Assets , cash and cash equivalents and investments	\$ 71,550	\$	231,614
Liabilities , due to private individuals	-		231,614
Net Assets , reserved for needs of students in need of financial assistance	\$ 71,550	\$	-

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2012

	Private Purpose Trust Fund
	Winbigler Estate Trust Fund
Net assets, beginning of year	\$ 71,550
Net assets, end of year	<u>\$ 71,550</u>

See Notes to Basic Financial Statements.

Iowa City Community School District

Notes to Basic Financial Statements

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

Nature of operations:

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

Reporting entity:

For financial reporting purposes, the Iowa City Community School District has included all funds, organizations, agencies, boards, commissions and authorities for which the District is financially accountable. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on the organization, or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. In addition, the GASB issued Statement No. 39, 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 restricted for 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 which are restricted 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 which is restricted 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) guidance, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements. The District has elected not to follow FASB guidance issued 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

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, nonnegotiable certificates of deposit and IPAS Education Money Market Fund are stated at amortized cost which approximates fair value.

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 2011 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, 2010 assessed property valuations and is revenue for fiscal year ended June 30, 2012.

The succeeding year property tax receivable represents taxes certified by the Board of Education in April 2012. 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, 2013, 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

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, 2012, has also been accrued as a liability as of June 30, 2012.

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 consists of unspent grant proceeds and property tax and income surtax receivables not budgeted for until next fiscal year.

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, 2012. 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.

Long-term liabilities: In the governmental fund financial statements, principal and interest on long-term debt, early retirement payments, other postemployment benefits and compensated absences are recognized as liabilities only when payment has matured, or become due. Proceeds from the issuance of long-term debt is reported as other financing sources. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets. As of June 30, 2012, the District did not have any long-term obligations related to its business-type activities. Bond issuance costs, premiums and deferred amount on refunding 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 through resolution.

Assigned: Amounts constrained by the District's intent to use them for a specific purpose. The authority to assign fund balance has been delegated by the District's Board of Education to the Chief Financial Officer.

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. Residual deficit amounts of other governmental funds would also be reported as unassigned.

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.

Iowa City Community School District

Notes to Basic Financial Statements

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

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 and also excludes unspent debt proceeds. Unspent debt proceeds in the Physical Plant and Equipment Levy Fund were \$103,542. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net assets restricted through enabling legislation consists of \$455,399 for management levy, \$32,673,486 for the capital improvements and equipment and \$1,305,560 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.

Iowa City Community School District

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

As of June 30, 2012, 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	28,578,795	28,578,795	-	-	-
	<u>\$ 28,578,798</u>	<u>\$ 28,578,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Credit risk: The Board authorizes the District to invest funds in excess of current needs in interest-bearing savings, money market and checking accounts at the District's authorized depositories; the Iowa Schools Joint Investment Trust Program; obligations of the United States governments, its agencies and instrumentalities; and certificates of deposit and other evidences of deposit at federally insured Iowa depository institutions. The IPAS Education Money Market Fund meets the requirements of SEC Rule 2a-7 is not rated, but is registered with the SEC. The Iowa Schools Joint Investment Trust is rated Aaa 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 \$28,578,798 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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.

Iowa City Community School District

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

As of June 30, 2012, 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, 2012, none of the District's deposit bank balance or investments were exposed to custodial credit risk.

Note 3. Interfund Receivables and Payables

Individual interfund receivable and payable balances as of June 30, 2012, are as follows:

Receivable Fund	Payable Fund	Amount
Major Fund, General Fund	Nonmajor Enterprise Fund, School Nutrition Fund	\$ 2,402
Major Fund, Physical Plant and Equipment Levy Fund	Major Fund, Capital Projects Fund	4,668
Major Fund, General Fund	Major Fund, Capital Projects Fund	8,553
		<u>\$ 15,623</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.

Note 4. Interfund Transfers

Detail of interfund transfers for the year ended June 30, 2012, is as follows:

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

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

Iowa City Community School District

Notes to Basic Financial Statements

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2012, is as follows:

Governmental Activities	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Capital assets not being depreciated:				
Land	\$ 4,487,131	\$ -	\$ 32,990	\$ 4,454,141
Construction-in-progress	8,950,360	12,512,407	7,887,170	13,575,597
Total capital assets not being depreciated	13,437,491	12,512,407	7,920,160	18,029,738
Capital assets being depreciated:				
Buildings	151,155,964	9,809,998	429,000	160,536,962
Improvements other than buildings	9,832,301	1,225,888	-	11,058,189
Furniture, equipment and vehicles	16,684,449	797,704	-	17,482,153
Total capital assets being depreciated	177,672,714	11,833,590	429,000	189,077,304
Less accumulated depreciation for:				
Buildings	46,444,541	2,887,263	347,100	48,984,704
Improvements other than buildings	4,347,828	396,477	-	4,744,305
Furniture, equipment and vehicles	15,252,036	802,956	-	16,054,992
Total accumulated depreciation	66,044,405	4,086,696	347,100	69,784,001
Total capital assets being depreciated, net	111,628,309	7,746,894	81,900	119,293,303
Governmental activities capital assets, net	\$ 125,065,800	\$ 20,259,301	\$ 8,002,060	\$ 137,323,041
Business-Type Activities				
Furniture, equipment and vehicles	\$ 1,019,343	\$ 22,108	\$ -	\$ 1,041,451
Less accumulated depreciation	584,810	84,335	-	669,145
Business-type activities capital assets, net	\$ 434,533	\$ (62,227)	\$ -	\$ 372,306

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		\$ 2,750,747
Special		460,838
Other		294,936
Support services:		
Instructional services		10,002
Administration services		278,832
Operation and maintenance		262,151
		4,057,506
Unallocated depreciation, excluding direct depreciation		29,190
Total governmental activities depreciation expense		\$ 4,086,696
Business-type activities, nutritional services		\$ 84,335

Note 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 21,505,000	\$ 15,890,000	\$ 19,405,000	\$ 17,990,000	\$ 2,825,000
Early retirement	1,907,802	2,254,117	1,159,121	3,002,798	2,526,232
Other postemployment benefits	371,188	832,000	593,647	609,541	-
Compensated absences	549,191	651,042	562,378	637,855	637,855
Total	\$ 24,333,181	\$ 19,627,159	\$ 21,720,146	\$ 22,240,194	\$ 5,989,087

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, the last 10 years consecutively, 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

Note 6. Long-Term Liabilities (Continued)

5. The benefits offered to District employees shall be a District contribution to a Special Pay Deferral Plan (SPDP) of 70 percent of current year's base salary calculated on the average full time equivalence (FTE) status for the past 10 years.

During the year ended June 30, 2012, 48 District employees requested early retirement, to be payable during the year ending June 30, 2013. The benefits to be paid to these employees will be made in October 2012 and total \$2,254,117 to be generally liquidated from the Management Fund. During the year ended June 30, 2012, the District paid \$820,089 of early retirement benefits approved during the year ended June 30, 2011 from the Management Fund. In addition, \$748,681 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 liability for compensated absences is expected to be utilized or paid out within one year.

Bonds payable: Details of the District's general obligation bond indebtedness as of June 30, 2012 are as follows:

General obligation bond Series 2004 with an original issue amount of \$29,000,000 maturing through June 2013 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 June 30,	Bond Issue of March 1, 2004		
	Interest Rates	Principal	Interest
2013	4.00%	\$ 2,100,000	\$ 564,000

On March 29, 2012, the District issued \$4,480,000 in General Obligation Refunding Bonds, Series 2012A maturing June 1, 2013 through June 1, 2018 with an interest rate of 2 percent to currently refund the \$4,630,000 balance of the previously issued General Obligation Bonds, Series 2003 with interest rates from 3.400 percent to 3.875 percent. The District completed the current refunding to reduce its total debt service payments by \$438,906 over the next six years and to obtain a \$430,749 economic gain (difference between present values of the old and new debt service payments).

Year Ending June 30,	Bond Issue of March 29, 2012		
	Interest Rates	Principal	Interest
2013	2.00%	\$ 725,000	\$ 105,031
2014	2.00	750,000	75,100
2015	2.00	725,000	60,100
2016	2.00	740,000	45,600
2017	2.00	760,000	30,800
2018	2.00	780,000	15,600
		<u>\$ 4,480,000</u>	<u>\$ 332,231</u>

Iowa City Community School District

Notes to Basic Financial Statements

Note 6. Long-Term Liabilities (Continued)

On March 29, 2012, the District issued \$11,410,000 in General Obligation Refunding Bonds, Series 2012B maturing June 1, 2014 through June 1, 2018 with an interest rate of 3 percent to advance refund, on June 1, 2013, \$12,000,000 of the outstanding General Obligation Bonds, Series 2004 with interest rates at 4.00 percent. The net proceeds related to the partial refunding of \$12,376,759 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the General Obligation Bonds, Series 2004 being refunded.

The District completed the advance refunding to reduce its total debt service payments by \$1,021,350 over the next six years and to obtain a \$988,576 economic gain (difference between the present values of the old and new debt service payments).

Year Ending June 30,	Bond Issue of March 29, 2012		
	Interest Rates	Principal	Interest
2013	3.00%	\$ -	\$ 401,252
2014	3.00	2,135,000	342,300
2015	3.00	2,210,000	278,250
2016	3.00	2,285,000	211,950
2017	3.00	2,355,000	143,400
2018	3.00	2,425,000	72,750
		<u>\$ 11,410,000</u>	<u>\$ 1,449,902</u>

As of June 30, 2012, the District did not exceed its legal debt margin computed as follows:

Total assessed valuation	<u>\$ 7,820,261,851</u>
Debt limit, 5% of total assessed valuation	\$ 391,013,093
Amount of debt applicable to debt limitation, general obligation bonds	<u>17,990,000</u>
Excess of debt limit over debt outstanding, legal debt margin	<u>\$ 373,023,093</u>

Note 7. Pension and Retirement Benefits

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

For the fiscal year ended June 30, 2012, plan members were required to contribute 5.38 percent of their annual covered salary and the District was required to contribute 8.07 percent of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$6,149,781, \$5,160,450 and \$4,877,682, respectively, equal to the required contributions for each year.

Iowa City Community School District

Notes to Basic Financial Statements

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, 2012, 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, 2012 and 2011 were as follows:

Self-Insurance Liability	Beginning	Claims and Changes in Estimates	Claims Payments	Ending
Health:				
2012	\$ 1,280,000	\$ 7,462,005	\$ 7,427,770	\$ 1,314,235
2011	1,272,000	7,374,431	7,366,431	1,280,000

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 \$4,587,779 for the year ended June 30, 2012. The District's actual constructive revenue and constructive expenses are included in the General Fund.

Note 10. Commitments

As of June 30, 2012, the District had outstanding construction commitments totaling approximately \$8,500,000.

Note 11. Nonvested Employee Benefits

District employees accumulate sick leave hours for subsequent use. Sick leave is payable only when used and can be carried over in limited amounts for use in future years. The contingent liability for this sick leave is approximately \$20,800,000 as of June 30, 2012. 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, 2012.

Iowa City Community School District

Notes to Basic Financial Statements

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, 2012. Rental expense during the year ended June 30, 2012 was \$127,968.

Lease commitments as of June 30, 2012, for these leases are as follows:

Year ending June 30:

2013	\$	53,625
2014		36,000
2015		3,000
	\$	<u>92,625</u>

Note 13. Contingencies

As of June 30, 2012, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time; however, management does not believe they will be material to the basic financial statements.

Note 14. Jointly Governed Organization

The District is a member of a cooperative agreement with the City of Coralville, Iowa organized under 28E of the Code of Iowa to provide for the operation of a joint swimming pool facility. The mayor of the City of Coralville, Iowa is designated as the administrator of the agreement. Under the agreement, the District is responsible for 30 percent of the City's costs and expenses in operating and maintaining the facility payable monthly throughout the year. For the fiscal year 2012, 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.

Iowa City Community School District

Notes to Basic Financial Statements

Note 15. Other Postemployment Benefits (OPEB) (Continued)

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2012, 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

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	\$ 815,000
Interest on net OPEB obligation	17,000
Adjustment to annual required contribution	(20,000)
Annual OPEB cost (expense)	<u>812,000</u>
Contributions and payments made	<u>573,647</u>
Increase in net OPEB obligation	238,353
Net OPEB obligation July 1, 2011	<u>371,188</u>
Net OPEB obligation June 30, 2012	<u><u>\$ 609,541</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for 2012 and the two preceding years follows.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2010	\$ 677,837	70%	\$ 344,835
06/30/2011	600,000	96	371,188
06/30/2012	812,000	71	609,541

Iowa City Community School District

Notes to Basic Financial Statements

Note 15. Other Postemployment Benefits (OPEB) (Continued)

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 \$76,255,574 and the ratio of the UAAL to the covered payroll was 5.82 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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

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.

Iowa City Community School District

Notes to Basic Financial Statements

Note 16. Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications. The details for the District's fund balances are as follows:

Fund Balances:	Physical Plant and Equipment		Capital Projects	Nonmajor Governmental	Total
	General	Levy			
Nonspendable, prepaids	\$ 876,455	\$ -	\$ 50,372	\$ -	\$ 926,827
Restricted:					
Categorical funding:					
Gifted and talented program	689,883	-	-	-	689,883
Home school assistance program	379,841	-	-	-	379,841
Supplemental weighting	676,147	-	-	-	676,147
Drop out prevention	374,861				374,861
State preschool	204,402				204,402
Beginning teacher mentoring	6,462				6,462
Teacher salary supplement	511,189				511,189
Teacher quality market factor	18,312				18,312
Admin mentoring	2,229				2,229
Mann K-3 grant	267				267
State class size reduction	60,753				60,753
Nonpublic textbook	405				405
Rec Ed programs	126				126
State mentoring	18,046				18,046
STEM	1,760				1,760
Teacher quality-core curriculum	245,014				245,014
Teacher quality	425,457				425,457
Teacher quality market factor 2008	6,245				6,245
Debt service	-	-	-	42,231	42,231
Management levy purposes	-	-	-	455,399	455,399
Student activities	-	-	-	1,305,560	1,305,560
Capital improvements and equipment	-	4,244,894	28,398,592	-	32,643,486
Total restricted	3,621,399	4,244,894	28,398,592	1,803,190	38,068,075
Assigned, general government:					
Administrator travel	49,065	-	-	-	49,065
Building carryover balances	560,498	-	-	-	560,498
Unassigned	15,382,598	-	-	-	15,382,598
Total fund balances	\$ 20,490,015	\$ 4,244,894	\$ 28,448,964	\$ 1,803,190	\$ 54,987,063

Iowa City Community School District

Notes to Basic Financial Statements

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

As of June 30, 2012, 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. 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. 65, *Items Previously Reported as Assets and Liabilities*, issued April 2012, will be effective for the District beginning with its year ending June 30, 2014. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, this Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.
- GASB Statement No. 66, *Technical Corrections - 2012*, issued April 2012, will be effective for the District beginning with its year ending June 30, 2014. This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This Statement amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund types. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement also amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for: (a) operating lease payments that vary from a straight-line basis; (b) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans; and (c) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases* and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

Iowa City Community School District

Notes to Basic Financial Statements

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

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the District beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

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]
2010	07/01/2008	\$ -	\$ 4,441,000	\$ 4,441,000	- %	\$ 71,799,521	6.19%
2011	07/01/2010	-	4,441,000	4,441,000	-	74,746,252	5.94
2012	07/01/2010	-	4,441,000	4,441,000	-	76,255,574	5.82

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, 2012

	Governmental Fund Types Actual	Enterprise Fund Type Actual	Total Actual
Revenues:			
Local sources	\$ 92,196,265	\$ 2,249,733	\$ 94,445,998
State sources	58,148,506	37,624	58,186,130
Federal sources	8,321,085	2,321,320	10,642,405
Total revenues	158,665,856	4,608,677	163,274,533
Expenditures:			
Instruction	85,181,022	-	85,181,022
Support services	38,071,847	-	38,071,847
Noninstructional programs	27,462	4,528,176	4,555,638
Other expenditures	33,901,097	-	33,901,097
Total expenditures	157,181,428	4,528,176	161,709,604
Excess of revenues over expenditures/expenses	1,484,428	80,501	1,564,929
Other financing sources (uses):			
Issuance of general obligation bonds	15,890,000	-	15,890,000
Premium on bond issuance	1,232,599	-	1,232,599
Payment to bond escrow agent	(12,376,759)	-	(12,376,759)
Proceeds from sale of capital assets	4,499,440	-	4,499,440
Total other financing sources (uses)	9,245,280	-	9,245,280
Fund balances, beginning of year	44,257,355	2,948,136	47,205,491
Fund balances, end of year	\$ 54,987,063	\$ 3,028,637	\$ 58,015,700

See Note to Required Supplementary Information.

Budgeted Amounts		Final to Actual Variance- Over (Under)
Original	Final	
\$ 94,840,854	\$ 94,840,854	\$ (394,856)
58,840,772	58,840,772	(654,642)
7,230,170	7,230,170	3,412,235
160,911,796	160,911,796	2,362,737
92,482,705	93,828,290	(8,647,268)
36,841,057	38,455,067	(383,220)
4,760,045	4,806,779	(251,141)
27,619,599	38,919,343	(5,018,246)
161,703,406	176,009,479	(14,299,875)
\$ (791,610)	\$ (15,097,683)	\$ 16,662,612

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Iowa City Community School District

Note to Required Supplementary Information – Budgetary Reporting

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

During the year ended June 30, 2012, the District adopted one budget amendment which increased the budgeted expenditures by \$14,306,073.

During the year ended June 30, 2012, 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, 2012

	Special Revenue		Debt Service	Total Nonmajor Governmental Funds
	Management	Student Activity		
Assets				
Cash and cash equivalents and investments	\$ 470,101	\$ 1,328,458	\$ 23,467	\$ 1,822,026
Receivables:				
Property tax:				
Current year	11,723	-	18,764	30,487
Succeeding year	3,699,995	-	3,494,052	7,194,047
Total assets	\$ 4,181,819	\$ 1,328,458	\$ 3,536,283	\$ 9,046,560
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 26,425	\$ 22,898	\$ -	\$ 49,323
Deferred revenue, succeeding year property tax	3,699,995	-	3,494,052	7,194,047
Total liabilities	3,726,420	22,898	3,494,052	7,243,370
Fund balances, restricted	455,399	1,305,560	42,231	1,803,190
Total liabilities and fund balances	\$ 4,181,819	\$ 1,328,458	\$ 3,536,283	\$ 9,046,560

Iowa City Community School District

**Combining Statement of Revenues, Expenditures and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012**

	Special Revenue			Total Nonmajor Governmental Funds
	Management	Student Activity	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ 2,292,606	\$ -	\$ 3,599,205	\$ 5,891,811
Other	49,846	2,690,797	6,473	2,747,116
Total revenues	2,342,452	2,690,797	3,605,678	8,638,927
Expenditures:				
Current:				
Instruction:				
Regular	819,859	-	-	819,859
Other instruction	-	2,437,024	-	2,437,024
Support services:				
Administration services	562,380	155,017	1,749	719,146
Operations and maintenance	850,682	2,245	-	852,927
Transportation services	-	178,368	-	178,368
Debt service:				
Principal	-	-	7,405,000	7,405,000
Interest and fiscal charges	-	-	823,708	823,708
Bond issuance costs	-	-	83,266	83,266
Total expenditures	2,232,921	2,772,654	8,313,723	13,319,298
Excess (deficiency) of revenues over expenditures	109,531	(81,857)	(4,708,045)	(4,680,371)
Other financing sources (uses):				
Issuance of general obligation bonds	-	-	15,890,000	15,890,000
Premium on bond issuance	-	-	1,232,599	1,232,599
Payment to bond escrow agent	-	-	(12,376,759)	(12,376,759)
Transfers in	-	182,000	-	182,000
Total other financing sources	-	182,000	4,745,840	4,927,840
Net change in fund balances	109,531	100,143	37,795	247,469
Fund balances, beginning of year	345,868	1,205,417	4,436	1,555,721
Fund balances, end of year	\$ 455,399	\$ 1,305,560	\$ 42,231	\$ 1,803,190

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, 2012

	City High School	West High School	Northwest Junior High and Elementary Schools	South East Junior High and Elementary Schools
Revenues:				
Local sources:				
Other:				
Interest income	\$ 2,105	\$ 1,594	\$ 262	\$ 232
Student activity fees, sales and miscellaneous	1,056,461	1,084,489	146,010	69,794
Total revenues	1,058,566	1,086,083	146,272	70,026
Expenditures:				
Current:				
Instruction, other instruction	915,654	1,025,175	129,765	79,205
Support services:				
Administration services	66,025	57,043	16,240	1,670
Operations and maintenance	-	-	-	-
Transportation services	-	-	-	-
Total expenditures	981,679	1,082,218	146,005	80,875
Excess (deficiency) of revenues over expenditures	76,887	3,865	267	(10,849)
Other financing sources, transfers in	16,000	16,000	-	-
Net change in fund balances (deficits)	92,887	19,865	267	(10,849)
Fund balances (deficits), beginning of year	473,750	561,123	73,716	37,484
Fund balances (deficits), end of year	\$ 566,637	\$ 580,988	\$ 73,983	\$ 26,635

North Central Junior High and Elementary Schools	Athletic Fund	District-Wide Activities Account	Vocational Auto Mechanics	Total Student Activity Funds
\$ 169	\$ 74	\$ 8	\$ -	\$ 4,444
74,279	250,859	3,244	1,217	2,686,353
74,448	250,933	3,252	1,217	2,690,797
61,505	221,522	2,602	1,596	2,437,024
14,039	-	-	-	155,017
-	2,245	-	-	2,245
-	178,368	-	-	178,368
75,544	402,135	2,602	1,596	2,772,654
(1,096)	(151,202)	650	(379)	(81,857)
-	150,000	-	-	182,000
(1,096)	(1,202)	650	(379)	100,143
44,704	(39,209)	27,691	26,158	1,205,417
\$ 43,608	\$ (40,411)	\$ 28,341	\$ 25,779	\$ 1,305,560

Iowa City Community School District

Statement of Changes in Fiduciary
Assets and Liabilities - Agency Funds
Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Flexible Benefits Account				
Assets,				
cash and cash equivalents	\$ 202,831	\$ 1,378,603	\$ 1,370,546	\$ 210,888
Liabilities,				
due to private individuals	\$ 202,831	\$ 1,378,603	\$ 1,370,546	\$ 210,888
School Children's Aid				
Assets,				
cash and cash equivalents	\$ 34,322	\$ 18,834	\$ 41,169	\$ 11,987
Liabilities,				
due to private individuals	\$ 34,322	\$ 18,834	\$ 41,169	\$ 11,987
Opportunity Funds				
Assets,				
cash and cash equivalents	\$ 2,188	\$ -	\$ -	\$ 2,188
Liabilities,				
due to private individuals	\$ 2,188	\$ -	\$ -	\$ 2,188
School Based Health Clinics				
Assets,				
cash and cash equivalents	\$ 13,065	\$ 68,983	\$ 75,497	\$ 6,551
Liabilities,				
due to private individuals	\$ 13,065	\$ 68,983	\$ 75,497	\$ 6,551
Total Agency Funds				
Assets,				
cash and cash equivalents	\$ 252,406	\$ 1,466,420	\$ 1,487,212	\$ 231,614
Liabilities,				
due to private individuals	\$ 252,406	\$ 1,466,420	\$ 1,487,212	\$ 231,614

Iowa City Community School District

Statistical Section Contents

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

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	60 - 73
Revenue Capacity	
These schedules contain information to help the reader assess the District's most significant local revenue sources, the property tax (or sales tax).	74 - 77
Debt Capacity	
These schedules present information to help the reader assess the affordability of the District's current level of outstanding debt and the District's ability to issue additional debt in the future.	78 - 81
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	82 - 83
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	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 Ten 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
Total governmental activities net assets	\$ 63,686,257	\$ 64,522,589	\$ 69,882,684
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
Total business-type activities net assets	\$ 1,276,163	\$ 1,574,988	\$ 1,845,485
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
Total primary government net assets	\$ 64,962,420	\$ 66,097,577	\$ 71,728,169

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

							Fiscal Year	
2006	2007	2008	2009	2010	2011	2012		
\$ 60,614,632	\$ 64,933,021	\$ 73,555,648	\$ 80,393,020	\$ 93,159,408	\$ 103,461,937	\$ 118,552,457		
7,951,013	9,460,390	5,669,654	5,416,705	6,784,465	34,107,364	38,265,060		
7,670,949	6,659,080	17,882,764	32,018,847	33,609,893	20,434,179	26,988,542		
\$ 76,236,594	\$ 81,052,491	\$ 97,108,066	\$ 117,828,572	\$ 133,553,766	\$ 158,003,480	\$ 183,806,059		
\$ 342,565	\$ 456,833	\$ 496,000	\$ 490,509	\$ 498,303	\$ 434,533	\$ 372,306		
1,872,776	2,111,394	2,345,817	2,560,254	2,752,849	3,102,508	3,340,591		
\$ 2,215,341	\$ 2,568,227	\$ 2,841,817	\$ 3,050,763	\$ 3,251,152	\$ 3,537,041	\$ 3,712,897		
\$ 60,957,197	\$ 65,389,854	\$ 74,051,648	\$ 80,883,529	\$ 93,657,711	\$ 103,896,470	\$ 118,924,763		
7,951,013	9,460,390	5,669,654	5,416,705	6,784,465	34,107,364	38,265,060		
9,543,725	8,770,474	20,228,581	34,579,101	36,362,742	23,536,687	30,329,133		
\$ 78,451,935	\$ 83,620,718	\$ 99,949,883	\$ 120,879,335	\$ 136,804,918	\$ 161,540,521	\$ 187,518,956		

Iowa City Community School District

**Expenses, Program Revenues and Net (Expense) Revenue
Last Ten 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
Total governmental activities expenses	84,006,577	88,208,300	91,051,930
Business-type activities, nutrition	2,501,061	2,714,004	2,941,497
Total primary government expenses	\$ 86,507,638	\$ 90,922,304	\$ 93,993,427
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
Total governmental activities program revenues	10,097,688	10,904,612	13,151,739
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	-	-	-
Total business-type program revenues	2,740,857	3,001,843	3,187,720
Total primary government program revenues	\$ 12,838,545	\$ 13,906,455	\$ 16,339,459
Net (expense) revenue:			
Governmental activities	\$ (73,908,889)	\$ (77,303,688)	\$ (77,900,191)
Business-type activities	239,796	287,839	246,223
Total primary government net expense	\$ (73,669,093)	\$ (77,015,849)	\$ (77,653,968)

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

							Fiscal Year	
2006	2007	2008	2009	2010	2011	2012		
\$ 63,495,701	\$ 67,906,615	\$ 75,311,719	\$ 80,135,420	\$ 85,736,202	\$ 88,288,063	\$ 91,391,355		
2,836,912	2,945,952	3,151,173	3,410,990	4,189,268	3,833,693	4,612,635		
4,930,194	5,125,575	6,292,532	6,277,063	5,950,476	6,017,524	6,708,676		
8,047,884	8,663,947	9,585,085	9,177,313	9,894,942	9,113,670	10,421,294		
9,251,147	10,391,249	10,149,107	11,020,902	12,031,969	12,285,578	13,348,760		
3,544,445	3,764,939	5,011,447	5,670,355	4,440,490	4,791,918	5,489,138		
5,055,519	5,998,900	5,188,131	4,986,103	4,798,409	4,973,519	4,616,969		
18,775	13,762	17,660	44,222	47,444	6,026	93,018		
1,229,057	1,167,068	1,065,987	1,028,590	958,922	882,375	857,422		
98,409,634	105,978,007	115,772,841	121,750,958	128,048,122	130,192,366	137,539,267		
3,205,272	3,451,139	3,806,588	4,044,118	4,177,028	4,158,824	4,432,821		
\$ 101,614,906	\$ 109,429,146	\$ 119,579,429	\$ 125,795,076	\$ 132,225,150	\$ 134,351,190	\$ 141,972,088		
\$ 3,016,916	\$ 3,375,102	\$ 3,544,907	\$ 3,875,751	\$ 3,494,113	\$ 3,703,065	\$ 3,213,735		
11,447	19,701	11,919	113,293	102,924	122,442	107,478		
10,502,795	10,904,544	13,447,339	17,401,300	25,053,119	23,180,191	21,043,495		
457,884	709,601	181,603	-	-	-	-		
13,989,042	15,008,948	17,185,768	21,717,231	28,650,156	27,005,698	24,364,708		
2,094,665	2,153,019	2,258,569	2,321,754	2,262,408	2,175,411	2,244,238		
1,384,365	1,545,561	1,759,123	1,906,739	2,106,387	2,262,074	2,358,944		
33,057	11,000	-	-	-	-	-		
3,512,087	3,709,580	4,017,692	4,228,493	4,368,795	4,437,485	4,603,182		
\$ 17,501,129	\$ 18,718,528	\$ 21,203,460	\$ 25,945,724	\$ 33,018,951	\$ 31,443,183	\$ 28,967,890		
\$ (84,420,592)	\$ (90,969,059)	\$ (98,587,073)	\$ (100,033,727)	\$ (99,397,966)	\$ (103,186,668)	\$ (113,174,559)		
306,815	258,441	211,104	184,375	191,767	278,661	170,361		
\$ (84,113,777)	\$ (90,710,618)	\$ (98,375,969)	\$ (99,849,352)	\$ (99,206,199)	\$ (102,908,007)	\$ (113,004,198)		

Iowa City Community School District

General Revenues and Total Change in Net Assets

Last Ten 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
Total primary government net expense	(73,669,093)	(77,015,849)	(77,653,968)
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
Gain on sale of capital assets	-	-	-
Other	3,303,383	3,017,626	3,012,653
Total governmental activities	75,688,077	78,545,020	82,855,286
Business-type activities, investment earnings	13,962	10,986	24,274
Total primary government	75,702,039	78,556,006	82,879,560
Change in net assets:			
Governmental activities	1,779,188	1,241,332	4,955,095
Business-type activities	253,758	298,825	270,497
Total primary government	\$ 2,032,946	\$ 1,540,157	\$ 5,225,592

* 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	2012
\$ (84,420,592)	\$ (90,969,059)	\$ (98,587,073)	\$ (100,033,727)	\$ (99,397,966)	\$ (103,186,668)	\$ (113,174,559)
306,815	258,441	211,104	184,375	191,767	278,661	170,361
(84,113,777)	(90,710,618)	(98,375,969)	(99,849,352)	(99,206,199)	(102,908,007)	(113,004,198)
39,354,754	43,260,607	46,156,268	50,280,460	52,974,155	57,971,131	59,722,769
5,827,602	6,463,349	6,715,464	7,131,726	7,481,779	7,769,270	8,026,572
3,640,090	3,603,181	3,117,301	3,573,769	3,524,683	3,382,231	3,599,933
-	-	13,952,660	12,870,778	13,207,890	13,643,664	13,833,210
36,727,158	38,000,023	40,899,909	43,398,531	33,877,697	40,987,077	45,509,708
989,882	1,214,815	756,496	642,596	317,079	197,048	268,335
-	-	-	-	-	-	4,384,550
4,235,016	3,242,981	3,044,550	3,183,260	3,739,877	3,685,961	3,632,061
90,774,502	95,784,956	114,642,648	120,754,233	115,123,160	127,636,382	138,977,138
63,041	94,445	62,486	24,571	8,622	7,228	5,495
90,837,543	95,879,401	114,705,134	120,778,804	115,131,782	127,643,610	138,982,633
6,353,910	4,815,897	16,055,575	20,720,506	15,725,194	24,449,714	25,802,579
369,856	352,886	273,590	208,946	200,389	285,889	175,856
\$ 6,723,766	\$ 5,168,783	\$ 16,329,165	\$ 20,929,452	\$ 15,925,583	\$ 24,735,603	\$ 25,978,435

Iowa City Community School District

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
General Fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Reserved	753,308	621,500	735,539	1,071,626
Unreserved	13,119,873	11,243,223	11,654,539	10,400,123
Total General Fund	\$ 13,873,181	\$ 11,864,723	\$ 12,390,078	\$ 11,471,749
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Reserved	370,397	450,071	471,401	552,899
Unreserved, reported in:				
Special revenue funds	3,781,113	5,340,982	5,772,504	8,054,048
Capital projects funds	10,001,895	32,896,901	8,117,685	(7,704,715)
Total all other governmental funds	\$ 14,153,405	\$ 38,687,954	\$ 14,361,590	\$ 902,232

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

		Fiscal Year								
		2007	2008	2009	2010	2011	2012			
\$	-	\$	-	\$	-	\$	771,671	\$	876,455	
	-		-		-		3,516,243		3,621,399	
	-		-		-		-		-	
	-		-		-		502,365		609,563	
	-		-		-		9,292,774		15,382,598	
	1,334,507		1,546,798		1,534,839		3,539,004		-	
	9,208,308		3,554,114		5,344,723		4,396,154		-	
\$	10,542,815	\$	5,100,912	\$	6,879,562	\$	7,935,158	\$	14,083,053	
\$	-	\$	-	\$	-	\$	-	\$	50,372	
	-		-		-		30,174,302		34,446,676	
	-		-		-		-		-	
	-		-		-		-		-	
	-		-		-		-		-	
	642,360		168,233		178,454		186,277		-	
	9,335,752		5,774,720		5,491,255		4,944,259		-	
	(8,986,375)		8,161,146		17,028,974		19,289,186		-	
\$	991,737	\$	14,104,099	\$	22,698,683	\$	24,419,722	\$	30,174,302	
									\$	34,497,048

Iowa City Community School District

Governmental Funds Revenues

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Federal sources, federal grants	\$ 2,122,528	\$ 2,211,501	\$ 3,849,343	\$ 4,022,837
State sources, state grants and other	38,424,534	38,088,997	40,391,200	42,726,134
Local sources:				
Ad valorem taxes	39,060,701	42,385,863	44,369,440	48,822,446
Interest and other income	317,551	157,253	380,544	989,882
Other revenues	5,865,674	6,193,427	6,597,126	7,845,172
Total local sources	45,243,926	48,736,543	51,347,110	57,657,500
Total revenues	\$ 85,790,988	\$ 89,037,041	\$ 95,587,653	\$ 104,406,471

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 3,846,094	\$ 3,691,110	\$ 5,440,340	\$ 11,278,777	\$ 8,222,274	\$ 8,321,085
45,049,784	50,154,765	54,506,988	46,487,840	53,955,043	58,148,506
53,327,137	69,075,496	73,835,697	76,978,507	83,201,298	85,292,389
1,214,815	1,321,185	196,284	60,266	42,246	191,372
6,640,304	7,159,282	7,991,035	8,623,115	9,251,854	6,712,504
61,182,256	77,555,963	82,023,016	85,661,888	92,495,398	92,196,265
\$ 110,078,134	\$ 131,401,838	\$ 141,970,344	\$ 143,428,505	\$ 154,672,715	\$ 158,665,856

Iowa City Community School District

Governmental Funds Expenditures and Debt Service Ratio

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	2003 (1)	2004 (1)	2005 (1)	2006 (1)
Instruction	\$ 51,047,044	\$ 54,905,152	\$ 56,638,793	\$ 62,091,439
Pupil personnel services	2,288,553	2,555,746	2,710,002	2,836,912
Instructional media services	-	-	-	-
Instruction and curriculum development services	4,730,821	5,473,625	4,798,911	4,923,439
Board of education	-	-	-	-
General administration	-	-	-	-
School administration	8,757,421	8,339,612	8,661,234	8,299,518
Fiscal services	-	-	-	-
Central services	-	-	-	-
Plant operation and maintenance	6,983,505	7,412,390	7,769,887	9,105,165
Pupil transportation services	2,541,268	2,794,426	2,670,509	3,544,445
AEA flowthrough	3,187,081	3,035,870	3,127,792	3,284,598
Community services	255,004	271,862	271,913	18,962
Noncapital facilities acquisition/construction	-	-	902,669	1,760,485
Capital outlay, facilities acquisition/construction	4,567,357	9,939,999	27,607,472	19,300,592
Debt service:				
Principal	1,865,000	705,000	2,650,000	2,365,000
Interest	80,988	404,944	1,579,480	1,253,603
Bond issuance costs	-	-	-	-
Total expenditures	\$ 86,304,042	\$ 95,838,626	\$ 119,388,662	\$ 118,784,158
Debt service as a percentage of noncapital expenditures	2.38%	1.29%	4.61%	3.64%

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

							Fiscal Year					
							2007 (1)	2008 (1)	2009 (1)	2010 (1)	2011 (1)	2012
\$	65,440,584	\$	71,694,880	\$	79,469,308	\$	80,550,680	\$	85,334,071	\$	85,181,022	
	2,945,952		3,151,173		3,405,973		4,082,113		3,853,422		4,609,186	
	-		-		-		-		-		-	
	5,106,837		6,264,667		6,221,272		5,796,009		6,119,871		6,585,642	
	-		-		-		-		-		-	
	-		-		-		-		-		-	
	9,074,574		9,619,098		9,624,966		9,817,405		9,474,078		10,180,266	
	-		-		-		-		-		-	
	-		-		-		-		-		-	
	10,204,862		9,918,437		10,583,745		10,468,714		10,877,956		11,207,615	
	3,764,939		5,011,447		5,670,355		4,440,490		4,791,918		5,489,138	
	3,561,580		3,855,124		4,265,250		4,766,004		4,940,696		4,587,779	
	13,762		17,660		24,542		38,690		34,444		27,462	
	2,407,038		1,301,574		674,733		3,145,655		2,158,361		4,542,517	
	4,825,783		9,273,067		8,082,813		14,027,658		11,619,445		16,458,827	
	2,380,000		2,495,000		2,515,000		2,530,000		2,655,000		7,405,000	
	1,191,652		1,129,252		1,059,153		988,452		910,978		823,708	
	-		-		-		-		-		83,266	
\$	110,917,563	\$	123,731,379	\$	131,597,110	\$	140,651,870	\$	142,770,240	\$	157,181,428	
	3.37%		3.01%		2.89%		2.78%		2.72%		5.85%	

Iowa City Community School District

Other Financing Sources and Uses and Net Change in Fund Balances

Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Excess of revenues over (under) expenditures	\$ (513,054)	\$ (6,801,585)	\$ (23,801,009)	\$ (14,377,687)
Other financing sources (uses):				
General long-term debt issued	\$ 10,039,661	\$ 29,327,676	\$ -	\$ -
Premium on bond issuance	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Sale of capital assets	-	-	-	-
Real estate contract financing	940,000	-	-	-
Transfers in	514,537	455,260	849,694	235,841
Transfers out	(514,537)	(455,260)	(849,694)	(235,841)
Total other financing sources (uses)	10,979,661	29,327,676	-	-
Net change in fund balances	\$ 10,466,607	\$ 22,526,091	\$ (23,801,009)	\$ (14,377,687)

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ (839,429)	\$ 7,670,459	\$ 10,373,234	\$ 2,776,635	\$ 11,902,475	\$ 1,484,428
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,890,000
-	-	-	-	-	1,232,599
-	-	-	-	-	(12,376,759)
-	-	-	-	-	4,499,440
-	-	-	-	-	-
200,906	9,149,956	182,000	182,000	182,000	182,000
(200,906)	(9,149,956)	(182,000)	(182,000)	(182,000)	(182,000)
-	-	-	-	-	9,245,280
\$ (839,429)	\$ 7,670,459	\$ 10,373,234	\$ 2,776,635	\$ 11,902,475	\$ 10,729,708

Iowa City Community School District

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

Fiscal Year	Actual Value			Total Actual Value	Total Taxable Value	Total Direct Rate
	Residential Property	Commercial Property	Agricultural and Other Property			
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	1,959,711,962	148,264,569	7,820,261,851	4,473,488,984	14.191
2011	5,868,493,394	1,985,199,157	147,989,706	8,001,682,257	4,643,640,687	14.690
2012	6,051,524,322	1,752,073,075	154,268,256	7,957,865,653	4,806,027,801	14.590

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 \$7,820,261,851 from January 1, 2010 are used for the taxable values for fiscal year 2012.

* Utility and gas and electric valuations are not included for 2012 as they have not been certified by the Department of Revenue

Iowa City Community School District

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

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

(Unaudited)

Fiscal Year Ended June 30	District Direct Rates				Overlapping Rates			
	General Purposes	Capital Purposes	Debt Service Purposes	Total	County	City of Iowa City	Area School	Other
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
2012	12.171	1.670	0.749	14.590	6.990	17.842	0.999	0.333

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	2012			2003		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Coral Ridge Mall LLC	\$ 96,600,000	1	2.01%	-	-	-
Mid American Energy Co	95,235,562	2	1.98	68,154,772	1	2.35
American College Testing Program, Inc.	48,220,590	3	1.00	22,448,925	5	0.78
City of Coralville	28,476,060	4	0.59	-	-	-
CCAL 100 Hawk Ridge Drive LLC	23,747,370	5	0.49	-	-	-
Individual	23,678,798	6	0.49	-	-	-
ITC Midwest LLC	21,973,557	7	0.46	-	-	-
Individual	20,443,080	8	0.43	-	-	-
Southgate Development Co, Inc.	17,915,900	9	0.37	22,300,455	6	0.77
Dealer Properties IC LLC	17,370,380	10	0.36	-	0	-
GGP Limited Partnership	-	-	-	47,705,000	2	1.65
Individual	-	-	-	27,200,078	3	0.94
Hawkeye Real Estate Investment	-	-	-	24,283,430	4	0.84
Qwest	-	-	-	17,411,510	7	0.60
National Computer Systems, Inc.	-	-	-	16,158,680	9	0.56
Individual	-	-	-	16,271,460	8	0.56
Individual	-	-	-	12,389,510	10	0.43
All other taxpayers	4,412,366,504	-	-	2,621,245,418	-	-
Total	\$ 4,806,027,801			\$ 2,895,569,238		

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
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
2011	63,761,728	63,688,547	99.88	11,073	63,699,620	99.90
2012	65,691,101	65,569,688	99.82	3,721	65,573,409	99.82

Source: Johnson County Auditor and District records.

Iowa City Community School District

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

Fiscal Year	General Obligation Bonds Outstanding	Percent of Actual Taxable Value of Property	Per Capita	Percentage of Personal Income
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	*
2011	21,505,000	0.46	195.50	*
2012	17,990,000	0.37	163.55	*

Source: District records

* Information not available

Iowa City Community School District

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2012
(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Direct and Overlapping Debt
City of Iowa City	76,675,000	99.999%	\$ 76,673,504
City of Coralville	176,092,374	75.291	132,582,425
City of North Liberty	25,416,000	71.671	18,215,983
Kirkwood Community College	74,570,000	75.059	55,971,616
Johnson County	14,736,000	75.008	11,053,161
City of University Heights	144,000	100.000	144,000
Subtotal, overlapping debt			294,640,689
District direct debt			17,990,000
Total direct and overlapping debt			\$ 312,630,689

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)**

	2003	2004	2005	2006
Debt limit	\$ 202,988,628	\$ 222,536,021	\$ 262,674,791	\$ 275,197,931
Total net debt applicable to limit	-	38,495,000	36,445,000	34,080,000
Legal debt margin	<u>\$ 202,988,628</u>	<u>\$ 184,041,021</u>	<u>\$ 226,229,791</u>	<u>\$ 241,117,931</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	20.92%	16.11%	14.13%

Source: Johnson County Auditor and District records.

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value - 2010 valuation	\$ 7,820,261,851
Debt limit (5% of assessed value)	\$ 391,013,093
Debt applicable to limit	17,990,000
Legal debt margin	\$ 373,023,093

	2007	2008	2009	2010	2011	2012
\$	317,997,232	\$ 332,855,691	\$ 363,164,677	\$ 374,506,391	\$ 383,874,475	\$ 391,013,093
	31,700,000	29,205,000	26,690,000	24,160,000	21,505,000	17,990,000
\$	286,297,232	\$ 303,650,691	\$ 336,474,677	\$ 350,346,391	\$ 362,369,475	\$ 373,023,093

11.07%

9.62%

7.35%

6.45%

5.60%

4.60%

Iowa City Community School District

**Demographic and Economic Statistics
Last Ten Calendar Years
(Unaudited)**

Calendar Year	Iowa City Population	Total District Population (approximate)	Personal Income (000's) (Johnson County)	Per Capita Personal Income (Johnson County)	Iowa City MSA Unemployment Rate
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
2010	67,862	110,000	*	*	5.00
2011	67,862	110,000	*	*	4.30

* 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 2012) and Johnson County Auditor.

Iowa City Community School District

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

Employer	2012			2003		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
The University of Iowa	18,650	1	20.72%	19,495	1	25.32%
The University of Iowa Hospitals and Clinics	12,154	2	13.50	7,113	2	0.09
Iowa City Community School District	1,700	3	1.89	1,100	7	0.01
Veterans Administration Hospital	1,562	4	1.74	1,232	6	1.60
American College Testing	1,243	5	1.38	1,340	3	1.74
Mercy Hospital	1,208	6	1.34	1,250	5	1.62
Pearson Educational Measurement	1,200	7	1.33	1,300	4	1.69
Hy-Vee Food Stores, Inc.	1,166	8	1.30	927	8	1.20
City of Iowa City	1,049	9	1.17	620	11	0.81
Systems Unlimited	890	10	0.99	-	-	-
International Automotive Comp (formerly United Tech)	785	11	0.87	850	9	-
Rockwell International	770	12	0.86	673	10	0.87
Riverside Casino and Golf Resort	757	13	0.84	-	-	-
All other employers	46,866	-	-	41,100	-	-
Total	90,000		42.03%	77,000		47.64%

Source: City of Iowa City, as last updated October 2007 and Iowa Department of Economic Development (2012 data).

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			
	2003	2004	2005	2006
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	22.00
Assistant principals	6.00	6.00	6.00	6.00
Total supervisory	38.00	38.00	38.00	39.00
Instruction:				
Elementary classroom teachers	318.74	313.30	314.31	326.95
Secondary classroom teachers	222.93	231.49	224.64	223.12
Other classroom teachers	136.65	143.04	143.66	169.29
Paraprofessionals	200.00	215.00	290.00	313.00
Total instruction	878.32	902.83	972.61	1,032.36
Student services:				
Guidance counselors	25.60	27.50	27.50	28.30
Media specialists	24.50	24.50	24.00	26.00
Other professionals (noninstructional)	14.50	19.30	21.88	20.78
Consultants/supervisory	21.99	14.00	14.00	12.00
Total student services	86.59	85.30	87.38	87.08
Support and administration:				
Clerical/secretarial	106.00	101.00	103.00	98.00
Food service workers	70.00	69.00	60.00	62.00
Physical plant	105.00	108.00	109.00	116.00
Other	26.00	21.00	34.00	20.00
Total support and administration	307.00	299.00	306.00	296.00
Total	1,309.91	1,325.13	1,403.99	1,454.44

Source: District records

Full-Time Equivalent Employees as of June 30						Percentage Change
2007	2008	2009	2010	2011	2012	2003 - 2012
2.00	2.00	2.00	1.50	1.00	1.00	-50.00%
7.00	7.50	7.50	8.00	9.00	9.60	37.14%
2.00	2.00	2.00	2.00	2.00	2.00	0.00%
24.00	24.00	24.00	23.50	24.00	23.50	11.90%
6.00	8.00	8.00	8.50	7.00	7.00	16.67%
41.00	43.50	43.50	43.50	43.00	43.10	13.42%
337.84	354.27	356.34	349.46	349.08	349.71	9.72%
223.55	235.59	239.68	230.25	230.82	238.13	6.82%
182.58	196.90	207.42	214.85	219.01	204.40	49.58%
318.00	344.00	323.00	311.90	307.70	291.51	45.76%
1,061.97	1,130.76	1,126.44	1,106.46	1,106.61	1,083.75	23.39%
28.30	28.38	28.93	29.05	29.93	29.30	14.45%
26.00	25.80	26.80	26.80	26.82	26.80	9.39%
24.23	26.51	20.00	27.00	29.00	33.00	127.59%
12.00	14.00	12.30	14.33	11.98	9.14	-58.44%
90.53	94.69	88.03	97.18	97.73	98.24	13.45%
96.50	104.50	107.75	109.00	111.00	109.50	3.30%
65.00	79.70	81.00	93.00	87.00	86.00	22.86%
122.00	120.10	121.80	117.80	116.20	117.70	12.10%
19.00	19.00	16.00	16.00	14.00	16.00	-38.46%
302.50	323.30	326.55	335.80	328.20	329.20	7.23%
1,496.00	1,592.25	1,584.52	1,582.94	1,575.54	1,554.29	18.66%

Iowa City Community School

Operating Statistics Last Ten Fiscal Years (Unaudited)

Fiscal Year	Official Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change
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
2011	12,011	129,309,991	10,766	0.83
2012	12,454	136,681,845	10,975	1.94

Source: District records

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

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

Expenses	Cost Per Pupil	Percentage Change	Teaching Staff (in FTE)	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Priced Meals
\$ 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
4,158,824	346	(1.42)	798.91	15.03	29.60
4,432,821	356	2.89	792.24	15.72	29.43

Iowa City Community School

School Building Information Last Ten Fiscal Years (Unaudited)

School	Fiscal Year				
	2003	2004	2005	2006	2007
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	430	433	458	437	448
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	359	376	366	385	441
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	277	287	275	302	306
Hills Elementary (1965, 1969)					
Square feet	24,449	24,449	24,449	24,449	24,449
Capacity	220	220	220	220	220
Enrollment	247	189	164	140	152
Ernest Horn Elementary (1969, 1978)					
Square feet	35,303	35,303	35,303	35,303	35,303
Capacity	286	286	286	286	286
Enrollment	293	315	303	292	288
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	275	286	273	286	283
Lincoln Elementary (1926, 1988)					
Square feet	25,832	25,832	25,832	25,832	25,832
Capacity	220	220	220	220	220
Enrollment	241	249	256	244	256
Longfellow Elementary (1917)					
Square feet	30,148	30,148	30,148	30,148	30,148
Capacity	308	308	308	308	308
Enrollment	283	289	276	289	284
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	383	408	420	438	426
Horace Mann Elementary (1917)					
Square feet	29,360	29,360	29,360	29,360	29,360
Capacity	286	286	286	286	286
Enrollment	259	270	261	258	249
Penn Elementary (1961, 1985, 1995)					
Square feet	38,838	38,838	38,838	38,838	38,838
Capacity	418	418	418	418	418
Enrollment	437	456	487	354	391

(Continued)

Fiscal Year				
2008	2009	2010	2011	2012
52,967	52,967	52,967	52,967	52,967
462	462	462	462	462
423	427	430	430	437
48,045	48,045	48,045	48,045	48,045
352	352	352	352	352
438	439	345	314	321
36,643	36,643	36,643	36,643	36,643
330	330	330	330	330
308	306	362	377	375
24,449	24,449	24,449	24,449	24,449
220	220	220	220	220
132	137	126	98	110
35,303	35,303	35,303	35,303	50,603
286	286	286	286	436
292	279	331	363	364
36,293	36,293	36,293	36,293	36,293
308	308	308	308	308
289	296	332	338	344
25,832	25,832	25,832	25,832	25,832
220	220	220	220	220
260	253	263	250	241
30,148	30,148	30,148	30,148	30,148
308	308	308	308	308
317	305	311	318	349
42,080	42,080	42,080	42,080	42,080
418	418	418	418	418
415	424	416	411	441
29,360	29,360	29,360	29,360	29,360
286	286	286	286	286
257	244	259	250	245
38,838	38,838	38,838	38,838	38,838
418	418	418	418	418
417	461	511	464	502

Iowa City Community School District

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

School	Fiscal Year				
	2003	2004	2005	2006	2007
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	273	264	248	289	298
Bouhmil Shimek Elementary (1970, 1991)					
Square feet	28,130	28,130	28,130	28,130	28,130
Capacity	242	242	242	242	242
Enrollment	236	232	224	220	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	242	314	295	264	220
Irving Weber Elementary (1993, 2001)					
Square feet	48,400	48,400	48,400	47,820	47,820
Capacity	484	484	484	484	484
Enrollment	464	492	493	490	494
Grant Wood Elementary (1969, 1993, 2006)					
Square feet	47,190	47,190	47,190	59,890	59,890
Capacity	484	484	484	484	484
Enrollment	446	433	432	417	486
Kate Wickham Elementary (1997)					
Square feet	56,049	56,049	56,049	56,049	56,049
Capacity	418	418	418	418	418
Enrollment	492	538	563	447	452
James Van Allen Elementary (2005)					
Square feet	-	-	-	61,081	61,081
Capacity	-	-	-	484	484
Enrollment	-	-	-	392	484
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	912	875	907	912	620
South East Junior High School (1959, 1982, 1995)					
Square feet	115,604	115,604	115,604	115,604	115,604
Capacity	775	775	775	775	775
Enrollment	775	727	677	681	660
North Central Junior High School (2006)					
Square feet	-	-	-	82,612	82,612
Capacity	-	-	-	450	450
Enrollment	-	-	-	-	308

(Continued)

Fiscal Year				
2008	2009	2010	2011	2012
29,008	29,008	29,008	29,008	29,008
264	264	264	264	264
340	365	309	299	283
28,130	28,130	28,130	28,130	28,130
242	242	242	242	242
204	191	201	202	208
40,204	40,204	40,204	40,204	40,204
330	330	330	330	330
239	234	229	203	226
48,400	48,400	48,400	48,400	48,400
484	484	484	484	484
523	540	544	553	568
59,890	59,890	59,890	59,890	59,890
484	484	484	484	484
524	510	492	474	523
56,049	56,049	56,049	56,049	56,049
418	418	418	418	418
491	493	492	489	477
61,081	61,081	61,081	61,081	61,081
484	484	484	484	484
551	599	661	425	446
-	-	-	63,715	63,815
-	-	-	500	500
-	-	-	388	429
124,436	124,436	124,436	124,436	124,436
875	875	875	875	875
610	622	615	638	641
111,183	138,806	138,806	138,806	138,806
775	775	775	775	775
701	705	688	674	733
82,612	82,612	82,612	82,612	82,612
450	450	450	450	450
349	359	398	400	414

Iowa City Community School

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

School	Fiscal Year				
	2003	2004	2005	2006	2007
High School:					
City High School (1939, 1974, 1982, 1985, 1990, 1995, 2005)					
Square feet	247,052	247,052	247,052	267,752	267,752
Capacity	1,400	1,400	1,400	1,600	1,600
Enrollment	1,527	1,521	1,542	1,438	1,356
West High School (1969, 1983, 1986, 1993, 1996, 2005)					
Square feet	272,663	272,663	272,663	309,943	309,943
Capacity	1,600	1,600	1,600	1,800	1,800
Enrollment	1,648	1,675	1,754	1,755	1,838
Elizabeth Tate High School (2005)					
Square feet				19,700	19,700
Capacity					
Enrollment				97	121
Portable Classrooms (Various)					
Square feet	24,240	24,240	25,744	24,992	24,992
Capacity					
Number	33	33	35	34	34
Other:					
Central Administration Building (1917)					
Square feet	24,588	24,588	24,588	24,588	24,588
Educational Services Center (2011)					
Square feet	-	-	-	-	-
Physical Plant Building (1984)					
Square feet	19,638	19,638	19,638	19,638	19,638
Athletics:					
Football fields	4	4	4	4	5
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	18	18

Source: District records

Fiscal Year				
2008	2009	2010	2011	2012
267,752	267,752	267,752	267,752	267,752
1,600	1,600	1,600	1,600	1,600
1,507	1,383	1,371	1,409	1,410
339,217	339,217	339,217	339,217	339,217
1,800	1,800	1,800	1,800	1,800
1,764	1,754	1,770	1,863	1,910
19,700	19,700	19,700	19,700	19,700
118	110	120	118	162
33,296	33,296	33,296	33,296	33,296
37	37	37	37	37
24,588	24,588	24,588	24,588	-
-	-	-	-	41,776
19,638	19,638	19,638	19,638	19,638
5	5	5	5	5
1	1	1	1	2
2	2	2	2	2
4	4	4	4	4
2	2	2	2	2
18	18	18	19	19

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Iowa City Community School District

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed through the State Department of Agriculture and State of Iowa Department of Education:			
USDA Commodities (Noncash)	10.555	77-1737	\$ 266,978
National School Lunch Program	10.555	77-1737	1,678,746
National School Summer Program	10.559	77-1737	28,381
National School Breakfast Program	10.553	77-1737	330,983
National School Lunch Program - After School Snacks	10.555	77-1737	24,231
USDA Team Nutrition Demonstration Grant	10.574	N/A	500
Fresh Fruit & Vegetable Grant	10.582	N/A	15,732
U.S. Department of Agriculture			2,345,551
U.S. Army Corps of Engineers:			
Passed through Johnson County, Iowa:			
Flood Control Projects	12.106	N/A	2,168
U.S. Department of Housing and Urban Development:			
Passed through City of Iowa City:			
Community Development Block Grant	14.218	N/A	29,602
U.S. Department of Education:			
Passed through State of Iowa Department of Education:			
Title I - Grants to Local Educational Agencies	84.010A	N/A	1,482,033
Title I - Grants to Local Educational Agencies - Schools in Need of Assistance	84.010A	N/A	47,576
IDEA - High Cost Claim	84.027	N/A	53,605
IDEA - Non-nimas Work Groups	84.027	N/A	645
Vocational Education Basic Grants to States	84.048A	77-6957	112,009
Safe and Drug-Free Schools and Communities - State Grants	84.186A	77-6957	27,831
Education for Homeless Children & Youth	84.196	N/A	16,581
Twenty-First Century Learning Centers	84.287A	N/A	433,341
Education Technology Grants	84.318	N/A	8,624
Advanced Placement Program	84.330	N/A	1,542
Title II - Improving Teacher Quality State Grant	84.367	N/A	335,253
Title VI, Part A - Iowa Technical Adequacy Project (ITAP)	84.369	N/A	109,983
ARRA - Title I - Grants to Local Educational Agencies - Stabilization Funds	84.389	N/A	101,690
Education Jobs Fund	84.410	N/A	1,799,635
			4,530,348
U.S. Department of Education:			
Passed through Grant Wood Area Education Agency:			
Special Education Grants to States	84.027	N/A	637,380
Title III - English Language Acquisition	84.365	N/A	40,230
ARRA - IDEA - Part B Special Education Grants to States - Stabilization Funds	84.391	N/A	309,301
			986,911

(Continued)

Iowa City Community School District

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Passed through the School Administrators of Iowa: iPIRC	84.310A	N/A	<u>3,183</u>
Direct Program:			
Safe and Drug-Free Schools and Communities - Safe Schools/Healthy Students	84.184L	N/A	<u>1,256,325</u>
Total U.S. Department of Education			<u><u>6,776,767</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>42,000</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>500</u>
Total U.S. Department of Health and Human Services			<u><u>42,500</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>2,773</u>
Total expenditures of federal awards			<u><u>\$ 9,199,361</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, 2012**

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, 2012. 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. Expenditures of federal awards are recognized in the accounting period in which the liability is incurred.

Iowa City Community School District

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012**

	Finding	Status	Corrective Action Plan or Other Explanation
Significant Deficiencies and Material Weaknesses in Internal Control:			
11-II-A	The District has insufficient segregation of duties over the payroll process.	Partially corrected.	See corrective action plan at 12-II-A.
11-II-B	The District has insufficient segregation of duties over the cash disbursement function.	Partially corrected.	See corrective action plan at 12-II-B.
11-II-C	The District has insufficient segregation of duties over the cash receipts and bank transfer functions.	Corrected.	
11-II-D	The District does not have a formal policy for approving new vendors.	Not corrected.	See corrective action plan at 12-II-B.
11-II-E	The District has improper segregation of duties over student activity funds.	Not corrected.	See corrective action plan at 12-II-C.
Other Finding Related to Statutory Reporting			
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.	Not corrected.	See corrective action plan at 12-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, 2012, and have issued our report thereon dated November 6, 2012. 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.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 12-II-A, 12-II-B and 12-II-C that we consider to be significant deficiencies in internal control over financial reporting. 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.

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 a certain immaterial instance of noncompliance or other matters that is described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 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 dated November 6, 2012.

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 responses and, accordingly, we express no opinion on them.

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.



Davenport, Iowa
November 6, 2012



**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 *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, 2012. Iowa City Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Iowa City Community School District's management. Our responsibility is to express an opinion on Iowa City Community School District's compliance based on our audit.

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

In our opinion, Iowa City Community School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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 and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey LLP

Davenport, Iowa
November 6, 2012

Iowa City Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

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
10.555, 10.553, 10.559	Nutrition Cluster
84.027, 84.391	Special Education - Grants to States (IDEA Part B), ARRA - IDEA Part B Special Education Grants to States - Stabilization Funds
84.184L	Safe and Drug-Free Schools and Communities - Safe Schools/Healthy Students

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

Auditee qualified as low-risk auditee? Yes No

(Continued)

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012

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

A. Significant Deficiencies in Internal Control

12-II-A

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

Condition: The Payroll Supervisor and Director of Budget and Finance have the ability 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. During fiscal year 2012, the District implemented some additional controls that consisted of (1) the Purchasing and Budget Specialist running a listing of new employees after every pay period and comparing the listing of new employees and their salary rate to the Board approval and (2) the Payroll Supervisor preparing a reconciliation of the payroll registers for each pay period compared to the prior payroll register taking into account all changes in pay rates, new employees and departed employees.

Context: A good internal control system contemplates an adequate segregation of duties so that no one individual has the ability to handle 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 review and implement password protections or limit access within payroll applications to the employees that need access based on their job duties. The ability to create new employees and edit employee payroll data should be limited to the Human Resources Department. All other users should be limited to read-only access. Further if the District is unable to limit access within the payroll module, an employee other than the Payroll Supervisor or Director of Budget and Finance should be formally reviewing and approving an edit listing of the changes made to the payroll master file or an employee external to the payroll process who does not have access to the payroll module should review the payroll supervisor's salary-by-department reconciliation for each employee group which tracks all new and terminated employees as well as all authorized pay rate changes for each pay period.

Response and Corrective Action Plan: The District has upgraded its accounting software in September 2012 which will allow increased password protections and user restrictions. In addition, the District is adding a human resource module to its existing accounting software which will allow the Human Resources Department to enter and edit the employee payroll data without using the Payroll Supervisor or the Director of Budget and Finance. The District will also initiate a review procedure to be completed by an employee outside of the payroll cycle for the payroll supervisor's salary-by-department reconciliation.

(Continued)

Iowa City Community School District

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012**

12-II-B

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

Condition: The Director of Budget and Finance has access to perform the following functions related to cash disbursements: update and add new vendors to the account payable system, enter invoices, and post journal entries to the general ledger system. The Director of Budget and Finance is also responsible for generating the accounts payable checks, performing the bank reconciliations and has access to the password for the electronic signature for cash disbursements. During fiscal year 2012, the District implemented some additional controls that consisted of (1) the Purchasing and Budgeting Specialist monitors the sequence of the accounts payable checks and (2) the Accounts Payable Supervisor receives the unopened bank statements and reconciles the checks and ACH payments per the bank statements to the accounting software.

Context: A good internal control system contemplates an adequate segregation of duties so that no one individual has the ability to handle 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 review and implement password protections or limit access within accounts payables applications to the employees that need access based on their job duties and limit the Director of Budget and Finance's access to read-only other than the posting of journal entries. We recommend the District remove the access to the electronic signature for cash disbursements from the Director of Budget and Finance and have the Accounts Payable Clerk run the checks to be disbursed.

Response and Corrective Action Plan: The District has upgraded its accounting software in September 2012 which will allow increased password protections and user restrictions. In addition, the District is in the process of adding additional staff in the business office that will be utilized in the cash disbursement cycle. Also, the District will utilize the report for new vendors added during each check cycle and will have an individual not involved in the check cycle review the listing.

12-II-C

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 system 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 at the elementary, junior and senior high schools.

(Continued)

Iowa City Community School District

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012**

Recommendation: We recommend the District implement the following: 1) Centralize the preparation of the bank reconciliation to the Central Administration Office and 2) Restrict the elementary, junior and senior high schools activities secretary from issuing checks and have all checks issued at the Central Administration Office or segregate the duties over the cash disbursement function at the elementary, junior and senior high schools.

Response and Corrective Action Plan: In August 2012, the District initiated certain procedures for the cash deposits of its elementary schools including sealed deposit bags, dual signatures for deposits and locked safes at each location. The District will also centralize the cash disbursement function of the student activity funds of its elementary schools. During the year, the Business Services office will develop additional procedures related to the cash procedures of its junior and senior high school student activity funds.

B. Instance of Noncompliance

None reported.

III. Findings and Questioned Costs for Federal Awards

A. Internal Control

None reported.

B. Instances of Noncompliance

None reported.

IV. Other Findings Related to Required Statutory Reporting

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

No expenditures exceeded the amended certified budget amounts.

12-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.

12-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.

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

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

12-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.

(Continued)

Iowa City Community School District

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012**

12-IV-F – Board Minutes

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

12-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 2011. The variances included a total addition of certified students by a net of 0.22 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.

12-IV-H – Supplementary Weighting

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

12-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.

12-IV-J – Certified Annual Report

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

12-IV-K – Categorical Funding

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

(Continued)

Iowa City Community School District

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012**

12-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, 2012, the District's financial activity and other required information for the state-wide sales, services and use tax revenue are as follows:

Beginning balance	\$ 27,824,949
State-wide sales, services and use tax	13,957,310
Interest	137,316
Expenditures/transfers out:	
School infrastructure:	
Buildings	(12,459,277)
Equipment	(1,011,334)
	<u>\$ 28,448,964</u>

The state-wide sales, services and use tax revenue received during the year ended June 30, 2012 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Physical plant and equipment levy	\$ 2.78539	\$ 13,957,310

12-IV-M – Deficit Balances

None of the District's funds had deficit fund balances as of June 30, 2012.

12-IV-N – Revenue Bonds

The District did not have any revenue bonds outstanding as of June 30, 2012.

12-IV-O – Student Activity Fund

No instances of noncompliance with the use of student activity funds provisions of Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1).

12-IV-P – Early Childhood Iowa Area Board

The District is not the fiscal agent for the Early Childhood Iowa Area Board.

Iowa City Community School District

**Corrective Action Plan
Year Ended June 30, 2012**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Significant Deficiencies in Internal Control:				
12-II-A	The District has insufficient segregation of duties over the payroll process.	See corrective action plan at 12-II-A.	June 30, 2013	Leslie Finger, Director of Budget and Finance
12-II-B	The District has insufficient segregation of duties over the cash disbursement function.	See corrective action plan at 12-II-B.	June 30, 2013	Leslie Finger, Director of Budget and Finance
12-II-C	The District has insufficient segregation of duties over the student activity funds at elementary, junior and senior high schools.	See corrective action plan at 12-II-C.	June 30, 2013	Leslie Finger, Director of Budget and Finance
Other Finding Related to Required Statutory Reporting				
12-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 12-IV-G.	June 30, 2013	Leslie Finger, Director of Budget and Finance

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

In connection with our audit of the financial statements of Iowa City Community School District (the "District") as of and for the year ended June 30, 2012, 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 management and the Board of Education, identified deficiencies that we determined to be significant deficiencies. Certain control deficiencies that have been previously communicated to you by us or by others within your organization are not repeated herein.

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

Semiannual Certifications for Grant-Funded Employees

Although the District maintains other supporting documentation in employee personnel files that indicates his/her salary is funded by a federal grant program, the District did not maintain copies of the semi-annual certifications for all employee salaries which were fully funded using federal grant funds. OMB Circular A-87 requires when employees are expected to work solely on a single federal award or cost objective, charges for their salaries be supported by periodic certifications that employees worked solely on that program for the semiannual period covered by the certification. We recommend the District implement a formal process through which documentation for semi-annual certifications are maintained for all employees who are fully funded by federal grant programs.

Information Technology

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

Bank 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 assets of other school-related organizations and not assets of the District. We recommend the District continue to remove the District's EIN number from all bank accounts for which they do not have responsibility for.

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 LLP

Davenport, Iowa
November 6, 2012