

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

Comprehensive Annual Financial Report
Year Ended June 30, 2013

Iowa City Community School District Iowa City, Iowa

Comprehensive Annual Financial Report
Year Ended June 30, 2013

**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 26, 2013

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, 2013. 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 16 years, growing from 10,444 in 1997 to 13,162 in October 2013. 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, 19 elementary schools and center for offsite programs. 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 2013 at the rate of slightly less than three 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 1,400 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 2013 official enrollment of 381 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 maintained 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 12,800 students in buildings built from 1917 to 2013. 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 master facility plan for planning the maintenance and capital project needs of the district, including life cycle programs for major maintenance and equipment needs. This facility plan will include the remodeling and renovation of existing facilities and the construction of new facilities throughout the District.

The District has completed numerous construction projects during the last ten years. During 2004-2005, construction was completed on additions to both high schools. Elizabeth Tate High School, an alternative high school and Van Allen Elementary were also completed during this period and opened for classes in August 2005. In addition, renovations to five elementary school buildings were completed during the fiscal year 2006. North Central Junior High was completed in August 2006 and opened for classes that month. A large fine arts addition at Iowa City West High School was completed in January 2008. A new gymnasium and classroom addition at South East Junior High was completed and placed in service in October 2008. The District opened Buford Garner Elementary for classes in August 2010. The District completed a major addition on Horn Elementary that was opened in August 2011 and Norman Borlaug Elementary School was opened for classes in August 2012. The District has also completed construction of a \$6.4 million fine arts addition at City High School that opened 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. In 2013, the district received an Excellence in Energy Efficient Design award for the efforts in reducing energy use for Norman Borlaug Elementary School.

The District owns 12.19 acres of land in the northern portion of the District for the future construction of an elementary school. Subsequent to June 30, 2013 the District's Board of Directors approved the acquisition of land for two future elementary schools and a future comprehensive high school. The District purchased land in January 2008 that was previously leased by the District and is using the 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 and utilized these funds to purchase a new facility for its administrative offices and various support operations.

In February 2007, the residents of Johnson County approved a resolution and Revenue Purpose Statement for a 1 percent local option sales tax for a period of 10 years that began on July 1, 2007. The sales tax resulted in revenues of approximately \$13-14 million annually for the first five years and then \$10 million annually for the subsequent years. In February 2013, district voters approved the extension of the sales tax Revenue Purpose Statement through June 30, 2029. The District is using these sales tax 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 placing went to boys' cross country, track, golf, soccer and baseball and girls' basketball during the last four years.

The high schools also provide a full selection of opportunities in their music departments. Each year, the District has a high number of all-state musicians in addition to consistently earning Division I ratings at state contests. Each of the high schools has earned at least one Grammy Award for their music department in recent years.

The high schools also support strong programs in math, debate and journalism which regularly receive state, regional and national recognition.

Students of the District continue to achieve high rankings on college entrance exams and are recognized as National Merit Scholars. The composite averages on these exams are consistently in the top 5 percent of the state and significantly exceed the national averages. These students achieved a graduation rate over 90 percent in 2013 with nearly 85 percent planning to continue their education at colleges and universities.

Other Financial Information

Management of the District is responsible for establishing and maintaining an internal control designed to ensure that its assets are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America. The internal control is designed to provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

Single Audit. As a recipient of federal, state and county financial assistance, the District also is responsible for ensuring that an adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management and external auditors.

As a part of the District's single audit, described earlier, tests are made to determine the adequacy of the internal control over financial reporting and its compliance with applicable laws and regulations, including those related to major federal awards programs. The results of the District's single audit for the fiscal year ended June 30, 2013 provided no violations of applicable laws and regulations. However, two significant deficiencies and material weaknesses were reported.

Budgetary Controls. In addition, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Education. Activities of the General Fund, special revenue funds, Debt Service Fund, enterprise funds and Capital Projects Fund are included in the annual appropriated budget by program. Project length financial plans are adopted for the capital projects funds and budgeted accordingly on an annual basis. The level of statutory budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the function level for all funds combined rather than at the individual fund level.

Basis of Presentation. The charts and accounts used by the District have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants. In addition, the District's accounting records conform to the Uniform Accounting System for Iowa Schools, Chapter 11 of the Code of Iowa and Area Educational Agencies issued by the Department of Education, state of Iowa. The chart of accounts manual is updated annually and the District is in full compliance with these requirements.

Cash Management. Cash, while temporarily idle during the year, was invested in money market deposit accounts and other short term investments as allowed by law. Interest rates were primarily less than 1/2 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 & Pullen, LLP was selected to perform the annual audit in accordance with Chapter 11 of the Code of Iowa. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditor's report on the basic financial statements, combining and individual fund statements and other schedules is included in the financial section of this report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement in Financial Reporting and the Association of School Business Officials International, (ASBO) awards a Certificate of Excellence in Financial Reporting. The Iowa City Community School District received both of these Certificates for its comprehensive annual financial report for the fiscal year ended June 30, 2012. 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 seven previous fiscal years Comprehensive Annual Financial Report. I believe that our current CAFR conforms to the requirements for both awards and, therefore, we are submitting to the GFOA and ASBO to determine its eligibility for each Certificate. The Iowa City Community School District had not applied for the Certificates in any years prior to 2006.

Acknowledgment: The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated efforts of the accounting staff and our auditors, McGladrey & Pullen, LLP. I would like to express my appreciation to all staff members who assisted and contributed to this report as well as members of city and county governments. Also, appreciation is expressed for the interest and support of the Board of Education in conducting the financial operations of the District in a most responsible and progressive manner.

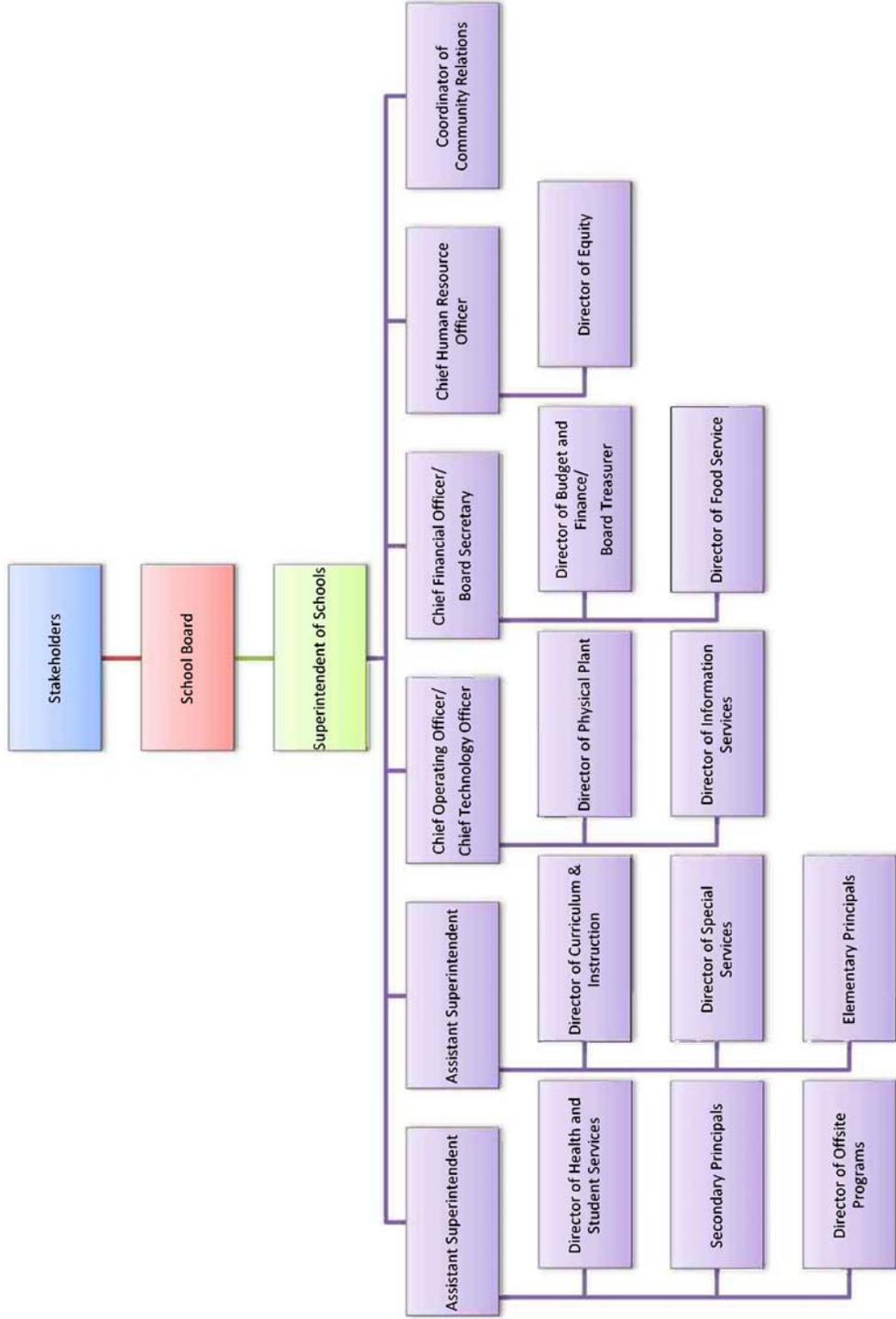
Respectfully submitted,

A handwritten signature in cursive script that reads "Leslie J. Finger". The signature is written in black ink on a white background.

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, 2013**

| 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 | |
| Craig Hansel | Secretary | Appointed |
| Leslie J. Finger | Treasurer | Appointed |
| Joe Holland | 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, 2012*

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



A handwritten signature in cursive script, reading 'Ron McCulley'.

Ron McCulley, CPPB, RSBO
President

A handwritten signature in cursive script, reading 'John D. Musso'.

John D. Musso, CAE, RSBA
Executive Director



Government Finance Officers Association

**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, 2012

Executive Director/CEO



Independent Auditor's Report

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 14, 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 the 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.

Other Information

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 combining nonmajor governmental fund financial statements 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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 basic financial statements or to the basic 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.

The accompanying introductory and statistical section 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013 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* in considering the District's internal control over financial reporting and compliance



Davenport, Iowa
November 26, 2013

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements.

Financial Highlights

Total net position increased \$10,209,481 from \$187,518,956 in 2012 to \$197,728,437 in 2013. Total revenues for the fiscal year 2013 decreased \$2,673,401 from 2012. Total expenses increased from \$141,972,088 in 2012 to \$155,067,641 in 2013.

General Fund revenues increased from \$127,867,725 in fiscal year 2012 to \$129,246,023 in fiscal year 2013, while General Fund expenditures increased from \$121,278,763 in fiscal year 2012 to \$130,983,308 in fiscal year 2013. In addition, the District transferred \$172,000 to other funds during fiscal year 2013. This resulted in a decrease in the District's General Fund balance from \$20,490,015 in fiscal year 2012 to \$18,580,730 in fiscal year 2013.

The increase in General Fund revenues for fiscal year 2013 was attributable to an increase in property taxes and fully funded state foundation aid from the two percent supplemental state aid, formerly allowable growth, 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. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits for all employee groups and the additional staffing to serve the increased enrollment of more than 750 students during the last two years.

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.

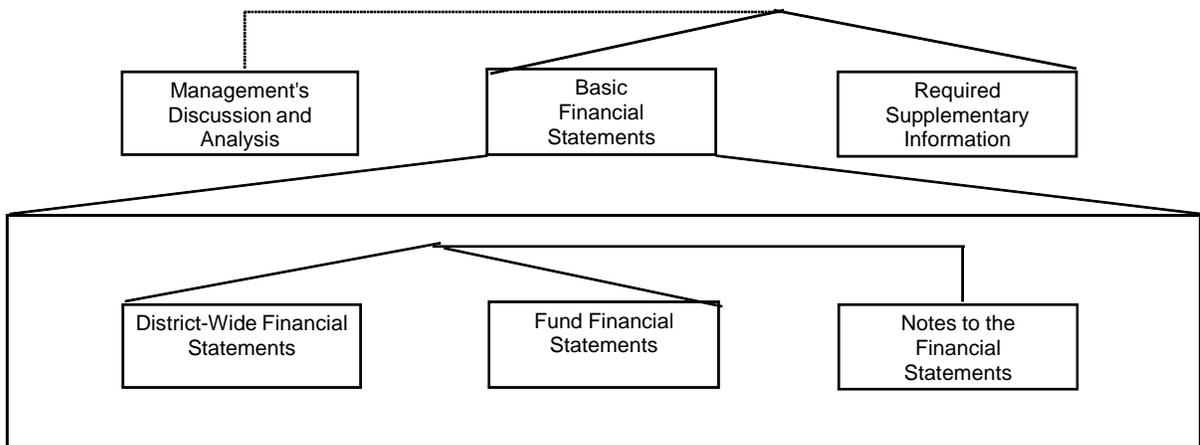
Iowa City Community School District

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2013**

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, 2013**

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 position Statement of activities | Balance sheet Statement of revenues, expenditures and changes in fund balances | Statement of fund net position Statement of revenues, expenses and changes in net position Statement of cash flows | Statement of fiduciary net position Statement of changes in fiduciary net position |
| 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, 2013

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 position includes all of the District's assets, liabilities and deferred inflows/outflows of resources. 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 position and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – 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, 2013

- ✓ 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 position: Figure A-3 below provides a summary of the District's net position for the year ended June 30, 2013 compared to 2012:

Figure A-3
Condensed Statement of Net Position

| | Governmental Activities | | Business-Type Activities | | Total School District | | Total Change 2013-2012 |
|---|-------------------------|----------------------|--------------------------|---------------------|-----------------------|-----------------------|---------------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | |
| Current and other assets | \$ 159,737,229 | \$157,321,693 | \$ 3,465,333 | \$ 3,556,490 | \$ 163,202,562 | \$160,878,183 | \$ 2,324,379 |
| Capital assets | 142,715,557 | 137,323,041 | 577,047 | 372,306 | 143,292,604 | 137,695,347 | 5,597,257 |
| Total assets | 302,452,786 | 294,644,734 | 4,042,380 | 3,928,796 | 306,495,166 | 298,573,530 | 7,921,636 |
| Deferred outflows of resources, deferred amount on refunding | 239,747 | 318,005 | - | - | 239,747 | 318,005 | (78,258) |
| Long-term obligations | 14,463,712 | 17,453,238 | - | - | 14,463,712 | 17,453,238 | 2,989,526 |
| Other liabilities | 22,118,126 | 22,046,864 | 237,982 | 215,899 | 22,356,108 | 22,262,763 | (93,345) |
| Total liabilities | 36,581,838 | 39,500,102 | 237,982 | 215,899 | 36,819,820 | 39,716,001 | 2,896,181 |
| Deferred inflows of resources, unavailable revenue | 72,186,656 | 71,656,578 | - | - | 72,186,656 | 71,656,578 | (530,078) |
| Net position: | | | | | | | |
| Net investment in capital assets | 127,010,427 | 118,552,457 | 577,047 | 372,306 | 127,587,474 | 118,924,763 | 8,662,711 |
| Restricted | 38,547,315 | 38,265,060 | - | - | 38,547,315 | 38,265,060 | 282,255 |
| Unrestricted | 28,366,297 | 26,988,542 | 3,227,351 | 3,340,591 | 31,593,648 | 30,329,133 | 1,264,515 |
| Total net position | \$ 193,924,039 | \$183,806,059 | \$ 3,804,398 | \$ 3,712,897 | \$ 197,728,437 | \$ 187,518,956 | \$ 10,209,481 |

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

The District's total assets increased by 2.7 percent during the year ended June 30, 2013. The increase occurred primarily as a result of favorable claims experience of the Internal Service Fund and the investment in capital assets as detailed in Note 5. During the year ended June 30, 2013, the District expended nearly \$5,000,000 in construction in progress, primarily for the construction of a fine arts addition at one of its high schools which was completed in August 2013.

The total net position of the District's business-type activities increased by \$91,500 over the prior year. This increase is due primarily to favorable operating results of the District's School Nutrition Fund.

Changes in net position – Figure A-4 shows the changes in net position for the years ended June 30, 2013 and 2012:

Figure A-4
Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total School District | |
|------------------------------------|-------------------------|--------------------|--------------------------|------------------|-----------------------|--------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for service and sales | \$ 2,068,742 | \$ 3,321,213 | \$ 2,245,333 | \$ 2,244,238 | \$ 4,314,075 | \$ 5,565,451 |
| Operating grants and contributions | 20,880,498 | 21,043,495 | 2,662,443 | 2,358,944 | 23,542,941 | 23,402,439 |
| Capital grants and contributions | 1,889,776 | - | - | - | 1,889,776 | - |
| General revenues: | | | | | | |
| Property taxes | 72,287,501 | 71,349,274 | - | - | 72,287,501 | 71,349,274 |
| Sales tax | 10,813,815 | 13,833,210 | - | - | 10,813,815 | 13,833,210 |
| Unrestricted state grants | 48,024,527 | 45,509,708 | - | - | 48,024,527 | 45,509,708 |
| Unrestricted investment earnings | 253,529 | 268,335 | 5,559 | 5,495 | 259,088 | 273,830 |
| Other | 4,145,399 | 3,632,061 | - | - | 4,145,399 | 3,632,061 |
| Gain on sale of capital assets | - | 4,384,550 | - | - | - | 4,384,550 |
| Total revenues | 160,363,787 | 163,341,846 | 4,913,335 | 4,608,677 | 165,277,122 | 167,950,523 |
| Program expenses: | | | | | | |
| Governmental activities: | | | | | | |
| Instruction | 100,951,730 | 91,391,355 | - | - | 100,951,730 | 91,391,355 |
| Support services | 43,548,173 | 40,580,503 | - | - | 43,548,173 | 40,580,503 |
| Noninstructional programs | 466,024 | 93,018 | - | - | 466,024 | 93,018 |
| Other expenses | 5,279,880 | 5,474,391 | - | - | 5,279,880 | 5,474,391 |
| Business-type activities, | | | | | | |
| nutritional services | - | - | 4,821,834 | 4,432,821 | 4,821,834 | 4,432,821 |
| Total expenses | 150,245,807 | 137,539,267 | 4,821,834 | 4,432,821 | 155,067,641 | 141,972,088 |
| Change in net position | 10,117,980 | 25,802,579 | 91,501 | 175,856 | 10,209,481 | 25,978,435 |
| Net position, beginning of year | 183,806,059 | 158,003,480 | 3,712,897 | 3,537,041 | 187,518,956 | 161,540,521 |
| Net position, end of year | \$ 193,924,039 | \$ 183,806,059 | \$ 3,804,398 | \$ 3,712,897 | \$ 197,728,437 | \$ 187,518,956 |

Property and sales taxes and unrestricted state grants account for 79 percent and 78 percent of the total revenue for the years ended June 30, 2013 and 2012, 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, 2013 and 2012.

Iowa City Community School District

**Management’s Discussion and Analysis
For Fiscal Year Ended June 30, 2013**

Governmental Activities

Revenues for governmental activities were \$160,363,787 and expenses were \$150,245,807. This difference of \$10,117,980 was used for the repayment of the general obligations bonds as scheduled and described in Note 6 to the basic financial statements, approximately \$5,000,000 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 decreased approximately \$3,000,000 or 1.8 percent over 2012. Most of this decrease is due to the reduction of sales tax revenues per the statewide pool for allocation of taxes compared to the previous five year plan that included the retention of all local tax revenues. In addition, unrestricted state grants in the governmental activities increased approximately \$2,515,000 primarily from state aid received in accordance with the state funding formula. Capital grants and contributions in the governmental activities increased by approximately \$1,900,000 primarily from contributions from local municipalities and patrons for certain buildings and capital assets.

The increase in expenses in governmental activities of \$12,706,540 or 9.2 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 four percent and additional staffing to serve the increased enrollment. The District also recorded \$411,459 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**

| | 2013 | | 2012 | |
|---------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| Instruction | \$ 100,951,730 | \$ (83,258,322) | \$ 91,391,355 | \$ (71,977,642) |
| Support services | 43,548,173 | (41,264,409) | 40,580,503 | (40,220,060) |
| Noninstructional programs | 466,024 | (466,024) | 93,018 | (90,245) |
| Other expenses | 5,279,880 | (418,036) | 5,474,391 | (886,612) |
| Totals | \$ 150,245,807 | \$ (125,406,791) | \$ 137,539,267 | \$ (113,174,559) |

- The cost financed by users of the District’s programs was \$2,068,742 for 2013 and \$3,321,213 for 2012.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$22,770,274 for 2013 and \$21,043,495 for 2012.
- The remaining net cost of governmental activities was financed with property tax, sales tax, state foundation aid and investment earnings.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

Business-Type Activities

Revenues of the District's business-type activities were \$4,907,776, excluding \$5,559 of investment earnings, and expenses were \$4,821,834. 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 6.6 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. Expenses increased by approximately 8.8 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 \$53,520,263 which was below last year's ending fund balances of \$54,987,063. The primary reason for the decrease in combined fund balances in fiscal year 2013 is due to decreases in the District's General Fund and Capital Projects Fund and an offsetting increase in the Physical Plant and Equipment Levy Fund.

- The District's General Fund financial position is the product of many factors. The primary factor resulting in the General Fund's decreased balance for the year ending June 30, 2013 was due to the increased salary and benefit costs from negotiated salary settlements greater than the supplemental state aid for fiscal year 2013 and increasing its overall staff levels to meet the instructional and support programs of the growing student enrollment.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from a balance of \$4,244,894 in fiscal year 2012 to \$5,694,112 in fiscal year 2013. The increase is primarily due to several projects budgeted in fiscal year 2013 in various phases of completion.
- The Capital Projects Fund balance decreased from a balance of \$28,448,964 in fiscal year 2012 to \$27,092,187 in fiscal year 2013. This decrease is primarily due an extensive plan to equip all buildings with 21st century technology. This plan was completed early in fiscal year 2014. The District will recover approximately \$1.5 million of these costs during fiscal year 2014 from a district-wide technology fundraising campaign.

Proprietary fund highlights: The School Nutrition Fund's net position decreased from \$3,028,637 as of June 30, 2012 to \$2,995,070 as of June 30, 2013, representing a decrease of approximately 1.1 percent for 2013 compared to an increase of 2.7 percent for 2012. The decrease was primarily due to the investment in furniture and equipment to replace aging and fully depreciated equipment.

The Internal Service Fund for the District's self-insured health insurance fund and dental insurance funds increased net position from \$14,389,313 in 2012 to \$16,381,480 in 2013. This increase was due to the continuing favorable experience for health insurance claims and a reduction of approximately \$270,000 in the liability due for future premiums of the early retirement incentives.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

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 \$4,109,800 more than the total budgeted revenues, a variance of 2.5 percent from the final budget. Significantly all of the increase in budgeted revenue is due increased revenues from student activities and capital grants and contributions received in the Physical Plant and Equipment Levy Fund and the Capital Projects Fund.

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 to manage the expenditure levels with available resources.

Capital Asset and Debt Administration

Capital assets: As of June 30, 2013, the District had invested \$143.3 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 \$5.6 million from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$4,582,571.

The original costs of the District's capital assets was over \$218 million. Governmental funds account for approximately \$217 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 a new elementary school that opened in August 2013 that was previously classified as construction in progress. The District also decreased its construction in progress by approximately \$7,000,000 with the completion of the new elementary school.

Figure A-6
Capital Assets, Net of Depreciation

| | Governmental Activities | | Business-Type Activities | | Total School District | | Total Change |
|-----------------------------------|-------------------------|----------------------|--------------------------|-------------------|-----------------------|-----------------------|---------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013-2012 |
| Land | \$ 4,454,141 | \$ 4,454,141 | \$ - | \$ - | \$ 4,454,141 | \$ 4,454,141 | \$ - |
| Construction-in-progress | 6,077,694 | 13,575,597 | - | - | 6,077,694 | 13,575,597 | (7,497,903) |
| Buildings | 122,901,883 | 111,552,258 | - | - | 122,901,883 | 111,552,258 | 11,349,625 |
| Improvements other than buildings | 7,408,921 | 6,313,884 | - | - | 7,408,921 | 6,313,884 | 1,095,037 |
| Furniture and equipment | 1,872,918 | 1,427,161 | 577,047 | 372,306 | 2,449,965 | 1,799,467 | 650,498 |
| Total | \$ 142,715,557 | \$137,323,041 | \$ 577,047 | \$ 372,306 | \$ 143,292,604 | \$ 137,695,347 | \$ 5,597,257 |

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

Long-Term Debt: As of June 30, 2013, the District had \$17 million in general obligation and other long-term debt outstanding. This represents a decrease of approximately \$4.4 million from last year. The decrease in the early retirement obligation is due to a decrease in the retirement incentive offered by the district and a fewer number of employees accepting the District's early retirement incentive in 2013 than 2012. The reduction of general obligation bonds by approximately \$2.8 million was part of the previously stated maturities. (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 |
|--------------------------|-----------------------|----------------------|-----------------------|
| | 2013 | 2012 | 2013-2012 |
| General obligation bonds | \$ 15,165,000 | \$ 17,990,000 | \$ (2,825,000) |
| Early retirement | 1,355,862 | 3,002,798 | (1,646,936) |
| Compensated absences | 665,183 | 637,855 | 27,328 |
| Totals | \$ 17,186,045 | \$ 21,630,653 | \$ (4,444,608) |

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, zero percent allowable growth rate for fiscal year 2012 and two percent allowable growth rate for fiscal year 2013. The State of Iowa has set the supplemental state aid (formerly allowable growth) rates for fiscal years 2014 and 2015 at two and four percent, respectively. The State of Iowa also provided a one-time two percent supplemental state aid allocation for fiscal year 2014. At this time, the District is unable to determine the level of the allowable growth rates from the State of Iowa for any future fiscal periods beyond fiscal year 2015. As the District's General Fund budget is comprised of approximately 80 percent salary and benefits, the ability to negotiate future salary settlements will continue to 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 158,107,170, 443 and 321 students in the last five years, respectively. The enrollment growth of 381 students in fiscal year ending 2014 will assist the District's budget in fiscal year ending 2015. These increases in enrollment will continue the need for additional staff and materials for educational programs and the demand for additional space to the existing facilities and construction of new facilities. These new facilities will also increase expenditures related to utilities, custodial, maintenance and support staff.
- The District opened a new elementary school, Norman Borlaug, at an approximate construction cost of \$11,900,000 plus the cost of furniture and fixtures in August 2012. Many of the students for this new school were reassigned from Roosevelt Elementary School. The District has repurposed Roosevelt Elementary School for certain offsite educational programs. In addition, the district has completed the construction of a fine arts addition to one of its high school buildings with an approximate cost of \$6,200,000 and opened the addition in August 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 and February 2013.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

- 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.
- 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 joined the state-wide pool with an estimated allocation of approximately \$825 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 February 5, 2013 the voters of the district approved the extension of the Revenue Purpose Statement (RPS) through June 30, 2029. The previous voter approved RPS was set to expire on June 30, 2017. The district will use these resources as the primary funding source for its 10 year comprehensive master facility plan approved by the board. This master facility plan will include the remodeling and renovation of existing facilities and construction of three new elementary schools and a third comprehensive high school to meet the space needs related to increasing enrollment. In addition, the District may consider general obligational bond funding, subject to voter approval, and tax anticipation revenue bonds to finance additional expenditures of the master facility plan. On September 10, 2013, the district voters approved the renewal of the physical plant and equipment levy (PPEL) for an additional 10 years through June 30, 2015. The funds generated from the PPEL property tax levy will be used for life cycle equipment programs, maintenance of existing facilities, a safety and security program for all facilities and projects in the master facility plan.
- The District owns a parcel of land covering 12.19 acres for the construction of a future elementary school building. In August 2013, the District's Board of Directors approved the acquisition of parcels of land covering 15.78 and 13.78 acres for the construction of future elementary school buildings. The Board also approved the acquisition of 76 acres for the construction of a future comprehensive high school. These land purchases were funded with sales tax monies. The construction of new facilities on these parcels will be incorporated in the long range facility plan.
- Certain federal appropriations expired on December 31, 2012 as determined by the United States government. The District anticipates slight reductions in certain federal appropriations in future periods. However, the calculations of many federal appropriations are determined by district enrollment and percentage of students qualifying for free or reduced price meals. The District is experiencing increases in both of these critical components of the appropriation calculation making the future impact difficult to determine. The appropriations related to federal nutrition reimbursements are not subject to the reductions.
- The Board of Directors adopted a diversity plan on February 5, 2013. The diversity plan is designed to balance the percentage of students qualifying for free or reduced price lunches within targeted ranges for all district buildings. Implementation of the plan is planned over a five year period and will require the adjustment to the attendance center for many students. The adjustments to the student populations of certain buildings will likely result in increased transportation expenditures for the district as well as a reduction in federal resources available for programs where funding levels are set using the percentage of students qualifying for free or reduced price lunches.
- On October 1, 2013 the District purchased the land (7.02 acres) and building that was previously leased by the district as a transportation facility. The District plans to continue to use this property for its transportation services and anticipates an annual savings of approximately \$100,000 compared to the previous lease arrangement.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

- The District's self-funded health insurance plan will become subject to certain provisions of the Affordable Healthcare Act during fiscal year 2015 or thereafter. The provisions include additional reporting requirements for the district and increased fees and assessments for the insurance plan. Due to the pending implementation timeline of these provisions, the District has not determined the financial impact of these provisions.
- The enrollment increases experienced by the district over the last five years have also required additional needs for special and at-risk programs. These needs include significant increases in the number of students requiring English language learning programs requiring additional staff with the appropriate certifications to serve these students. The District anticipates an increase in expenditures of approximately \$500,000 above previous levels to serve these students.

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.

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Iowa City Community School District

Statement of Net Position
June 30, 2013

| Assets | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|--------------------|
| Current assets: | | | |
| Cash and cash equivalents and investments | \$ 81,708,641 | \$ 2,532,753 | \$ 84,241,394 |
| Receivables: | | | |
| Property tax: | | | |
| Current year | 286,882 | - | 286,882 |
| Succeeding year | 66,618,533 | - | 66,618,533 |
| Income surtax | 5,568,123 | - | 5,568,123 |
| Sales taxes | 525,000 | - | 525,000 |
| Other | 262,815 | - | 262,815 |
| Due from other governments | 4,474,789 | - | 4,474,789 |
| Internal balances | (807,882) | 807,882 | - |
| Inventories | - | 66,185 | 66,185 |
| Prepaid expenses | 996,786 | 58,513 | 1,055,299 |
| Total current assets | 159,633,687 | 3,465,333 | 163,099,020 |
| | | | |
| Noncurrent assets: | | | |
| Restricted cash | 103,542 | - | 103,542 |
| Capital assets: | | | |
| Nondepreciable: | | | |
| Land | 4,454,141 | - | 4,454,141 |
| Construction-in-progress | 6,077,694 | - | 6,077,694 |
| Depreciable capital assets, net of accumulated depreciation | 132,183,722 | 577,047 | 132,760,769 |
| Net capital assets | 142,715,557 | 577,047 | 143,292,604 |
| Total noncurrent assets | 142,819,099 | 577,047 | 143,396,146 |
| Total assets | 302,452,786 | 4,042,380 | 306,495,166 |
| | | | |
| Deferred Outflows of Resources | | | |
| Deferred amounts on refunding | 239,747 | - | 239,747 |

See Notes to Basic Financial Statements.

| Liabilities | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|-----------------------|
| Current liabilities: | | | |
| Accounts payable | \$ 4,579,138 | \$ 14,485 | \$ 4,593,623 |
| Salaries and benefits payable | 11,339,504 | 216,170 | 11,555,674 |
| Claims payable | 1,527,050 | - | 1,527,050 |
| Accrued interest payable | 34,783 | - | 34,783 |
| Unearned, grant revenues | 10,900 | 7,327 | 18,227 |
| General obligation bonds | 2,885,000 | - | 2,885,000 |
| Early retirement | 1,076,568 | - | 1,076,568 |
| Compensated absences | 665,183 | - | 665,183 |
| Total current liabilities | 22,118,126 | 237,982 | 22,356,108 |
| Noncurrent liabilities: | | | |
| Other postemployment benefit | 1,021,000 | - | 1,021,000 |
| Early retirement | 279,293 | - | 279,293 |
| General obligation bonds, net of unamortized premium | 13,163,419 | - | 13,163,419 |
| Total noncurrent liabilities | 14,463,712 | - | 14,463,712 |
| Total liabilities | 36,581,838 | 237,982 | 36,819,820 |
| Deferred Inflows of Resources | | | |
| Unavailable revenue - property tax | 66,618,533 | - | 66,618,533 |
| Unavailable revenue - income surtax | 5,568,123 | - | 5,568,123 |
| Total deferred inflows of resources | 72,186,656 | - | 72,186,656 |
| Net Position | | | |
| Net investment in capital assets | 127,010,427 | 577,047 | 127,587,474 |
| Restricted for: | | | |
| Management levy | 726,361 | - | 726,361 |
| Capital improvements and equipment | 32,786,298 | - | 32,786,298 |
| Federal and state programs | 3,642,566 | - | 3,642,566 |
| Debt service | 15,518 | - | 15,518 |
| Student activities | 1,376,572 | - | 1,376,572 |
| Unrestricted | 28,366,297 | 3,227,351 | 31,593,648 |
| Total net position | \$ 193,924,039 | \$ 3,804,398 | \$ 197,728,437 |

Iowa City Community School District

**Statement of Activities
Year Ended June 30, 2013**

| Functions/Programs | Expenses | Program Revenues | | |
|---|----------------|-----------------------------------|--|--------------------------------------|
| | | Charges for Services and Sales | Operating Grants, and Contributions | Capital Grants, and Contributions |
| Governmental Activities | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 63,939,694 | \$ 1,009,560 | \$ 7,925,009 | \$ - |
| Special instruction | 31,822,204 | 882,298 | 7,725,871 | - |
| Other instruction | 5,189,832 | - | 150,670 | - |
| | 100,951,730 | 1,891,858 | 15,801,550 | - |
| Support services: | | | | |
| Student services | 4,942,088 | - | - | - |
| Instructional services | 6,962,932 | - | - | - |
| Administration services | 11,401,516 | - | - | - |
| Operation and maintenance | 14,845,156 | 165,614 | - | 1,889,776 |
| Transportation services | 5,396,481 | 11,270 | 217,104 | - |
| | 43,548,173 | 176,884 | 217,104 | 1,889,776 |
| Noninstructional programs | 466,024 | - | - | - |
| Other: | | | | |
| Long-term debt interest | 390,685 | - | - | - |
| AEA flowthrough | 4,861,844 | - | 4,861,844 | - |
| Depreciation (unallocated), excluding direct depreciation | 27,351 | - | - | - |
| | 5,279,880 | - | 4,861,844 | - |
| Total governmental activities | 150,245,807 | 2,068,742 | 20,880,498 | 1,889,776 |
| Business-type activities, nutritional services | 4,821,834 | 2,245,333 | 2,662,443 | - |
| Total primary government | \$ 155,067,641 | \$ 4,314,075 | \$ 23,542,941 | \$ 1,889,776 |

General revenues:

Property taxes levied for:

General purposes

Debt service

Capital outlay

Local option sales taxes

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Changes in net position

Net position, beginning of year

Net position, end of year

See Notes to Basic Financial Statements.

| Net (Expense) Revenue and Changes in Net Position | | |
|---|-----------------------------|-----------------|
| Governmental Activities | Business-Type Activities | Total |
| \$ (55,005,125) | \$ - | \$ (55,005,125) |
| (23,214,035) | - | (23,214,035) |
| (5,039,162) | - | (5,039,162) |
| (83,258,322) | - | (83,258,322) |
| (4,942,088) | - | (4,942,088) |
| (6,962,932) | - | (6,962,932) |
| (11,401,516) | - | (11,401,516) |
| (12,789,766) | - | (12,789,766) |
| (5,168,107) | - | (5,168,107) |
| (41,264,409) | - | (41,264,409) |
| (466,024) | - | (466,024) |
| (390,685) | - | (390,685) |
| - | - | - |
| (27,351) | - | (27,351) |
| (418,036) | - | (418,036) |
| (125,406,791) | - | (125,406,791) |
| - | 85,942 | 85,942 |
| (125,406,791) | 85,942 | (125,320,849) |
| 60,395,065 | - | 60,395,065 |
| 3,502,939 | - | 3,502,939 |
| 8,389,497 | - | 8,389,497 |
| 10,813,815 | - | 10,813,815 |
| 48,024,527 | - | 48,024,527 |
| 253,529 | 5,559 | 259,088 |
| 4,145,399 | - | 4,145,399 |
| 135,524,771 | 5,559 | 135,530,330 |
| 10,117,980 | 91,501 | 10,209,481 |
| 183,806,059 | 3,712,897 | 187,518,956 |
| \$ 193,924,039 | \$ 3,804,398 | \$ 197,728,437 |

Iowa City Community School District

Balance Sheet - Governmental Funds
June 30, 2013

| Assets | General | Physical Plant and Equipment Levy | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|---|----------------------|-----------------------------------|--------------------------------|
| Cash and cash equivalents and investments | \$ 29,420,512 | \$ 6,507,086 | \$ 25,132,962 | \$ 2,262,985 | \$ 63,323,545 |
| Restricted cash | - | 103,542 | - | - | 103,542 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Current year | 219,029 | 36,631 | - | 31,222 | 286,882 |
| Succeeding year | 50,751,063 | 8,685,071 | - | 7,182,399 | 66,618,533 |
| Income surtax | 5,568,123 | - | - | - | 5,568,123 |
| Sales tax | - | - | 525,000 | - | 525,000 |
| Other | 261,278 | - | 1,537 | - | 262,815 |
| Due from other governments | 2,035,823 | - | 2,438,966 | - | 4,474,789 |
| Due from other funds | 18,825 | - | 164,766 | - | 183,591 |
| Prepaid items | 996,786 | - | - | - | 996,786 |
| Total assets | \$ 89,271,439 | \$ 15,332,330 | \$ 28,263,231 | \$ 9,476,606 | \$ 142,343,606 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 2,862,346 | \$ 942,686 | \$ 640,051 | \$ 134,055 | \$ 4,579,138 |
| Salaries and benefits payable | 11,333,511 | - | 5,993 | - | 11,339,504 |
| Due to other funds | 164,766 | 10,461 | - | 6,918 | 182,145 |
| Unearned revenue | 10,900 | - | - | - | 10,900 |
| Total liabilities | 14,371,523 | 953,147 | 646,044 | 140,973 | 16,111,687 |
| Deferred inflows of resources: | | | | | |
| Unavailable revenue - property tax | 50,751,063 | 8,685,071 | - | 7,182,399 | 66,618,533 |
| Unavailable revenue - income surtax | 5,568,123 | - | - | - | 5,568,123 |
| Unavailable revenue - sales tax | - | - | 525,000 | - | 525,000 |
| Total deferred inflows of resources | 56,319,186 | 8,685,071 | 525,000 | 7,182,399 | 72,711,656 |
| Fund balance: | | | | | |
| Nonspendable | 996,786 | - | - | - | 996,786 |
| Restricted | 3,642,566 | 5,694,112 | 27,092,187 | 2,153,234 | 38,582,099 |
| Assigned | 669,699 | - | - | - | 669,699 |
| Unassigned | 13,271,679 | - | - | - | 13,271,679 |
| Total fund balances | 18,580,730 | 5,694,112 | 27,092,187 | 2,153,234 | 53,520,263 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 89,271,439 | \$ 15,332,330 | \$ 28,263,231 | \$ 9,476,606 | \$ 142,343,606 |

See Notes to Basic Financial Statements.

Iowa City Community School District

**Reconciliation of Total Governmental Fund Balances to Net Position
of Governmental Activities
June 30, 2013**

| | | |
|---|--------------------|------------------------------|
| Total governmental fund balances | | \$ 53,520,263 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | | 142,715,557 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | | 525,000 |
| 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 position: | | |
| Current assets | \$ 18,385,096 | |
| Liabilities | <u>(2,003,616)</u> | 16,381,480 |
| Internal service funds allocated to business-type activities | | (809,328) |
| 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. | | (34,783) |
| 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 | (2,885,000) | |
| General obligation bonds, noncurrent | (12,280,000) | |
| Early retirement, current | (879,295) | |
| Other postemployment benefits | (1,021,000) | |
| Compensated absences, current | (665,183) | |
| Deferred amounts on refunding bonds | 239,747 | |
| Unamortized premium on general obligation bonds | <u>(883,419)</u> | (18,374,150) |
| Net position of governmental activities | | <u><u>\$ 193,924,039</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, 2013

| | General | Physical Plant and Equipment Levy |
|--|----------------------|---|
| Revenues: | | |
| Local sources: | | |
| Local tax | \$ 56,684,066 | \$ 8,389,497 |
| Tuition | 1,556,436 | - |
| Other | 2,222,282 | 976,177 |
| State sources | 61,319,723 | - |
| Federal sources | 7,463,516 | - |
| Total revenues | 129,246,023 | 9,365,674 |
| Expenditures: | | |
| Current: | | |
| Instruction: | | |
| Regular instruction | 56,238,008 | - |
| Special instruction | 30,886,374 | - |
| Other instruction | 1,457,920 | - |
| | 88,582,302 | - |
| Support services: | | |
| Student services | 4,854,053 | - |
| Instructional services | 7,040,962 | - |
| Administration services | 10,608,947 | - |
| Operation and maintenance | 11,181,103 | 238,110 |
| Transportation services | 3,819,229 | 1,383,841 |
| | 37,504,294 | 1,621,951 |
| Noninstructional programs | 34,868 | - |
| Other, AEA flowthrough | 4,861,844 | - |
| Capital outlay | - | 6,294,505 |
| Debt service: | | |
| Principal | - | - |
| Interest and fiscal charges | - | - |
| | - | - |
| Total expenditures | 130,983,308 | 7,916,456 |
| Excess (deficiency) of revenues over expenditures | (1,737,285) | 1,449,218 |
| Other financing sources (uses): | | |
| Transfers in | - | - |
| Transfers out | (172,000) | - |
| Total other financing sources (uses) | (172,000) | - |
| Net change in fund balances | (1,909,285) | 1,449,218 |
| Fund balances, beginning of year | 20,490,015 | 4,244,894 |
| Fund balances, end of year | \$ 18,580,730 | \$ 5,694,112 |

See Notes to Basic Financial Statements.

| | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|----|---------------------|-----------------------------------|--------------------------------|
| \$ | 10,489,715 | \$ 7,213,939 | \$ 82,777,217 |
| | - | - | 1,556,436 |
| | 1,018,986 | 3,155,802 | 7,373,247 |
| | - | - | 61,319,723 |
| | - | - | 7,463,516 |
| | 11,508,701 | 10,369,741 | 160,490,139 |
| | - | 2,204,177 | 58,442,185 |
| | - | - | 30,886,374 |
| | - | 3,056,361 | 4,514,281 |
| | - | 5,260,538 | 93,842,840 |
| | - | - | 4,854,053 |
| | - | - | 7,040,962 |
| | - | 443,748 | 11,052,695 |
| | - | 799,969 | 12,219,182 |
| | - | 193,411 | 5,396,481 |
| | - | 1,437,128 | 40,563,373 |
| | 496,705 | - | 531,573 |
| | - | - | 4,861,844 |
| | 12,368,773 | - | 18,663,278 |
| | - | 2,825,000 | 2,825,000 |
| | - | 669,031 | 669,031 |
| | - | 3,494,031 | 3,494,031 |
| | 12,865,478 | 10,191,697 | 161,956,939 |
| | (1,356,777) | 178,044 | (1,466,800) |
| | - | 172,000 | 172,000 |
| | - | - | (172,000) |
| | - | 172,000 | - |
| | (1,356,777) | 350,044 | (1,466,800) |
| | 28,448,964 | 1,803,190 | 54,987,063 |
| \$ | 27,092,187 | \$ 2,153,234 | \$ 53,520,263 |

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, 2013**

| | | |
|--|-----------|---------------------------------|
| Net change in fund balances, total governmental funds | \$ | (1,466,800) |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | | |
| <p>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 position 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:</p> | | |
| Capital outlay | \$ | 9,877,428 |
| Depreciation expense | | (4,484,912) |
| | | <u>5,392,516</u> |
| 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. | | 285,784 |
| <p>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 position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activities.</p> | | |
| Repayment of long-term liabilities | | 2,825,000 |
| <p>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.</p> | | |
| | | 121,092 |
| <p>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:</p> | | |
| Change in other postemployment benefits | | (411,459) |
| Change in early retirement | | 1,374,822 |
| Change in compensated absences | | (27,328) |
| | | <u>936,035</u> |
| <p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position in the internal service fund is reported with governmental activities in the statement of activities.</p> | | |
| | | 1,992,167 |
| Change in Internal Service Fund allocation to business-type activities. | | (125,068) |
| Amortization of bond premium and deferred amount on refunding. | | 157,254 |
| Change in net position of governmental activities | \$ | <u><u>10,117,980</u></u> |

See Notes to Basic Financial Statements.

Iowa City Community School District

**Statement of Net Position
Proprietary Funds
June 30, 2013**

| | Nonmajor Enterprise Fund - School Nutrition | Internal Service Fund |
|--|---|--------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,532,753 | \$ 18,385,096 |
| Inventories | 66,185 | - |
| Prepaid expenses and deposits | 58,513 | - |
| Total current assets | 2,657,451 | 18,385,096 |
| Noncurrent assets, capital assets, net of accumulated depreciation | 577,047 | - |
| Total assets | \$ 3,234,498 | \$ 18,385,096 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | \$ 14,485 | \$ - |
| Salaries and benefits payable | 216,170 | - |
| Due to other funds | 1,446 | - |
| Grant revenues, unearned | 7,327 | - |
| Claims payable | - | 1,527,050 |
| Early retirement | - | 197,273 |
| Total current liabilities | 239,428 | 1,724,323 |
| Noncurrent liabilities, early retirement | - | 279,293 |
| Total liabilities | 239,428 | 2,003,616 |
| Net Position | | |
| Investment in capital assets | 577,047 | - |
| Unrestricted | 2,418,023 | 16,381,480 |
| Total net position | 2,995,070 | 16,381,480 |
| Total liabilities and net position | \$ 3,234,498 | \$ 18,385,096 |
| Total enterprise funds net position | \$ 2,995,070 | |
| Amounts reported for business-type activities in the statement of net position 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 position of business-type activities | 809,328 | |
| | \$ 3,804,398 | |

See Notes to Basic Financial Statements.

Iowa City Community School District

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2013**

| | Nonmajor Enterprise Fund - School Nutrition | Internal Service Fund |
|--|---|--------------------------|
| Operating revenue: | | |
| Charges for services: | | |
| Food sales | \$ 2,245,333 | \$ - |
| Internal service charges | - | 9,020,957 |
| Employee contributions | - | 2,434,607 |
| Total operating revenue | 2,245,333 | 11,455,564 |
| Operating expenses: | | |
| Food consumed | 2,257,260 | - |
| Salaries and benefits | 1,956,472 | - |
| Supplies, services and repairs | 235,038 | - |
| Administration expense | 60,000 | - |
| Depreciation | 76,849 | - |
| Food and meal delivery: | | |
| Salaries and benefits | 332,073 | - |
| Truck expenses | 8,400 | - |
| Depreciation | 20,810 | - |
| Claims, losses and administrative fees | - | 9,474,930 |
| Other | - | 80,215 |
| Total operating expenses | 4,946,902 | 9,555,145 |
| Operating income (loss) | (2,701,569) | 1,900,419 |
| Nonoperating revenues: | | |
| Federal appropriations | 2,319,151 | - |
| State appropriations | 36,884 | - |
| Federal food commodities | 306,408 | - |
| Interest income | 5,559 | 91,748 |
| Total nonoperating revenues | 2,668,002 | 91,748 |
| Changes in net position | (33,567) | 1,992,167 |
| Net position, beginning of year | 3,028,637 | 14,389,313 |
| Net position, end of year | \$ 2,995,070 | \$ 16,381,480 |

See Notes to Basic Financial Statements.

Iowa City Community School District

Reconciliation of Changes in Net Position of Enterprise Funds to the
Statement of Activities
Year Ended June 30, 2013

| | | |
|--|-----------|----------------------|
| Net changes in net position in enterprise funds. | \$ | (33,567) |
| 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. | | 125,068 |
| Change in net position of business-type activities | \$ | <u>91,501</u> |

See Notes to Basic Financial Statements.

Iowa City Community School District

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013**

| | Nonmajor Enterprise Fund - School Nutrition | Internal Service Fund |
|---|---|--------------------------|
| Cash flows from operating activities: | | |
| Cash received from sales of breakfasts and lunches | \$ 2,245,333 | \$ - |
| Cash received from charges for service | - | 9,020,957 |
| Cash received from employees for benefits | - | 2,434,607 |
| Cash payments to suppliers for goods and services | (2,207,606) | (80,215) |
| Cash payments to employees for services | (1,619,695) | - |
| Cash payments for employee benefits | (653,684) | - |
| Cash payments for claims, losses and administrative fees | - | (9,534,230) |
| Net cash provided by (used in) operating activities | (2,235,652) | 1,841,119 |
| Cash flows from noncapital financing activities: | | |
| Operating grants received | 2,307,717 | - |
| Payments to interfund accounts | (956) | - |
| Net cash provided by noncapital financing activities | 2,306,761 | - |
| Cash flows from capital and related financing activities, acquisition of capital assets | | |
| | (302,400) | - |
| Cash flows from investing activities, interest on cash and cash equivalents | | |
| | 5,559 | 91,748 |
| Net increase (decrease) in cash and cash equivalents | (225,732) | 1,932,867 |
| Cash and cash equivalents: | | |
| Beginning | 2,758,485 | 16,452,229 |
| Ending | \$ 2,532,753 | \$ 18,385,096 |
| Operating income (loss) | \$ (2,701,569) | \$ 1,900,419 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 97,659 | - |
| Federal food commodities consumed | 354,726 | - |
| Change in assets and liabilities: | | |
| (Increase) in purchased inventory | (7,004) | - |
| (Increase) in prepaid expenses and deposits | (1,547) | - |
| Increase in accounts payable | 6,917 | - |
| Increase in salaries and benefits payable | 15,166 | - |
| Increase in claims payable | - | 212,815 |
| (Decrease) in early retirement | - | (272,115) |
| Total adjustments | 465,917 | (59,300) |
| Net cash provided by (used in) operating activities | \$ (2,235,652) | \$ 1,841,119 |
| Noncash item, noncapital financing activities, food commodities donated to the District from the U.S. Department of Agriculture | | |
| | \$ 306,408 | \$ - |

See Notes to Basic Financial Statements.

Iowa City Community School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

| | Private Purpose Trust Fund | | Agency Funds |
|---|--------------------------------|----|--------------|
| | Winbigler Estate Trust Fund | | |
| Assets , cash and cash equivalents and investments | \$ 71,550 | \$ | 288,087 |
| Liabilities , due to private individuals | - | | 288,087 |
| Net Position , restricted 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 Position

Fiduciary Funds

Year Ended June 30, 2013

| | Private Purpose Trust Fund |
|---|--|
| | <u>Winbigler Estate Trust Fund</u> |
| Net position held in trust, beginning of year | <u>\$ 71,550</u> |
| Net position held in trust, 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 position 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.

The District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. The adoption of this Statement changed the presentation of the basic financial statements to a statement of net position format.

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 position presents the District's nonfiduciary assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position.

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, deferred inflows/outflows of resources, reserves, fund balance/net position, 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, liabilities and deferred inflows/outflows of resources 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 operations and activities which are similar to those often found in the private sector. They are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Enterprise Funds: Enterprise funds are used to account for those operations for which a fee is charged to extend users for goods and/or services. 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 District 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 recognized 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 position 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 and income surtax 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 2012 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, 2011 assessed property valuations and is revenue for fiscal year ended June 30, 2013.

The succeeding year property tax receivable represents taxes certified by the Board of Education in April 2013. 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 a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year ended June 30, 2014, the year for which it is levied.

The income surtax receivable represents the fiscal year 2013 levy which will be collected by the District in fiscal year 2014. Although the income surtax receivable has been recorded as of June 30, 2013, 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, 2014, the year for which it is levied.

Due from other governments: Due from other governments represent amounts due from the state of Iowa, University of Iowa, other school districts, and other various grants, reimbursements and shared revenues.

| | General | Capital Projects |
|-----------------------------|---------------------|---------------------|
| Due from other governments: | | |
| Federal | \$ 850,033 | \$ - |
| State | 366,363 | - |
| Local option sales tax | - | 1,712,141 |
| Other | 819,427 | 726,825 |
| | <u>\$ 2,035,823</u> | <u>\$ 2,438,966</u> |

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. Unused commodities at balance sheet date are reported as inventory.

Iowa City Community School District

Notes to Basic Financial Statements

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

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 position. 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.

| <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. Incurred but unpaid payroll expense for all employees as of June 30, 2013, has also been accrued as a liability as of June 30, 2013.

Unearned revenue: Unearned revenue consists of unspent grant proceeds.

Deferred outflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Iowa City Community School District

Notes to Basic Financial Statements

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

Deferred inflows of resources: In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from three sources: property taxes, income surtax and sales tax. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the District's government-wide statements, only the property tax and income surtax revenues remain under the full accrual basis of accounting and will become an inflow in the year for which the taxes are levied.

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, 2013. 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. Governmental fund types recognize bond premiums through current year operations. The face amount of debt issued is reported as other financing sources. Premiums/discounts received on debt issuances are reported as other financing sources/uses. Principal payments and bond issuance costs are reported as debt service expenditures. 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 position. As of June 30, 2013, the District did not have any long-term obligations related to its business-type activities. Bond 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.

Iowa City Community School District

Notes to Basic Financial Statements

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

Assigned: Amounts constrained by the District's intent to use them for a specific purpose. It is the District's policy that 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.

Net position: Net position represent the difference between assets and liabilities. Net investment in capital assets 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 position is 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 position restricted through enabling legislation consists of \$726,361 for management levy, \$32,786,298 for the capital improvements and equipment, \$1,376,572 for student activities and \$15,518 for debt service.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position 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.

Iowa City Community School District

Notes to Basic Financial Statements

Note 2. Cash and Investments

Interest rate risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy requires operating funds to be invested in investments that mature within 397 days or less. When investing other than operating funds, the investments must mature according to the needs of the funds. Operating funds of the District are funds which are reasonably expected to be used during a current budget year or within 15 months of receipt.

As of June 30, 2013, 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 | 30,036,612 | 30,036,612 | - | - | - |
| | <u>\$ 30,036,615</u> | <u>\$ 30,036,615</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 \$30,036,615 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, 2013, 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, 2013, 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, 2013, are as follows:

| Receivable Fund | Payable Fund | Amount |
|--|---|-------------------|
| Major Fund, General Fund | Nonmajor Enterprise Fund, School Nutrition Fund | \$ 1,446 |
| Major Fund, Physical Plant and Equipment Levy Fund | Major Fund, General Fund | 164,766 |
| Major Fund, General Fund | Major Fund, Capital Projects Fund | 10,461 |
| Major Fund, General Fund | Nonmajor Fund, Student Activity Fund | 6,918 |
| | | <u>\$ 183,591</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, 2013, is as follows:

| Transfer To | Transfer From | Amount |
|---|--------------------------|------------|
| Nonmajor Governmental Fund, Special Revenue Fund, Student Activity | Major Fund, General Fund | \$ 172,000 |

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, 2013, is as follows:

| Governmental Activities | Balance, Beginning of Year | Increases | Decreases | Balance, End of Year |
|---|----------------------------------|----------------------|----------------------|-------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 4,454,141 | \$ - | \$ - | \$ 4,454,141 |
| Construction-in-progress | 13,575,597 | 5,301,921 | 12,799,824 | 6,077,694 |
| Total capital assets not being depreciated | 18,029,738 | 5,301,921 | 12,799,824 | 10,531,835 |
| Capital assets being depreciated: | | | | |
| Buildings | 160,536,962 | 14,560,805 | - | 175,097,767 |
| Improvements other than buildings | 11,058,189 | 1,556,001 | - | 12,614,190 |
| Furniture, equipment and vehicles | 17,482,153 | 1,258,525 | - | 18,740,678 |
| Total capital assets being depreciated | 189,077,304 | 17,375,331 | - | 206,452,635 |
| Less accumulated depreciation for: | | | | |
| Buildings | 48,984,704 | 3,211,180 | - | 52,195,884 |
| Improvements other than buildings | 4,744,305 | 460,964 | - | 5,205,269 |
| Furniture, equipment and vehicles | 16,054,992 | 812,768 | - | 16,867,760 |
| Total accumulated depreciation | 69,784,001 | 4,484,912 | - | 74,268,913 |
| Total capital assets being depreciated, net | 119,293,303 | 12,890,419 | - | 132,183,722 |
| Governmental activities capital assets, net | \$ 137,323,041 | \$ 18,192,340 | \$ 12,799,824 | \$ 142,715,557 |
| Business-Type Activities | | | | |
| Furniture, equipment and vehicles | \$ 1,041,451 | \$ 302,400 | \$ - | \$ 1,343,851 |
| Less accumulated depreciation | 669,145 | 97,659 | - | 766,804 |
| Business-type activities capital assets, net | \$ 372,306 | \$ 204,741 | \$ - | \$ 577,047 |

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 | \$ 2,972,416 |
| Special | 464,897 |
| Other | 328,870 |

Support services:

| | |
|---------------------------|---------|
| Instructional services | 875 |
| Administration services | 425,169 |
| Operation and maintenance | 265,334 |

4,457,561

Unallocated depreciation, excluding direct depreciation

27,351

Total governmental activities depreciation expense

\$ 4,484,912

Business-type activities, nutritional services

\$ 97,659

Note 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013, are summarized as follows:

| | Balance Beginning of Year | Additions | Reductions | Balance, End of Year | Due Within One Year |
|--|---------------------------------|---------------------|---------------------|-------------------------|------------------------|
| General obligation bonds | \$ 17,990,000 | \$ - | \$ 2,825,000 | \$ 15,165,000 | \$ 2,885,000 |
| Premium on general obligation bonds | 1,202,131 | - | 318,712 | 883,419 | - |
| Early retirement | 3,002,798 | 879,295 | 2,526,231 | 1,355,862 | 1,076,568 |
| Other postemployment benefits | 609,541 | 736,459 | 325,000 | 1,021,000 | - |
| Compensated absences | 637,855 | 634,488 | 607,160 | 665,183 | 665,183 |
| Total | <u>\$ 23,442,325</u> | <u>\$ 2,250,242</u> | <u>\$ 6,602,103</u> | <u>\$ 19,090,464</u> | <u>\$ 4,626,751</u> |

Early retirement: The District provided early retirement incentives for certain employees who met certain qualifications as established by the Board of Education. The cost of the incentives is borne by the District in whole. Eligible participants cannot, and do not, contribute to the incentive program.

Early retirement participation is based on the following criteria:

1. It is available to employees who are at least 55 years of age. The Board of Directors reserves the right to limit the number of early retirements.
2. The employee has completed at least fifteen (15) years of service to the District, the last 10 years consecutively, and has been actively employed during the school year that they request early retirement benefits.

Iowa City Community School District

Notes to Basic Financial Statements

Note 6. Long-Term Liabilities (Continued)

3. The employee must be eligible for the receipt of IPERS retirement benefits or allowance pursuant to Chapter 97B of the Code of Iowa.
4. The employee submits a written notification of their intent to apply for early retirement benefits prior to March 1 in the year the early retirement is to begin.
5. The 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, 2013, 19 District employees requested early retirement, to be payable during the year ending June 30, 2014. The benefits to be paid to these employees will be made in October 2013 and January 2014 and total \$879,294 to be generally liquidated from the Management Fund. During the year ended June 30, 2013, the District paid \$2,174,118 of early retirement benefits approved during the year ended June 30, 2012 from the Management Fund. In addition, \$476,566 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, 2013 are as follows:

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.

| Year Ending June 30, | General Obligation Refunding Bonds - Series 2012A | | |
|-------------------------|---|---------------------|-------------------|
| | Interest Rates | Principal | Interest |
| 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>\$ 3,755,000</u> | <u>\$ 227,200</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.

| Year Ending June 30, | General Obligation Refunding Bonds - Series 2012B | | |
|-------------------------|---|----------------------|---------------------|
| | Interest Rates | Principal | Interest |
| 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>\$ 1,048,650</u> |

As of June 30, 2013, 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>15,165,000</u> |
| Excess of debt limit over debt outstanding, legal debt margin | <u>\$ 375,848,093</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. The State has the authority to amend in addition to establishing benefits. 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, 2013, plan members were required to contribute 5.78 percent of their annual covered salary and the District was required to contribute 8.67 percent of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$7,093,021, \$6,149,781 and \$5,160,450, 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.

Workers' Compensation, Property, General Liability and Other Insurance

The District is a member of the Iowa Public School Insurance Program (IPSIP), a public entity risk pool formed in July of 2012 between certain Iowa school districts, created in accordance with Chapter 28E of the Code of Iowa. The purpose of IPSIP is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections so as to effectively manage and contain costs for insurance coverage and related administration. IPSIP has approximately ten members as of July 1, 2013. IPSIP is governed by a six-member board of directors elected by the members of IPSIP. The District has no direct control over budgeting, financing, the governing body or management selection.

IPSIP is not intended to function as an insurance company for the participants; rather, it is a means of combining the administration of claims and of obtaining lower insurance rates through the purchase of commercial insurance. The District's participation in IPSIP does not transfer insurance risk from the District and it does not represent an assumption of liabilities from other school district participants. The District is required to make annual payments, which are determined by IPSIP, based upon its direct proportion to the pro rata share of insurance costs for coverage administered by IPSIP. IPSIP may require the participating Districts to make supplemental payments if the funds on hand are insufficient to pay expenses of the administration of IPSIP. The District was not required to make any supplemental payments to IPSIP in fiscal years 2013 or 2012. Payments to IPSIP by the District in order to maintain adequate insurance coverage in fiscal year 2013 was \$824,249.

Employee Health Insurance

During the year ended June 30, 2013, 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 \$250,000 and for an aggregate amount of 125 percent of expected claims.

Iowa City Community School District

Notes to Basic Financial Statements

Note 8. Risk Management (Continued)

All claim handling procedures are performed by an independent claims administrator. Liabilities are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Recognized liabilities include a provision for all estimated claims incurred but not reported. Changes in the medical claims liability amounts for the years ended June 30, 2013 and 2012 were as follows:

| Self-Insurance Liability | Beginning | Claims and Changes in Estimates | Claims Payments | Ending |
|--------------------------|--------------|---------------------------------------|--------------------|--------------|
| Health: | | | | |
| 2013 | \$ 1,314,235 | \$ 8,686,083 | \$ 8,473,268 | \$ 1,527,050 |
| 2012 | 1,280,000 | 7,462,005 | 7,427,770 | 1,314,235 |

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 \$4,861,844 for the year ended June 30, 2013. The District's actual constructive revenue and constructive expenses are included in the General Fund.

Note 10. Commitments

As of June 30, 2013, the District had outstanding construction commitments totaling approximately \$3,729,000.

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 \$22,800,000 as of June 30, 2013. This liability does not vest and is not included as a liability in the statement of net position. This contingent liability has been computed based on rates of pay as of June 30, 2013.

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, 2013. Rental expense during the year ended June 30, 2013 was \$91,511.

Lease commitments as of June 30, 2013, for these leases are as follows:

Year ending June 30:

| | |
|------|------------------|
| 2014 | \$ 53,348 |
| 2015 | 7,391 |
| | <u>\$ 60,739</u> |

Iowa City Community School District

Notes to Basic Financial Statements

Note 13. Contingencies

As of June 30, 2013, 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 2013, monthly payments were approximately \$7,300 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 provided 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. The plan does not issue a stand-alone financial report

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 to what 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) Statement No. 45. The District establishes and amends contribution requirements annually.

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2013, the District contributed \$302,000. Contributions are required for both retiree and dependent coverage. The active and retiree premium equivalents effective April 1, 2013, 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 | | 29.50 |
| Retiree + Family | | 89.50 |

Iowa City Community School District

Notes to Basic Financial Statements

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

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

| | |
|--|----------------------------|
| Annual required contribution | \$ 709,459 |
| Interest on net OPEB obligation | 27,000 |
| Adjustment to annual required contribution | (23,000) |
| Annual OPEB cost (expense) | <u>713,459</u> |
| Contributions and payments made | <u>302,000</u> |
| Increase in net OPEB obligation | 411,459 |
| | |
| Net OPEB obligation July 1, 2012 | 609,541 |
| Net OPEB obligation June 30, 2013 | <u><u>\$ 1,021,000</u></u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for 2013 and the two preceding years follows.

| Fiscal Year Ending | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|--------------------|---------------------|--|------------------------|
| 06/30/2011 | \$ 600,000 | 96% | \$ 371,188 |
| 06/30/2012 | 812,000 | 71 | 609,541 |
| 06/30/2013 | 713,459 | 42 | 1,021,000 |

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 \$5,125,000 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$5,125,000. The covered payroll (annual payroll of active employees covered by the plan) was \$84,523,708 and the ratio of the UAAL to the covered payroll was 6.06 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.

Iowa City Community School District

Notes to Basic Financial Statements

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

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

In the July 1, 2012, 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 10 percent reduced 0.5 percent each year until reaching the ultimate rate of 5 percent. The UAAL is being amortized as level percentage of projected payroll on the open basis. The amortization of UAAL is over a period of 30 years.

Note 16. Fund Balances

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: | General | Physical Plant and Equipment Levy | Capital Projects | Nonmajor Governmental | Total |
|---------------------------------------|----------------------|---|----------------------|--------------------------|----------------------|
| Nonspendable, prepaids | \$ 996,786 | \$ - | \$ - | \$ - | \$ 996,786 |
| Restricted: | | | | | |
| Categorical funding: | | | | | |
| Gifted and talented program | 556,534 | - | - | - | 556,534 |
| Home school assistance program | 521,527 | - | - | - | 521,527 |
| Supplemental weighting | 367,809 | - | - | - | 367,809 |
| Drop out prevention | 670,623 | - | - | - | 670,623 |
| State preschool | 152,324 | - | - | - | 152,324 |
| Teacher salary supplement | 612,034 | - | - | - | 612,034 |
| Teacher quality market factor | 18,312 | - | - | - | 18,312 |
| State class size reduction | 34,767 | - | - | - | 34,767 |
| Rec Ed programs | 126 | - | - | - | 126 |
| State mentoring | 18,046 | - | - | - | 18,046 |
| STEM | 1,072 | - | - | - | 1,072 |
| Teacher quality-core curriculum | 289,818 | - | - | - | 289,818 |
| Teacher quality | 393,329 | - | - | - | 393,329 |
| Teacher quality market factor 2008 | 6,245 | - | - | - | 6,245 |
| Debt service | - | - | - | 50,301 | 50,301 |
| Management levy purposes | - | - | - | 726,361 | 726,361 |
| Student activities | - | - | - | 1,376,572 | 1,376,572 |
| Capital improvements and equipment | - | 5,694,112 | 27,092,187 | - | 32,786,299 |
| Total restricted | 3,642,566 | 5,694,112 | 27,092,187 | 2,153,234 | 38,582,099 |
| Assigned, general government: | | | | | |
| Administrator travel | 39,859 | - | - | - | 39,859 |
| Building carryover balances | 629,840 | - | - | - | 629,840 |
| Unassigned | 13,271,679 | - | - | - | 13,271,679 |
| Total fund balances | \$ 18,580,730 | \$ 5,694,112 | \$ 27,092,187 | \$ 2,153,234 | \$ 53,520,263 |

Iowa City Community School District

Notes to Basic Financial Statements

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

As of June 30, 2013, the GASB had issued several Statements not yet implemented by the District. The Statement which will impact the District is as follows:

- 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 this Statement will have on the District's financial statements.

Note 18. Subsequent Events

In July 2013, the District purchased land for a new elementary building site and a bus transportation facility for the amounts of \$482,300 and \$2,300,000, respectively. In August 2013 the District purchased land for a new high school building site and a new elementary building site for the amounts of \$2,275,000 and \$620,100, respectively.

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] |
|-------------------|--------------------------|-----------------------------------|---------------------------------------|--------------------|--------------------|---------------------|---|
| 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 |
| 2013 | 07/01/2012 | - | 5,125,000 | 5,125,000 | - | 84,523,708 | 6.06 |

The information presented in the required supplementary schedules was determined as part of the actuarial valuation date as of July 1, 2012. 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 10 percent with an ultimate rate of 5 percent, discount rate of 4.5 percent.
- c. The amortization method is open basis as a level percentage of projected payroll.

Iowa City Community School District

Required Supplementary Information
 Budgetary Comparison Schedule
 All Governmental Funds and Enterprise Fund
 Year Ended June 30, 2013

| | Governmental Fund Types Actual | Enterprise Fund Type Actual | Total Actual |
|--|--------------------------------------|-----------------------------------|----------------------|
| Revenues: | | | |
| Local sources | \$ 91,706,900 | \$ 2,250,892 | \$ 93,957,792 |
| State sources | 61,319,723 | 36,884 | 61,356,607 |
| Federal sources | 7,463,516 | 2,625,559 | 10,089,075 |
| Total revenues | 160,490,139 | 4,913,335 | 165,403,474 |
| Expenditures: | | | |
| Instruction | 93,842,840 | - | 93,842,840 |
| Support services | 40,563,373 | - | 40,563,373 |
| Noninstructional programs | 531,573 | 4,946,902 | 5,478,475 |
| Other expenditures | 27,019,153 | - | 27,019,153 |
| Total expenditures | 161,956,939 | 4,946,902 | 166,903,841 |
| Excess of revenues over (under) expenditures/expenses | (1,466,800) | (33,567) | (1,500,367) |
| Other financing sources, transfers, net | - | - | - |
| Net change in fund balances | (1,466,800) | (33,567) | (1,500,367) |
| Fund balances, beginning of year | 54,987,063 | 3,028,637 | 58,015,700 |
| Fund balances, end of year | \$ 53,520,263 | \$ 2,995,070 | \$ 56,515,333 |

See Note to Required Supplementary Information.

| Budgeted Amounts | | Final to Actual Variance- Over (Under) |
|------------------|-----------------|---|
| Original | Final | |
| \$ 90,390,522 | \$ 90,300,522 | \$ 3,657,270 |
| 61,793,152 | 61,793,152 | (436,545) |
| 9,200,000 | 9,200,000 | 889,075 |
| 161,383,674 | 161,293,674 | 4,109,800 |
| 92,069,395 | 98,868,431 | (5,025,591) |
| 38,110,695 | 39,640,287 | 923,086 |
| 4,637,870 | 5,447,480 | 30,995 |
| 22,538,331 | 27,853,640 | (834,487) |
| 157,356,291 | 171,809,838 | (4,905,997) |
| 4,027,383 | (10,516,164) | 9,015,797 |
| 60,000 | - | - |
| \$ 4,087,383 | \$ (10,516,164) | \$ 9,015,797 |

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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, 2013, the District adopted one budget amendment which increased the budgeted expenditures by \$14,453,547.

Iowa City Community School District

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

| | Special Revenue | | | Total Nonmajor Governmental Funds |
|---|---------------------|---------------------|---------------------|--|
| | Management | Student Activity | Debt Service | |
| Assets | | | | |
| Cash and cash equivalents and investments | \$ 731,528 | \$ 1,496,451 | \$ 35,006 | \$ 2,262,985 |
| Receivables: | | | | |
| Property tax: | | | | |
| Current year | 15,927 | - | 15,295 | 31,222 |
| Succeeding year | 3,879,992 | - | 3,302,407 | 7,182,399 |
| Total assets | \$ 4,627,447 | \$ 1,496,451 | \$ 3,352,708 | \$ 9,476,606 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 21,094 | \$ 112,961 | \$ - | \$ 134,055 |
| Due to other funds | - | 6,918 | - | 6,918 |
| Total liabilities | 21,094 | 119,879 | - | 140,973 |
| Deferred inflows of resources, unavailable revenue - property tax | 3,879,992 | - | 3,302,407 | 7,182,399 |
| Fund balances, restricted | 726,361 | 1,376,572 | 50,301 | 2,153,234 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 4,627,447 | \$ 1,496,451 | \$ 3,352,708 | \$ 9,476,606 |

Iowa City Community School District

Combining Statement of Revenues, Expenditures and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013

| | Special Revenue | | Debt Service | Total Nonmajor Governmental Funds |
|--|------------------|---------------------|------------------|--|
| | Management | Student Activity | | |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 3,711,000 | \$ - | \$ 3,502,939 | \$ 7,213,939 |
| Other | 1,735 | 3,153,905 | 162 | 3,155,802 |
| Total revenues | 3,712,735 | 3,153,905 | 3,503,101 | 10,369,741 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,204,177 | - | - | 2,204,177 |
| Other instruction | - | 3,056,361 | - | 3,056,361 |
| Support services: | | | | |
| Administration services | 442,748 | - | 1,000 | 443,748 |
| Operations and maintenance | 794,848 | 5,121 | - | 799,969 |
| Transportation services | - | 193,411 | - | 193,411 |
| Debt service: | | | | |
| Principal | - | - | 2,825,000 | 2,825,000 |
| Interest and fiscal charges | - | - | 669,031 | 669,031 |
| Total expenditures | 3,441,773 | 3,254,893 | 3,495,031 | 10,191,697 |
| Excess (deficiency) of revenues over expenditures | 270,962 | (100,988) | 8,070 | 178,044 |
| Other financing sources, transfers in | - | 172,000 | - | 172,000 |
| Net change in fund balances | 270,962 | 71,012 | 8,070 | 350,044 |
| Fund balances, beginning of year | 455,399 | 1,305,560 | 42,231 | 1,803,190 |
| Fund balances, end of year | \$ 726,361 | \$ 1,376,572 | \$ 50,301 | \$ 2,153,234 |

Iowa City Community School District

**Statement of Changes in Fiduciary
Assets and Liabilities - Agency Funds
Year Ended June 30, 2013**

| | Balance June 30, 2012 | Additions | Deductions | Balance June 30, 2013 |
|------------------------------------|-----------------------------|--------------|--------------|-----------------------------|
| Flexible Benefits Account | | | | |
| Assets, | | | | |
| cash and cash equivalents | \$ 210,888 | \$ 1,501,249 | \$ 1,473,804 | \$ 238,333 |
| Liabilities, | | | | |
| due to private individuals | \$ 210,888 | \$ 1,501,249 | \$ 1,473,804 | \$ 238,333 |
| School Children's Aid | | | | |
| Assets, | | | | |
| cash and cash equivalents | \$ 11,987 | \$ 22,727 | \$ 17,742 | \$ 16,972 |
| Liabilities, | | | | |
| due to private individuals | \$ 11,987 | \$ 22,727 | \$ 17,742 | \$ 16,972 |
| 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 | \$ 6,551 | \$ 116,887 | \$ 92,844 | \$ 30,594 |
| Liabilities, | | | | |
| due to private individuals | \$ 6,551 | \$ 116,887 | \$ 92,844 | \$ 30,594 |
| Total Agency Funds | | | | |
| Assets, | | | | |
| cash and cash equivalents | \$ 231,614 | \$ 1,640,863 | \$ 1,584,390 | \$ 288,087 |
| Liabilities, | | | | |
| due to private individuals | \$ 231,614 | \$ 1,640,863 | \$ 1,584,390 | \$ 288,087 |

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. | 57 - 71 |
| Revenue Capacity | |
| These schedules contain information to help the reader assess the District's most significant local revenue sources, the property tax (or sales tax). | 72 - 75 |
| Debt Capacity | |
| These schedules present information to help the reader assess the affordability of the District's current level of outstanding debt and the District's ability to issue additional debt in the future. | 76 - 79 |
| Demographic and Economic Information | |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place. | 80 - 81 |
| Operating Information | |
| These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs. | 82 - 91 |

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

Iowa City Community School District

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

| | Fiscal Year | | |
|---|----------------------|----------------------|----------------------|
| | 2004 | 2005 | 2006 |
| Governmental activities: | | | |
| Invested in capital assets, net of related debt | \$ 46,666,309 | \$ 47,646,574 | \$ 60,614,632 |
| Restricted | 5,424,194 | 6,693,449 | 7,951,013 |
| Unrestricted | 12,432,086 | 15,542,661 | 7,670,949 |
| Total governmental activities | | | |
| net assets | \$ 64,522,589 | \$ 69,882,684 | \$ 76,236,594 |
| Business-type activities: | | | |
| Invested in capital assets, net of related debt | \$ 186,141 | \$ 285,874 | \$ 342,565 |
| Unassigned | 1,388,847 | 1,559,611 | 1,872,776 |
| Total business-type activities | | | |
| net assets | \$ 1,574,988 | \$ 1,845,485 | \$ 2,215,341 |
| Primary government: | | | |
| Invested in capital assets, net of related debt | \$ 46,852,450 | \$ 47,932,448 | \$ 60,957,197 |
| Restricted | 5,424,194 | 6,693,449 | 7,951,013 |
| Unrestricted | 13,820,933 | 17,102,272 | 9,543,725 |
| Total primary government | | | |
| net assets | \$ 66,097,577 | \$ 71,728,169 | \$ 78,451,935 |

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

| | | | | | | | Fiscal Year |
|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------|
| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | |
| \$ 64,933,021 | \$ 73,555,648 | \$ 80,393,020 | \$ 93,159,408 | \$ 103,461,937 | \$ 118,552,457 | \$ 127,010,427 | |
| 9,460,390 | 5,669,654 | 5,416,705 | 6,784,465 | 34,107,364 | 38,265,060 | 38,547,315 | |
| 6,659,080 | 17,882,764 | 32,018,847 | 33,609,893 | 20,434,179 | 26,988,542 | 28,366,297 | |
| \$ 81,052,491 | \$ 97,108,066 | \$ 117,828,572 | \$ 133,553,766 | \$ 158,003,480 | \$ 183,806,059 | \$ 193,924,039 | |
| \$ 456,833 | \$ 496,000 | \$ 490,509 | \$ 498,303 | \$ 434,533 | \$ 372,306 | \$ 577,047 | |
| 2,111,394 | 2,345,817 | 2,560,254 | 2,752,849 | 3,102,508 | 3,340,591 | 3,227,351 | |
| \$ 2,568,227 | \$ 2,841,817 | \$ 3,050,763 | \$ 3,251,152 | \$ 3,537,041 | \$ 3,712,897 | \$ 3,804,398 | |
| \$ 65,389,854 | \$ 74,051,648 | \$ 80,883,529 | \$ 93,657,711 | \$ 103,896,470 | \$ 118,924,763 | \$ 127,587,474 | |
| 9,460,390 | 5,669,654 | 5,416,705 | 6,784,465 | 34,107,364 | 38,265,060 | 38,547,315 | |
| 8,770,474 | 20,228,581 | 34,579,101 | 36,362,742 | 23,536,687 | 30,329,133 | 31,593,648 | |
| \$ 83,620,718 | \$ 99,949,883 | \$ 120,879,335 | \$ 136,804,918 | \$ 161,540,521 | \$ 187,518,956 | \$ 197,728,437 | |

Iowa City Community School District

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

| | Fiscal Year | | |
|---|------------------------|------------------------|------------------------|
| | 2004 | 2005 | 2006 |
| Expenses: | | | |
| Governmental activities: | | | |
| Instruction | \$ 57,327,726 | \$ 58,885,279 | \$ 63,495,701 |
| Support services: | | | |
| Student services | 2,555,746 | 2,710,002 | 2,836,912 |
| Instructional services | 5,493,335 | 4,806,321 | 4,930,194 |
| Administration services | 8,655,750 | 8,410,711 | 8,047,884 |
| Operation and maintenance of plant | 7,257,390 | 7,891,471 | 9,251,147 |
| Pupil transportation services | 2,794,426 | 2,670,509 | 3,544,445 |
| Other, primarily AEA flowthrough | 3,163,595 | 4,101,623 | 5,055,519 |
| Noninstructional programs | 266,996 | 268,069 | 18,775 |
| Interest on long-term debt | 693,336 | 1,307,945 | 1,229,057 |
| Total governmental activities expenses | 88,208,300 | 91,051,930 | 98,409,634 |
| Business-type activities, nutrition | 2,714,004 | 2,941,497 | 3,205,272 |
| Total primary government expenses | \$ 90,922,304 | \$ 93,993,427 | \$ 101,614,906 |
| Program revenues: | | | |
| Governmental activities: | | | |
| Charges for services: | | | |
| Instruction | \$ 2,652,444 | \$ 2,821,032 | \$ 3,016,916 |
| Support services | 160,929 | 180,094 | 11,447 |
| Operating grants and contributions | 7,822,835 | 8,613,823 | 10,502,795 |
| Capital grants and contributions | 268,404 | 1,536,790 | 457,884 |
| Total governmental activities program revenues | 10,904,612 | 13,151,739 | 13,989,042 |
| Business-type activities: | | | |
| Charges for services, nutrition | | | |
| nutrition | 1,820,661 | 1,956,544 | 2,094,665 |
| Operating grants and contributions | 1,181,182 | 1,231,176 | 1,384,365 |
| Capital grants and contributions | - | - | 33,057 |
| Total business-type program revenues | 3,001,843 | 3,187,720 | 3,512,087 |
| Total primary government program revenues | \$ 13,906,455 | \$ 16,339,459 | \$ 17,501,129 |
| Net (expense) revenue: | | | |
| Governmental activities | \$ (77,303,688) | \$ (77,900,191) | \$ (84,420,592) |
| Business-type activities | 287,839 | 246,223 | 306,815 |
| Total primary government net expense | \$ (77,015,849) | \$ (77,653,968) | \$ (84,113,777) |

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

| | | | | | | | Fiscal Year | | | | | | |
|------|--------------|------|--------------|------|---------------|------|--------------|------|---------------|------|---------------|------|---------------|
| 2007 | | 2008 | | 2009 | | 2010 | | 2011 | | 2012 | | 2013 | |
| \$ | 67,906,615 | \$ | 75,311,719 | \$ | 80,135,420 | \$ | 85,736,202 | \$ | 88,288,063 | \$ | 91,391,355 | \$ | 100,951,730 |
| | 2,945,952 | | 3,151,173 | | 3,410,990 | | 4,189,268 | | 3,833,693 | | 4,612,635 | | 4,942,088 |
| | 5,125,575 | | 6,292,532 | | 6,277,063 | | 5,950,476 | | 6,017,524 | | 6,708,676 | | 6,962,932 |
| | 8,663,947 | | 9,585,085 | | 9,177,313 | | 9,894,942 | | 9,113,670 | | 10,421,294 | | 11,401,516 |
| | 10,391,249 | | 10,149,107 | | 11,020,902 | | 12,031,969 | | 12,285,578 | | 13,348,760 | | 14,845,156 |
| | 3,764,939 | | 5,011,447 | | 5,670,355 | | 4,440,490 | | 4,791,918 | | 5,489,138 | | 5,396,481 |
| | 5,998,900 | | 5,188,131 | | 4,986,103 | | 4,798,409 | | 4,973,519 | | 4,616,969 | | 4,889,195 |
| | 13,762 | | 17,660 | | 44,222 | | 47,444 | | 6,026 | | 93,018 | | 466,024 |
| | 1,167,068 | | 1,065,987 | | 1,028,590 | | 958,922 | | 882,375 | | 857,422 | | 390,685 |
| | 105,978,007 | | 115,772,841 | | 121,750,958 | | 128,048,122 | | 130,192,366 | | 137,539,267 | | 150,245,807 |
| | 3,451,139 | | 3,806,588 | | 4,044,118 | | 4,177,028 | | 4,158,824 | | 4,432,821 | | 4,821,834 |
| \$ | 109,429,146 | \$ | 119,579,429 | \$ | 125,795,076 | \$ | 132,225,150 | \$ | 134,351,190 | \$ | 141,972,088 | \$ | 155,067,641 |
| | | | | | | | | | | | | | |
| \$ | 3,375,102 | \$ | 3,544,907 | \$ | 3,875,751 | \$ | 3,494,113 | \$ | 3,703,065 | \$ | 3,213,735 | \$ | 1,891,858 |
| | 19,701 | | 11,919 | | 113,293 | | 102,924 | | 122,442 | | 107,478 | | 176,884 |
| | 10,904,544 | | 13,447,339 | | 17,401,300 | | 25,053,119 | | 23,180,191 | | 21,043,495 | | 20,880,498 |
| | 709,601 | | 181,603 | | - | | - | | - | | - | | 1,889,776 |
| | 15,008,948 | | 17,185,768 | | 21,717,231 | | 28,650,156 | | 27,005,698 | | 24,364,708 | | 24,839,016 |
| | | | | | | | | | | | | | |
| | 2,153,019 | | 2,258,569 | | 2,321,754 | | 2,262,408 | | 2,175,411 | | 2,244,238 | | 2,245,333 |
| | 1,545,561 | | 1,759,123 | | 1,906,739 | | 2,106,387 | | 2,262,074 | | 2,358,944 | | 2,662,433 |
| | 11,000 | | - | | - | | - | | - | | - | | - |
| | 3,709,580 | | 4,017,692 | | 4,228,493 | | 4,368,795 | | 4,437,485 | | 4,603,182 | | 4,907,766 |
| \$ | 18,718,528 | \$ | 21,203,460 | \$ | 25,945,724 | \$ | 33,018,951 | \$ | 31,443,183 | \$ | 28,967,890 | \$ | 29,746,782 |
| | | | | | | | | | | | | | |
| \$ | (90,969,059) | \$ | (98,587,073) | \$ | (100,033,727) | \$ | (99,397,966) | \$ | (103,186,668) | \$ | (113,174,559) | \$ | (125,406,791) |
| | 258,441 | | 211,104 | | 184,375 | | 191,767 | | 278,661 | | 170,361 | | 85,942 |
| \$ | (90,710,618) | \$ | (98,375,969) | \$ | (99,849,352) | \$ | (99,206,199) | \$ | (102,908,007) | \$ | (113,004,198) | \$ | (125,320,849) |

Iowa City Community School District

General Revenues and Total Change in Net Assets

Last Ten Fiscal Years*

(accrual basis of accounting)

(Unaudited)

| | Fiscal Year | | |
|---|---------------------|---------------------|---------------------|
| | 2004 | 2005 | 2006 |
| Net (expense) revenue: | | | |
| Governmental activities | \$ (77,303,688) | \$ (77,900,191) | \$ (84,420,592) |
| Business-type activities | 287,839 | 246,223 | 306,815 |
| Total primary government net expense | (77,015,849) | (77,653,968) | (84,113,777) |
| General revenues and other changes in net assets: | | | |
| Governmental activities: | | | |
| Taxes: | | | |
| Property taxes levied for general purposes | 38,274,234 | 37,415,151 | 39,354,754 |
| Property taxes levied for capital projects | 3,198,248 | 3,349,897 | 5,827,602 |
| Property taxes levied debt service | 913,381 | 3,604,392 | 3,640,090 |
| Sales taxes provided for capital projects# | - | - | - |
| Unrestricted grants and contributions | 32,984,278 | 35,092,649 | 36,727,158 |
| Investment earnings | 157,253 | 380,544 | 989,882 |
| Gain on sale of capital assets | - | - | - |
| Other | 3,017,626 | 3,012,653 | 4,235,016 |
| Total governmental activities | 78,545,020 | 82,855,286 | 90,774,502 |
| Business-type activities, investment earnings | 10,986 | 24,274 | 63,041 |
| Total primary government | 78,556,006 | 82,879,560 | 90,837,543 |
| Change in net assets: | | | |
| Governmental activities | 1,241,332 | 4,955,095 | 6,353,910 |
| Business-type activities | 298,825 | 270,497 | 369,856 |
| Total primary government | \$ 1,540,157 | \$ 5,225,592 | \$ 6,723,766 |

* 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 | | | | | | |
|-----------------|-----------------|------------------|-----------------|------------------|------------------|------------------|
| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| \$ (90,969,059) | \$ (98,587,073) | \$ (100,033,727) | \$ (99,397,966) | \$ (103,186,668) | \$ (113,174,559) | \$ (125,406,791) |
| 258,441 | 211,104 | 184,375 | 191,767 | 278,661 | 170,361 | 85,942 |
| (90,710,618) | (98,375,969) | (99,849,352) | (99,206,199) | (102,908,007) | (113,004,198) | (125,320,849) |
| 43,260,607 | 46,156,268 | 50,280,460 | 52,974,155 | 57,971,131 | 59,722,769 | 60,395,065 |
| 6,463,349 | 6,715,464 | 7,131,726 | 7,481,779 | 7,769,270 | 8,026,572 | 8,389,497 |
| 3,603,181 | 3,117,301 | 3,573,769 | 3,524,683 | 3,382,231 | 3,599,933 | 3,502,939 |
| - | 13,952,660 | 12,870,778 | 13,207,890 | 13,643,664 | 13,833,210 | 10,813,815 |
| 38,000,023 | 40,899,909 | 43,398,531 | 33,877,697 | 40,987,077 | 45,509,708 | 48,024,527 |
| 1,214,815 | 756,496 | 642,596 | 317,079 | 197,048 | 268,335 | 253,529 |
| - | - | - | - | - | 4,384,550 | - |
| 3,242,981 | 3,044,550 | 3,183,260 | 3,739,877 | 3,685,961 | 3,632,061 | 4,145,399 |
| 95,784,956 | 114,642,648 | 120,754,233 | 115,123,160 | 127,636,382 | 138,977,138 | 135,524,771 |
| 94,445 | 62,486 | 24,571 | 8,622 | 7,228 | 5,495 | 5,559 |
| 95,879,401 | 114,705,134 | 120,778,804 | 115,131,782 | 127,643,610 | 138,982,633 | 135,530,330 |
| 4,815,897 | 16,055,575 | 20,720,506 | 15,725,194 | 24,449,714 | 25,802,579 | 10,117,980 |
| 352,886 | 273,590 | 208,946 | 200,389 | 285,889 | 175,856 | 91,501 |
| \$ 5,168,783 | \$ 16,329,165 | \$ 20,929,452 | \$ 15,925,583 | \$ 24,735,603 | \$ 25,978,435 | \$ 10,209,481 |

Iowa City Community School District

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

| | Fiscal Year | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2004 | 2005 | 2006 | 2007 |
| General Fund: | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - |
| Restricted | - | - | - | - |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Reserved | 621,500 | 735,539 | 1,071,626 | 1,334,507 |
| Unreserved | 11,243,223 | 11,654,539 | 10,400,123 | 9,208,308 |
| Total General Fund | \$ 11,864,723 | \$ 12,390,078 | \$ 11,471,749 | \$ 10,542,815 |
| All other governmental funds: | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - |
| Restricted | - | - | - | - |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Reserved | 450,071 | 471,401 | 552,899 | 642,360 |
| Unreserved, reported in: | | | | |
| Special revenue funds | 5,340,982 | 5,772,504 | 8,054,048 | 9,335,752 |
| Capital projects funds | 32,896,901 | 8,117,685 | (7,704,715) | (8,986,375) |
| Total all other governmental funds | \$ 38,687,954 | \$ 14,361,590 | \$ 902,232 | \$ 991,737 |

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

| Fiscal Year | | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--|
| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | |
| \$ - | \$ - | \$ - | \$ 771,671 | \$ 876,455 | \$ 996,786 | |
| - | - | - | 3,516,243 | 3,621,399 | 3,642,566 | |
| - | - | - | - | - | - | |
| - | - | - | 502,365 | 609,563 | 669,699 | |
| - | - | - | 9,292,774 | 15,382,598 | 13,271,679 | |
| 1,546,798 | 1,534,839 | 3,539,004 | - | - | - | |
| 3,554,114 | 5,344,723 | 4,396,154 | - | - | - | |
| \$ 5,100,912 | \$ 6,879,562 | \$ 7,935,158 | \$ 14,083,053 | \$ 20,490,015 | \$ 18,580,730 | |
| \$ - | \$ - | \$ - | \$ - | \$ 50,372 | \$ - | |
| - | - | - | 30,174,302 | 34,446,676 | 34,939,533 | |
| - | - | - | - | - | - | |
| - | - | - | - | - | - | |
| - | - | - | - | - | - | |
| 168,233 | 178,454 | 186,277 | - | - | - | |
| - | - | - | - | - | - | |
| 5,774,720 | 5,491,255 | 4,944,259 | - | - | - | |
| 8,161,146 | 17,028,974 | 19,289,186 | - | - | - | |
| \$ 14,104,099 | \$ 22,698,683 | \$ 24,419,722 | \$ 30,174,302 | \$ 34,497,048 | \$ 34,939,533 | |

Iowa City Community School District

Governmental Funds Revenues

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

| | Fiscal Year | | | |
|---------------------------------------|----------------------|----------------------|-----------------------|-----------------------|
| | 2004 | 2005 | 2006 | 2007 |
| Federal sources, federal grants | \$ 2,211,501 | \$ 3,849,343 | \$ 4,022,837 | \$ 3,846,094 |
| State sources, state grants and other | 38,088,997 | 40,391,200 | 42,726,134 | 45,049,784 |
| Local sources: | | | | |
| Ad valorem taxes | 42,385,863 | 44,369,440 | 48,822,446 | 53,327,137 |
| Interest and other income | 157,253 | 380,544 | 989,882 | 1,214,815 |
| Other revenues | 6,193,427 | 6,597,126 | 7,845,172 | 6,640,304 |
| Total local sources | 48,736,543 | 51,347,110 | 57,657,500 | 61,182,256 |
| Total revenues | \$ 89,037,041 | \$ 95,587,653 | \$ 104,406,471 | \$ 110,078,134 |

| Fiscal Year | | | | | |
|----------------|----------------|----------------|----------------|----------------|----------------|
| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| \$ 3,691,110 | \$ 5,440,340 | \$ 11,278,777 | \$ 8,222,274 | \$ 8,321,085 | \$ 7,463,516 |
| 50,154,765 | 54,506,988 | 46,487,840 | 53,955,043 | 58,148,506 | 61,319,723 |
| 69,075,496 | 73,835,697 | 76,978,507 | 83,201,298 | 85,292,389 | 82,777,217 |
| 1,321,185 | 196,284 | 60,266 | 42,246 | 191,372 | 161,781 |
| 7,159,282 | 7,991,035 | 8,623,115 | 9,251,854 | 6,712,504 | 8,767,902 |
| 77,555,963 | 82,023,016 | 85,661,888 | 92,495,398 | 92,196,265 | 91,706,900 |
| \$ 131,401,838 | \$ 141,970,344 | \$ 143,428,505 | \$ 154,672,715 | \$ 158,665,856 | \$ 160,490,139 |

Iowa City Community School District

Governmental Funds Expenditures and Debt Service Ratio

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

| | Fiscal Year | | | |
|---|----------------------|-----------------------|-----------------------|-----------------------|
| | 2004 (1) | 2005 (1) | 2006 (1) | 2007 (1) |
| Instruction | \$ 54,905,152 | \$ 56,638,793 | \$ 62,091,439 | \$ 65,440,584 |
| Pupil personnel services | 2,555,746 | 2,710,002 | 2,836,912 | 2,945,952 |
| Instructional media services | - | - | - | - |
| Instruction and curriculum development services | 5,473,625 | 4,798,911 | 4,923,439 | 5,106,837 |
| Board of education | - | - | - | - |
| General administration | - | - | - | - |
| School administration | 8,339,612 | 8,661,234 | 8,299,518 | 9,074,574 |
| Fiscal services | - | - | - | - |
| Central services | - | - | - | - |
| Plant operation and maintenance | 7,412,390 | 7,769,887 | 9,105,165 | 10,204,862 |
| Pupil transportation services | 2,794,426 | 2,670,509 | 3,544,445 | 3,764,939 |
| AEA flowthrough | 3,035,870 | 3,127,792 | 3,284,598 | 3,561,580 |
| Community services | 271,862 | 271,913 | 18,962 | 13,762 |
| Noncapital facilities acquisition/construction | - | 902,669 | 1,760,485 | 2,407,038 |
| Capital outlay, facilities acquisition/construction | 9,939,999 | 27,607,472 | 19,300,592 | 4,825,783 |
| Debt service: | | | | |
| Principal | 705,000 | 2,650,000 | 2,365,000 | 2,380,000 |
| Interest | 404,944 | 1,579,480 | 1,253,603 | 1,191,652 |
| Bond issuance costs | - | - | - | - |
| Total expenditures | \$ 95,838,626 | \$ 119,388,662 | \$ 118,784,158 | \$ 110,917,563 |
| Debt service as a percentage of noncapital expenditures | 1.29% | 4.61% | 3.64% | 3.37% |

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

| | | | | | | | Fiscal Year | | | | | |
|-----------|--------------------|-----------|--------------------|-----------|--------------------|-----------|--------------------|-----------|--------------------|-----------|--------------------|------|
| | | | | | | | 2008 (1) | 2009 (1) | 2010 (1) | 2011 (1) | 2012 | 2013 |
| \$ | 71,694,880 | \$ | 79,469,308 | \$ | 80,550,680 | \$ | 85,334,071 | \$ | 85,181,022 | \$ | 93,842,840 | |
| | 3,151,173 | | 3,405,973 | | 4,082,113 | | 3,853,422 | | 4,609,186 | | 4,854,053 | |
| | - | | - | | - | | - | | - | | - | |
| | 6,264,667 | | 6,221,272 | | 5,796,009 | | 6,119,871 | | 6,585,642 | | 7,040,962 | |
| | - | | - | | - | | - | | - | | - | |
| | - | | - | | - | | - | | - | | - | |
| | 9,619,098 | | 9,624,966 | | 9,817,405 | | 9,474,078 | | 10,180,266 | | 11,052,695 | |
| | - | | - | | - | | - | | - | | - | |
| | - | | - | | - | | - | | - | | - | |
| | 9,918,437 | | 10,583,745 | | 10,468,714 | | 10,877,956 | | 11,207,615 | | 12,219,182 | |
| | 5,011,447 | | 5,670,355 | | 4,440,490 | | 4,791,918 | | 5,489,138 | | 5,396,481 | |
| | 3,855,124 | | 4,265,250 | | 4,766,004 | | 4,940,696 | | 4,587,779 | | 4,861,844 | |
| | 17,660 | | 24,542 | | 38,690 | | 34,444 | | 27,462 | | 531,573 | |
| | 1,301,574 | | 674,733 | | 3,145,655 | | 2,158,361 | | 4,542,517 | | 8,785,850 | |
| | 9,273,067 | | 8,082,813 | | 14,027,658 | | 11,619,445 | | 16,458,827 | | 9,877,428 | |
| | 2,495,000 | | 2,515,000 | | 2,530,000 | | 2,655,000 | | 7,405,000 | | 2,825,000 | |
| | 1,129,252 | | 1,059,153 | | 988,452 | | 910,978 | | 823,708 | | 669,031 | |
| | - | | - | | - | | - | | 83,266 | | - | |
| \$ | 123,731,379 | \$ | 131,597,110 | \$ | 140,651,870 | \$ | 142,770,240 | \$ | 157,181,428 | \$ | 161,956,939 | |
| | 3.01% | | 2.89% | | 2.78% | | 2.72% | | 5.85% | | 2.33% | |

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 | | | |
|--|----------------------|------------------------|------------------------|---------------------|
| | 2004 | 2005 | 2006 | 2007 |
| Excess of revenues over (under) expenditures | \$ (6,801,585) | \$ (23,801,009) | \$ (14,377,687) | \$ (839,429) |
| Other financing sources (uses): | | | | |
| General long-term debt issued | \$ 29,327,676 | \$ - | \$ - | \$ - |
| Premium on bond issuance | - | - | - | - |
| Payment to bond escrow agent | - | - | - | - |
| Sale of capital assets | - | - | - | - |
| Real estate contract financing | - | - | - | - |
| Transfers in | 455,260 | 849,694 | 235,841 | 200,906 |
| Transfers out | (455,260) | (849,694) | (235,841) | (200,906) |
| Total other financing sources (uses) | 29,327,676 | - | - | - |
| Net change in fund balances | \$ 22,526,091 | \$ (23,801,009) | \$ (14,377,687) | \$ (839,429) |

| | | Fiscal Year | | | | | | | | | |
|----|-------------|-------------|------------|------|-----------|------|------------|----|--------------|----|-------------|
| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | | | | |
| \$ | 7,670,459 | \$ | 10,373,234 | \$ | 2,776,635 | \$ | 11,902,475 | \$ | 1,484,428 | \$ | (1,466,800) |
| \$ | - | \$ | - | \$ | - | \$ | - | \$ | 15,890,000 | \$ | - |
| | - | | - | | - | | - | | 1,232,599 | | - |
| | - | | - | | - | | - | | (12,376,759) | | - |
| | - | | - | | - | | - | | 4,499,440 | | - |
| | - | | - | | - | | - | | - | | - |
| | 9,149,956 | | 182,000 | | 182,000 | | 182,000 | | 182,000 | | 172,000 |
| | (9,149,956) | | (182,000) | | (182,000) | | (182,000) | | (182,000) | | (172,000) |
| | - | | - | | - | | - | | 9,245,280 | | - |
| \$ | 7,670,459 | \$ | 10,373,234 | \$ | 2,776,635 | \$ | 11,902,475 | \$ | 10,729,708 | \$ | (1,466,800) |

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 | | | |
| 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 |
| 2013 | 6,300,549,300 | 1,881,333,422 | 182,998,016 | 8,364,880,738 | 5,010,901,831 | 14.073 |

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 \$8,001,682,257 from January 1, 2011 are used for the taxable values for fiscal year 2013.

* Utility and gas and electric valuations are not included for 2013 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 |
| 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 |
| 2013 | 11.706 | 1.670 | 0.697 | 14.073 | 6.749 | 17.269 | 1.079 | 0.329 |

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 | 2013 | | | 2004 | | |
|--|-------------------------|------|-----------------------------------|-------------------------|------|-----------------------------------|
| | Taxable Value | Rank | Percentage of Total Taxable Value | Taxable Value | Rank | Percentage of Total Taxable Value |
| Coral Ridge Mall LLC | \$ 100,402,295 | 1 | 2.00% | - | - | - |
| Mid American Energy Co | 98,696,654 | 2 | 1.97 | 68,154,772 | 1 | 2.13 |
| American College Testing Program, Inc. | 49,208,830 | 3 | 0.98 | 22,448,925 | 5 | 0.70 |
| City of Coralville | 43,482,800 | 4 | 0.87 | - | - | - |
| Individual | 25,229,370 | 5 | 0.50 | - | - | - |
| CCAL 100 Hawk Ridge Drive LLC | 23,632,470 | 6 | 0.47 | - | - | - |
| ITC Midwest LLC | 23,409,742 | 7 | 0.47 | - | - | - |
| Individual | 22,304,850 | 8 | 0.45 | - | - | - |
| Dealer Properties IC LLC | 20,612,110 | 9 | 0.41 | - | - | - |
| HyVee, Inc. | 17,270,400 | 10 | 0.34 | - | - | - |
| Southgate Development Co, Inc. | - | - | - | 22,300,455 | 6 | 0.70 |
| Dealer Properties IC LLC | - | - | - | - | - | - |
| GGP Limited Partnership | - | - | - | 47,705,000 | 2 | 1.49 |
| Individual | - | - | - | 27,200,078 | 3 | 0.85 |
| Hawkeye Real Estate Investment | - | - | - | 24,283,430 | 4 | 0.76 |
| Qwest | - | - | - | 17,411,510 | 7 | 0.55 |
| National Computer Systems, Inc. | - | - | - | 16,158,680 | 9 | 0.51 |
| Individual | - | - | - | 16,271,460 | 8 | 0.51 |
| Individual | - | - | - | 12,389,510 | 10 | 0.39 |
| All other taxpayers | 4,586,652,310 | - | - | 2,919,292,168 | - | - |
| Total | \$ 5,010,901,831 | | | \$ 3,193,615,988 | | |

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 |
| 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 |
| 2013 | 66,443,766 | 66,421,113 | 99.96 | 4,512 | 66,425,625 | 99.97 |

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 |
|-------------|--|---|---------------|-------------------------------------|
| 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 | * |
| 2013 | 15,165,000 | 0.30 | 137.86 | * |

Source: District records

* Information not available

Iowa City Community School District

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2013
(Unaudited)**

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable* | Estimated Share of Direct and Overlapping Debt |
|--|---------------------|--|--|
| City of Iowa City | 58,550,000 | 99.946% | \$ 58,518,383 |
| City of Coralville | 183,917,374 | 74.669 | 137,329,264 |
| City of North Liberty | 24,241,000 | 73.837 | 17,898,827 |
| Kirkwood Community College | 104,330,000 | 74.843 | 78,083,702 |
| Johnson County | 15,690,000 | 74.792 | 11,734,865 |
| City of University Heights | 117,000 | 100.000 | 117,000 |
| Subtotal, overlapping debt | | | 303,682,041 |
| District direct debt | | | 15,165,000 |
| Total direct and overlapping debt | | | \$ 318,847,041 |

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)**

| | 2004 | 2005 | 2006 | 2007 |
|---|----------------|----------------|----------------|----------------|
| Debt limit | \$ 222,536,021 | \$ 262,674,791 | \$ 275,197,931 | \$ 317,997,232 |
| Total net debt applicable to limit | 38,495,000 | 36,445,000 | 34,080,000 | 31,700,000 |
| Legal debt margin | \$ 184,041,021 | \$ 226,229,791 | \$ 241,117,931 | \$ 286,297,232 |
| Total net debt applicable to the limit as a percentage of debt limit | 20.92% | 16.11% | 14.13% | 11.07% |

Source: Johnson County Auditor and District records.

Legal Debt Margin Calculation for Fiscal Year 2013

| | |
|-----------------------------------|-------------------------|
| Assessed value - 2011 valuation | \$ 8,001,682,257 |
| Debt limit (5% of assessed value) | \$ 400,084,113 |
| Debt applicable to limit | 15,165,000 |
| Legal debt margin | \$ 384,919,113 |

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | \$ 332,855,691 | \$ 363,164,677 | \$ 374,506,391 | \$ 383,874,475 | \$ 391,013,093 | \$ 400,084,113 |
| | 29,205,000 | 26,690,000 | 24,160,000 | 21,505,000 | 17,990,000 | 15,165,000 |
| | \$ 303,650,691 | \$ 336,474,677 | \$ 350,346,391 | \$ 362,369,475 | \$ 373,023,093 | \$ 384,919,113 |

| | | | | | |
|-------|-------|-------|-------|-------|-------|
| 9.62% | 7.35% | 6.45% | 5.60% | 4.60% | 3.79% |
|-------|-------|-------|-------|-------|-------|

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 |
|---------------|----------------------|--|--|--|---------------------------------|
| 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 |
| 2012 | 67,862 | 110,000 | * | * | 3.80 |

* 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 2013) and Johnson County Auditor.

Iowa City Community School District

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

| Employer | 2013 | | | 2004 | | |
|--|---------------|------|--------------------------------|---------------|------|--------------------------------|
| | Employees | Rank | Percentage of Total Employment | Employees | Rank | Percentage of Total Employment |
| The University of Iowa | 18,650 | 1 | 20.12% | 16,495 | 1 | 21.31% |
| The University of Iowa Hospitals and Clinics | 12,154 | 2 | 13.11 | 7,113 | 2 | 0.09 |
| Iowa City Community School District | 1,700 | 3 | 1.83 | 1,100 | 7 | 0.01 |
| Veterans Administration Hospital | 1,562 | 4 | 1.69 | 1,232 | 6 | 1.59 |
| Pearson Educational Measurement | 1,200 | 5 | 1.29 | 1,300 | 4 | 1.68 |
| Mercy Hospital | 1,187 | 6 | 1.28 | 1,250 | 5 | 1.61 |
| American College Testing | 1,181 | 7 | 1.27 | 1,300 | 4 | 1.68 |
| City of Iowa City | 1,180 | 8 | 1.27 | 620 | 11 | 0.80 |
| Hy-Vee Food Stores, Inc. | 1,166 | 9 | 1.26 | 927 | 8 | 1.20 |
| Systems Unlimited | 890 | 10 | 0.96 | - | - | - |
| International Automotive Comp (formerly United Tech) | 785 | 11 | 0.85 | 850 | 9 | - |
| Rockwell International | 770 | 12 | 0.83 | 673 | 10 | 0.87 |
| Riverside Casino and Golf Resort | 759 | 13 | 0.82 | - | - | - |
| All other employers | 49,516 | - | - | 44,540 | - | - |
| Total | 92,700 | | 42.03% | 77,400 | | 47.64% |

Source: City of Iowa City, as last updated October 2007 and Iowa Department of Economic Development (2013 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 | | | |
|---|--|-----------------|-----------------|-----------------|
| | 2004 | 2005 | 2006 | 2007 |
| 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 | 22.00 | 24.00 |
| Assistant principals | 6.00 | 6.00 | 6.00 | 6.00 |
| Total supervisory | 38.00 | 38.00 | 39.00 | 41.00 |
| Instruction: | | | | |
| Elementary classroom teachers | 313.30 | 314.31 | 326.95 | 337.84 |
| Secondary classroom teachers | 231.49 | 224.64 | 223.12 | 223.55 |
| Other classroom teachers | 143.04 | 143.66 | 169.29 | 182.58 |
| Paraprofessionals | 215.00 | 290.00 | 313.00 | 318.00 |
| Total instruction | 902.83 | 972.61 | 1,032.36 | 1,061.97 |
| Student services: | | | | |
| Guidance counselors | 27.50 | 27.50 | 28.30 | 28.30 |
| Media specialists | 24.50 | 24.00 | 26.00 | 26.00 |
| Other professionals (noninstructional) | 19.30 | 21.88 | 20.78 | 24.23 |
| Consultants/supervisory | 14.00 | 14.00 | 12.00 | 12.00 |
| Total student services | 85.30 | 87.38 | 87.08 | 90.53 |
| Support and administration: | | | | |
| Clerical/secretarial | 101.00 | 103.00 | 98.00 | 96.50 |
| Food service workers | 69.00 | 60.00 | 62.00 | 65.00 |
| Physical plant | 108.00 | 109.00 | 116.00 | 122.00 |
| Other | 21.00 | 34.00 | 20.00 | 19.00 |
| Total support and administration | 299.00 | 306.00 | 296.00 | 302.50 |
| Total | 1,325.13 | 1,403.99 | 1,454.44 | 1,496.00 |

Source: District records

| Full-Time Equivalent Employees as of June 30 | | | | | | Percentage Change |
|--|----------|----------|----------|----------|-----------------|-------------------|
| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2004 - 2013 |
| 2.00 | 2.00 | 1.50 | 1.00 | 1.00 | 1.00 | -50.00% |
| 7.50 | 7.50 | 8.00 | 9.00 | 9.60 | 10.60 | 51.43% |
| 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 0.00% |
| 24.00 | 24.00 | 23.50 | 24.00 | 23.50 | 23.50 | 11.90% |
| 8.00 | 8.00 | 8.50 | 7.00 | 7.00 | 6.00 | 0.00% |
| 43.50 | 43.50 | 43.50 | 43.00 | 43.10 | 43.10 | 13.42% |
| 354.27 | 356.34 | 349.46 | 349.08 | 349.71 | 372.77 | 18.98% |
| 235.59 | 239.68 | 230.25 | 230.82 | 238.13 | 267.80 | 15.69% |
| 196.90 | 207.42 | 214.85 | 219.01 | 204.40 | 205.32 | 43.54% |
| 344.00 | 323.00 | 311.90 | 307.70 | 291.51 | 339.46 | 57.89% |
| 1,130.76 | 1,126.44 | 1,106.46 | 1,106.61 | 1,083.75 | 1,185.35 | 31.29% |
| 28.38 | 28.93 | 29.05 | 29.93 | 29.30 | 27.30 | -0.73% |
| 25.80 | 26.80 | 26.80 | 26.82 | 26.80 | 25.80 | 5.31% |
| 26.51 | 20.00 | 27.00 | 29.00 | 33.00 | 29.00 | 50.26% |
| 14.00 | 12.30 | 14.33 | 11.98 | 9.14 | 11.03 | -21.21% |
| 94.69 | 88.03 | 97.18 | 97.73 | 98.24 | 93.13 | 9.18% |
| 104.50 | 107.75 | 109.00 | 111.00 | 109.50 | 112.00 | 10.89% |
| 79.70 | 81.00 | 93.00 | 87.00 | 86.00 | 81.38 | 17.94% |
| 120.10 | 121.80 | 117.80 | 116.20 | 117.70 | 116.90 | 8.24% |
| 19.00 | 16.00 | 16.00 | 14.00 | 16.00 | 11.00 | -47.62% |
| 323.30 | 326.55 | 335.80 | 328.20 | 329.20 | 321.28 | 7.45% |
| 1,592.25 | 1,584.52 | 1,582.94 | 1,575.54 | 1,554.29 | 1,642.86 | 23.98% |

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 |
| 2013 | 12,774 | 149,855,123 | 11,731 | 6.89 |

Source: District records

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

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

| Expenses | Cost Per Pupil | Percentage Change | Teaching Staff (in FTE) | Pupil-Teacher Ratio | Percentage of Students Receiving Free or Reduced-Priced Meals |
|------------------|----------------|-------------------|----------------------------|------------------------|---|
| \$ 2,501,061 | \$ 229 | - % | 678.32 | 16.13 | 20.09% |
| \$ 2,714,004 | \$ 248 | 8.3% | 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 |
| 4,821,834 | 377 | 5.89 | 845.89 | 15.10 | 33.76 |

Iowa City Community School

School Building Information Last Ten Fiscal Years (Unaudited)

| School | Fiscal Year | | | |
|--|-------------|--------|--------|--------|
| | 2004 | 2005 | 2006 | 2007 |
| Elementary: | | | | |
| Coralville Central Elementary (1948,1959) | | | | |
| Square feet | 52,967 | 52,967 | 52,967 | 52,967 |
| Capacity | 462 | 462 | 462 | 462 |
| Enrollment | 433 | 458 | 437 | 448 |
| Samuel Kirkwood Elementary (1963,1968,1987) | | | | |
| Square feet | 48,045 | 48,045 | 48,045 | 48,045 |
| Capacity | 352 | 352 | 352 | 352 |
| Enrollment | 376 | 366 | 385 | 441 |
| Herbert Hoover Elementary (1954, 1968, 1986) | | | | |
| Square feet | 36,643 | 36,643 | 36,643 | 36,643 |
| Capacity | 330 | 330 | 330 | 330 |
| Enrollment | 287 | 275 | 302 | 306 |
| Hills Elementary (1965, 1969) | | | | |
| Square feet | 24,449 | 24,449 | 24,449 | 24,449 |
| Capacity | 220 | 220 | 220 | 220 |
| Enrollment | 189 | 164 | 140 | 152 |
| Ernest Horn Elementary (1969, 1978, 2011) | | | | |
| Square feet | 35,303 | 35,303 | 35,303 | 35,303 |
| Capacity | 286 | 286 | 286 | 286 |
| Enrollment | 315 | 303 | 292 | 288 |
| Helen Lemme Elementary (1970, 1975, 1998) | | | | |
| Square feet | 36,293 | 36,293 | 36,293 | 36,293 |
| Capacity | 308 | 308 | 308 | 308 |
| Enrollment | 286 | 273 | 286 | 283 |
| Lincoln Elementary (1926, 1988) | | | | |
| Square feet | 25,832 | 25,832 | 25,832 | 25,832 |
| Capacity | 220 | 220 | 220 | 220 |
| Enrollment | 249 | 256 | 244 | 256 |
| Longfellow Elementary (1917) | | | | |
| Square feet | 30,148 | 30,148 | 30,148 | 30,148 |
| Capacity | 308 | 308 | 308 | 308 |
| Enrollment | 289 | 276 | 289 | 284 |
| Robert Lucas Elementary (1962, 1978, 1990) | | | | |
| Square feet | 42,080 | 42,080 | 42,080 | 42,080 |
| Capacity | 418 | 418 | 418 | 418 |
| Enrollment | 408 | 420 | 438 | 426 |
| Horace Mann Elementary (1917) | | | | |
| Square feet | 29,360 | 29,360 | 29,360 | 29,360 |
| Capacity | 286 | 286 | 286 | 286 |
| Enrollment | 270 | 261 | 258 | 249 |
| Penn Elementary (1961, 1985, 1995) | | | | |
| Square feet | 38,838 | 38,838 | 38,838 | 38,838 |
| Capacity | 418 | 418 | 418 | 418 |
| Enrollment | 456 | 487 | 354 | 391 |

(Continued)

| Fiscal Year | | | | | |
|-------------|--------|--------|--------|--------|---------------|
| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| 52,967 | 52,967 | 52,967 | 52,967 | 52,967 | 52,967 |
| 462 | 462 | 462 | 462 | 462 | 506 |
| 423 | 427 | 430 | 430 | 437 | 445 |
| 48,045 | 48,045 | 48,045 | 48,045 | 48,045 | 48,045 |
| 352 | 352 | 352 | 352 | 352 | 437 |
| 438 | 439 | 345 | 314 | 321 | 319 |
| 36,643 | 36,643 | 36,643 | 36,643 | 36,643 | 36,643 |
| 330 | 330 | 330 | 330 | 330 | 437 |
| 308 | 306 | 362 | 377 | 375 | 372 |
| 24,449 | 24,449 | 24,449 | 24,449 | 24,449 | 24,449 |
| 220 | 220 | 220 | 220 | 220 | 276 |
| 132 | 137 | 126 | 98 | 110 | 112 |
| 35,303 | 35,303 | 35,303 | 35,303 | 50,603 | 50,603 |
| 286 | 286 | 286 | 286 | 436 | 506 |
| 292 | 279 | 331 | 363 | 364 | 461 |
| 36,293 | 36,293 | 36,293 | 36,293 | 36,293 | 36,293 |
| 308 | 308 | 308 | 308 | 308 | 368 |
| 289 | 296 | 332 | 338 | 344 | 372 |
| 25,832 | 25,832 | 25,832 | 25,832 | 25,832 | 25,832 |
| 220 | 220 | 220 | 220 | 220 | 253 |
| 260 | 253 | 263 | 250 | 241 | 246 |
| 30,148 | 30,148 | 30,148 | 30,148 | 30,148 | 30,148 |
| 308 | 308 | 308 | 308 | 308 | 391 |
| 317 | 305 | 311 | 318 | 349 | 334 |
| 42,080 | 42,080 | 42,080 | 42,080 | 42,080 | 42,080 |
| 418 | 418 | 418 | 418 | 418 | 506 |
| 415 | 424 | 416 | 411 | 441 | 436 |
| 29,360 | 29,360 | 29,360 | 29,360 | 29,360 | 29,360 |
| 286 | 286 | 286 | 286 | 286 | 345 |
| 257 | 244 | 259 | 250 | 245 | 260 |
| 38,838 | 38,838 | 38,838 | 38,838 | 38,838 | 38,838 |
| 418 | 418 | 418 | 418 | 418 | 460 |
| 417 | 461 | 511 | 464 | 502 | 516 |

Iowa City Community School District

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

| School | Fiscal Year | | | |
|--|-------------|---------|---------|---------|
| | 2004 | 2005 | 2006 | 2007 |
| Elementary: | | | | |
| Theodore Roosevelt Elementary (1931, 1961) * | | | | |
| Square feet | 29,008 | 29,008 | 29,008 | 29,008 |
| Capacity | 264 | 264 | 264 | 264 |
| Enrollment | 264 | 248 | 289 | 298 |
| Bouhmil Shimek Elementary (1970, 1991) | | | | |
| Square feet | 28,130 | 28,130 | 28,130 | 28,130 |
| Capacity | 242 | 242 | 242 | 242 |
| Enrollment | 232 | 224 | 220 | 220 |
| Mark Twain Elementary (1954, 1961) | | | | |
| Square feet | 40,204 | 40,204 | 40,204 | 40,204 |
| Capacity | 330 | 330 | 330 | 330 |
| Enrollment | 314 | 295 | 264 | 220 |
| Irving Weber Elementary (1993, 2001) | | | | |
| Square feet | 48,400 | 48,400 | 47,820 | 47,820 |
| Capacity | 484 | 484 | 484 | 484 |
| Enrollment | 492 | 493 | 490 | 494 |
| Grant Wood Elementary (1969, 1993, 2006) | | | | |
| Square feet | 47,190 | 47,190 | 59,890 | 59,890 |
| Capacity | 484 | 484 | 484 | 484 |
| Enrollment | 433 | 432 | 417 | 486 |
| Kate Wickham Elementary (1997) | | | | |
| Square feet | 56,049 | 56,049 | 56,049 | 56,049 |
| Capacity | 418 | 418 | 418 | 418 |
| Enrollment | 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 | - | - | - | - |
| Norman Borlaug Elementary (2012) | | | | |
| Square feet | - | - | - | - |
| Capacity | - | - | - | - |
| Enrollment | - | - | - | - |
| Junior High: | | | | |
| Northwest Junior High School (1971, 1995) | | | | |
| Square feet | 124,436 | 124,436 | 124,436 | 124,436 |
| Capacity | 875 | 875 | 875 | 875 |
| Enrollment | 875 | 907 | 912 | 620 |

* During fiscal year 2013, the District changed the name of this school to Theodore Roosevelt Education Center and are serving students for various programs in this building.

(Continued)

| Fiscal Year | | | | | | |
|-------------|---------|---------|---------|---------|----------------|--|
| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | |
| 29,008 | 29,008 | 29,008 | 29,008 | 29,008 | 29,008 | |
| 264 | 264 | 264 | 264 | 264 | 264 | |
| 340 | 365 | 309 | 299 | 283 | 40 | |
| 28,130 | 28,130 | 28,130 | 28,130 | 28,130 | 28,130 | |
| 242 | 242 | 242 | 242 | 242 | 276 | |
| 204 | 191 | 201 | 202 | 208 | 228 | |
| 40,204 | 40,204 | 40,204 | 40,204 | 40,204 | 40,204 | |
| 330 | 330 | 330 | 330 | 330 | 460 | |
| 239 | 234 | 229 | 203 | 226 | 299 | |
| 48,400 | 48,400 | 48,400 | 48,400 | 48,400 | 48,400 | |
| 484 | 484 | 484 | 484 | 484 | 506 | |
| 523 | 540 | 544 | 553 | 568 | 477 | |
| 59,890 | 59,890 | 59,890 | 59,890 | 59,890 | 59,890 | |
| 484 | 484 | 484 | 484 | 484 | 575 | |
| 524 | 510 | 492 | 474 | 523 | 569 | |
| 56,049 | 56,049 | 56,049 | 56,049 | 56,049 | 56,049 | |
| 418 | 418 | 418 | 418 | 418 | 506 | |
| 491 | 493 | 492 | 489 | 477 | 481 | |
| 61,081 | 61,081 | 61,081 | 61,081 | 61,081 | 61,081 | |
| 484 | 484 | 484 | 484 | 484 | 552 | |
| 551 | 599 | 661 | 425 | 446 | 499 | |
| - | - | - | 63,715 | 63,815 | 63,815 | |
| - | - | - | 500 | 500 | 529 | |
| - | - | - | 388 | 429 | 504 | |
| - | - | - | - | - | 67,029 | |
| - | - | - | - | - | 552 | |
| - | - | - | - | - | 352 | |
| 124,436 | 124,436 | 124,436 | 124,436 | 124,436 | 124,436 | |
| 875 | 875 | 875 | 875 | 875 | 875 | |
| 610 | 622 | 615 | 638 | 641 | 650 | |

Iowa City Community School

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

| School | Fiscal Year | | | |
|--|-------------|---------|---------|---------|
| | 2004 | 2005 | 2006 | 2007 |
| Junior High (continued): | | | | |
| South East Junior High School (1959, 1982, 1995) | | | | |
| Square feet | 115,604 | 115,604 | 115,604 | 115,604 |
| Capacity | 775 | 775 | 775 | 775 |
| Enrollment | 727 | 677 | 681 | 660 |
| North Central Junior High School (2006) | | | | |
| Square feet | - | - | 82,612 | 82,612 |
| Capacity | - | - | 450 | 450 |
| Enrollment | - | - | - | 308 |
| High School: | | | | |
| City High School (1939, 1974, 1982, 1985, 1990, 1995, 2005) | | | | |
| Square feet | 247,052 | 247,052 | 267,752 | 267,752 |
| Capacity | 1,400 | 1,400 | 1,600 | 1,600 |
| Enrollment | 1,521 | 1,542 | 1,438 | 1,356 |
| West High School (1969, 1983, 1986, 1993, 1996, 2005) | | | | |
| Square feet | 272,663 | 272,663 | 309,943 | 309,943 |
| Capacity | 1,600 | 1,600 | 1,800 | 1,800 |
| Enrollment | 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 | 25,744 | 24,992 | 24,992 |
| Capacity | | | | |
| Number | 33 | 35 | 34 | 34 |
| Other: | | | | |
| Central Administration Building (1917) | | | | |
| Square feet | 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 |
| Athletics: | | | | |
| Football fields | 4 | 4 | 4 | 5 |
| Soccer fields | 1 | 1 | 1 | 1 |
| Running tracks | 2 | 2 | 2 | 2 |
| Baseball/softball fields | 4 | 4 | 4 | 4 |
| Tennis Courts | 2 | 2 | 2 | 2 |
| Playgrounds | 17 | 17 | 18 | 18 |

Source: District records

| Fiscal Year | | | | | |
|-------------|---------|---------|---------|---------|----------------|
| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| 111,183 | 138,806 | 138,806 | 138,806 | 138,806 | 138,806 |
| 775 | 775 | 775 | 775 | 775 | 775 |
| 701 | 705 | 688 | 674 | 733 | 761 |
| 82,612 | 82,612 | 82,612 | 82,612 | 82,612 | 82,612 |
| 450 | 450 | 450 | 450 | 450 | 450 |
| 349 | 359 | 398 | 400 | 414 | 469 |
| 267,752 | 267,752 | 267,752 | 267,752 | 267,752 | 267,752 |
| 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 |
| 1,507 | 1,383 | 1,371 | 1,409 | 1,410 | 1,414 |
| 339,217 | 339,217 | 339,217 | 339,217 | 339,217 | 339,217 |
| 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 |
| 1,764 | 1,754 | 1,770 | 1,863 | 1,910 | 1,956 |
| 19,700 | 19,700 | 19,700 | 19,700 | 19,700 | 19,700 |
| 118 | 110 | 120 | 118 | 162 | 149 |
| 33,296 | 33,296 | 33,296 | 33,296 | 33,296 | 36,000 |
| 37 | 37 | 37 | 37 | 37 | 40 |
| 24,588 | 24,588 | 24,588 | 24,588 | - | - |
| - | - | - | - | 41,776 | 41,776 |
| 19,638 | 19,638 | 19,638 | 19,638 | 19,638 | 19,638 |
| 5 | 5 | 5 | 5 | 5 | 5 |
| 1 | 1 | 1 | 1 | 2 | 2 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 4 | 4 | 4 | 4 | 4 | 4 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 18 | 18 | 18 | 19 | 19 | 19 |

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Iowa City Community School District

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013**

| 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 | \$ 306,408 |
| National School Lunch Program | 10.555 | 77-1737 | 1,859,777 |
| | | | 2,166,185 |
| National School Summer Program | 10.559 | 77-1737 | 38,435 |
| National School Breakfast Program | 10.553 | 77-1737 | 393,037 |
| National School Lunch Program - After School Snacks | 10.555 | 77-1737 | 25,789 |
| Fresh Fruit & Vegetable Grant | 10.582 | N/A | 16,468 |
| Total U.S. Department of Agriculture | | | 2,639,914 |
| U.S. Army Corps of Engineers: | | | |
| Passed through Johnson County, Iowa: | | | |
| Flood Control Projects | 12.106 | N/A | 7,352 |
| U.S. Department of Education: | | | |
| Passed through State of Iowa Department of Education: | | | |
| Title I - Grants to Local Educational Agencies | 84.010A | N/A | 1,789,796 |
| Title I - Grants to Local Educational Agencies - Schools in Need of Assistance | 84.010A | N/A | 115,928 |
| | | | 1,905,724 |
| IDEA - High Cost Claim | 84.027 | N/A | 76,291 |
| IDEA - Non-nimas Work Groups | 84.027 | N/A | 255 |
| | | | 76,546 |
| Vocational Education Basic Grants to States | 84.048A | 77-6957 | 124,255 |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186A | 77-6957 | 10,553 |
| Education for Homeless Children and Youth | 84.196 | N/A | 24,000 |
| Fund for the Improvement of Education | 84.215F | N/A | 199 |
| Twenty-First Century Learning Centers | 84.287A | N/A | 446,310 |
| Title II - Improving Teacher Quality State Grant | 84.367 | N/A | 332,976 |
| Title VI, Part A - Iowa Technical Adequacy Project (ITAP) | 84.369 | N/A | 78,306 |
| | | | 2,998,869 |
| U.S. Department of Education: | | | |
| Passed through Grant Wood Area Education Agency: | | | |
| Special Education Grants to States | 84.027 | N/A | 663,027 |
| Title III - English Language Acquisition | 84.365 | N/A | 39,177 |
| | | | 702,204 |
| Direct Program: | | | |
| Impact Aid (Title VIII of ESEA) | 84.041 | N/A | 1,179 |

(Continued)

Iowa City Community School District

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2013

| 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>1,154</u> |
| Passed through the University of Northern Iowa: Mathematics and Science Partnerships | 84.366 | N/A | <u>2,263</u> |
| Direct Program: | | | |
| Safe and Drug-Free Schools and Communities - Safe Schools/Healthy Students | 84.184L | N/A | <u>1,241,087</u> |
| Total U.S. Department of Education | | | <u><u>4,946,756</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 Homeland Security and Emergency Management: | | | |
| Passed through the Iowa Department of Homeland Security and Emergency Management: Disaster Grants - Public Assistance | 97.036 | N/A | <u>1,774</u> |
| Total expenditures of federal awards | | | <u><u>\$ 7,637,796</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, 2013**

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, 2013. 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, 2013**

| | Finding | Status | Corrective Action Plan or Other Explanation |
|--|---|-----------|---|
| Significant Deficiencies and Material Weaknesses in Internal Control: | | | |
| 12-II-A | The District has insufficient segregation of duties over the payroll process. | Corrected | |
| 12-II-B | The District has insufficient segregation of duties over the cash disbursement function. | Corrected | |
| 12-II-C | The District has insufficient segregation of duties over the student activity funds at elementary, junior and senior high schools. | Corrected | |
| Other Finding Related to 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. | Corrected | |



**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***

Independent Auditor's Report

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

We have audited, in accordance with the 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, the financial statements of the governmental activities and the business-type activities, each major fund, and the aggregate remaining fund information of Iowa City Community School District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 26, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 a 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

We noted an immaterial instance of noncompliance or other matter that is described in Part IV of the accompanying schedule of findings and questioned costs.

The District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Davenport, Iowa
November 26, 2013



Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Iowa City Community School District's (the District) compliance 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 the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 the 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

Davenport, Iowa
November 26, 2013

Iowa City Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

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

Identification of major program:

| CFDA Number | Name of Federal Program |
|------------------------|--|
| 10.555, 10.553, 10.559 | Nutrition Cluster |
| 84.010 A | Title I Grants to Local Educational Agencies |

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, 2013

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

A. Internal Control

None reported.

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

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

No expenditures exceeded the amended certified budget amounts.

13-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.

13-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.

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

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

13-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, 2013**

13-IV-F – Board Minutes

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

13-IV-G – Certified Enrollment

Finding: Iowa Code 257.6 (7b) requires Certified Enrollment to be submitted to the Department of Education by October 15th of each calendar year. The District did not submit Certified Enrollment filings until October 18, 2012.

Recommendation: The District should review systems and policies to ensure Certified Enrollment filings can be submitted within the by the required date.

Response and Corrective Action Plan: On October 14th, the District encountered several system errors while attempting to submit Certified Enrollment with the Department of Education. Such errors required assistance from Grant Wood Area Education Agency to resolve. The District will develop procedures to test necessary systems prior to the submission of Certified Enrollment in future years to ensure no further issues occur.

13-IV-H – Supplementary Weighting

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

13-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.

13-IV-J – Certified Annual Report

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

13-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, 2013**

13-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, 2013, the District's financial activity and other required information for the state-wide sales, services and use tax revenue are as follows:

| | |
|--|----------------------|
| Beginning balance | \$ 28,448,964 |
| State-wide sales, services and use tax | 10,489,715 |
| Interest | 95,461 |
| Contributions and rebates | 923,523 |
| Expenditures/transfers out: | |
| Family Resource Programs | (496,705) |
| School infrastructure: | |
| Buildings | (7,343,738) |
| Equipment | (5,025,035) |
| | <u>\$ 27,092,185</u> |

The state-wide sales, services and use tax revenue received during the year ended June 30, 2013 is equivalent to a reduction in the following levies:

| | Per \$1,000 of Taxable Valuation | Property Tax Dollars |
|-----------------------------------|--|----------------------------|
| Physical plant and equipment levy | \$ 2.01700 | \$ 10,489,715 |

13-IV-M – Deficit Balances

None of the District's funds had deficit fund balances as of June 30, 2013.

13-IV-N – Revenue Bonds

The District did not have any revenue bonds outstanding as of June 30, 2013.

13-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).

13-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, 2013**

| Current Number | Comment | Corrective Action Plan | Anticipated Date of Completion | Contact Person |
|-------------------|---------|------------------------|--------------------------------------|----------------|
|-------------------|---------|------------------------|--------------------------------------|----------------|

Other Finding Related to Required Statutory Reporting

| | | | | |
|---------|---|--|---------------|--------------------------------|
| 13-IV-G | The District's Certified Enrollment filing was not submitted to the Department of Education prior to the State's deadline | See corrective action plan at 13-IV-G. | June 30, 2014 | Director of Budget and Finance |
|---------|---|--|---------------|--------------------------------|

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