

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

Comprehensive Annual Financial Report
Year Ended June 30, 2016

Iowa City Community School District Iowa City, Iowa

Comprehensive Annual Financial Report
Year Ended June 30, 2016

**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 22, 2016

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, 2016. 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.

RSM US LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the District's basic financial statements for the year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

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 19 years, growing from 10,444 in 1997 to 13,981 in October 2016. 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, 20 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 and pooled investment trusts. 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 2016 at the rate of more than six percent.

Major employers within the District include The University of Iowa and The University of Iowa Hospitals and Clinics, American College Testing and Pearson (formerly National Computer Systems) as well as two other hospitals. These employers provide a strong employment base in the education and health care industries. The unemployment rate of the Iowa City area is consistently one of the lowest in the state of Iowa and well below national averages even during periods of recessionary trends. In addition, the Iowa City area is served by two nearby regional airports and two major interstate highways. The economic development organizations of Johnson County have teamed with similar organizations in Linn County to the north to develop a "technology corridor" which combines the strong health care and education industries of Johnson County with numerous manufacturing and financial service organizations in Linn County for a wide range of economic and employment opportunities. Iowa City is also consistently promoted in major business publications as one of the best places in the United States for business, schools and quality of life. These recognitions include a #3 ranking for best place to live in America by Outside Magazine in August 2016, #2 ranked "Least Stressed City in U.S." by Smartasset.com in June 2016, #8 for "Top 30 Small Cities" by Area Development Magazine in June 2015, #5 "Best-Performing Cities (small cities)" by Milken Institute in January 2015 and #6 on the "The 10 Smartest Cities in America" by MarketWatch in January 2015. The area has also been recognized for its quality as a best college town, city for college grads and easiest city to find a job by various sources. Iowa City was also designated by UNESCO as the world's third City of Literature in 2008, the only designation in North or South America and is home to the International Writing Program.

The tax base for the area is estimated to continue to grow in the three percent range. The District has experienced an enrollment growth of nearly 2,000 students over the last seven 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 2016 official enrollment of 310 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.

The District's budget is largely dependent on the Iowa school funding formula and various economic factors. 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 prior 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 has reduced funding from the Iowa Legislature compared to years prior to these conditions and the impact on future periods is unknown as funding is determined on an annual basis by the Iowa Legislature.

The District serves the nearly 14,000 students in buildings built from 1917 to 2015. 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 10 year facility master plan for planning the maintenance and capital project needs of the district, including life cycle programs for major maintenance and equipment needs, 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 2005-2006, the District completed renovations to five elementary school buildings. 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 and 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 fine arts addition at City High School that opened in August 2013. The District opened Alexander Elementary School in August 2015 and completed major additions on three elementary schools and an eight classroom addition at City High School during 2015-2016. Construction of a third comprehensive high school in

North Liberty, Iowa began in May 2015 with an anticipated completion in August 2017 and a total projected cost of \$57 million for the facility and athletic complexes.

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 has also received energy efficiency awards for the recent renovation of Penn Elementary School and construction of Alexander Elementary School.

The District owns 10 acres of land in the northern portion of the District for the future construction of an elementary school. During the year ending June 30, 2014, the District purchased land for Alexander Elementary School that opened in August 2015 and Hoover (east) Elementary School that is expected to open in August 2017 and Liberty High School with an expected completion in August 2017. The District also purchased the land and building utilized by the District's transportation provider. In July 2016, the District purchased a parcel of land containing approximately 18 acres near North Liberty that will be used for a future elementary school.

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 to fund various projects in the facility master plan 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 boys' soccer, tennis, swimming and basketball while state placing went to boys' and girls cross country, football, track, volleyball and girls' tennis and basketball during the last four years.

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

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

Students of the District continue to achieve high rankings on college entrance exams and are recognized as National Merit Scholars. The composite averages on these exams are consistently in the top 5 percent of the state and significantly exceed the national averages. These students achieved a graduation rate of nearly 93 percent in 2014 with nearly 92 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, 2016 provided no violations of applicable laws and regulations.

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

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

Cash Management. Cash, while temporarily idle during the year, was invested in money market deposit accounts and other short term investments as allowed by law. Interest rates were primarily less than 1/2 percent during the year, compared to higher rates available in 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 utilizes a single medical care facility for its workers compensation program to lower the claim expense and experience modification factor as it relates to workers' compensation. 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 health insurance plan for its employee medical and prescription program. The health plan is funded at the maximum expected claim levels and coverage for individual and aggregate stop loss coverage is purchased by the plan. The District is also managing the health plan in accordance with the provisions of the Patient Protection and Affordable Care Act.

Awards and Acknowledgments

Independent Audit. The accounting firm of RSM US 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, 2015. 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 ten 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.

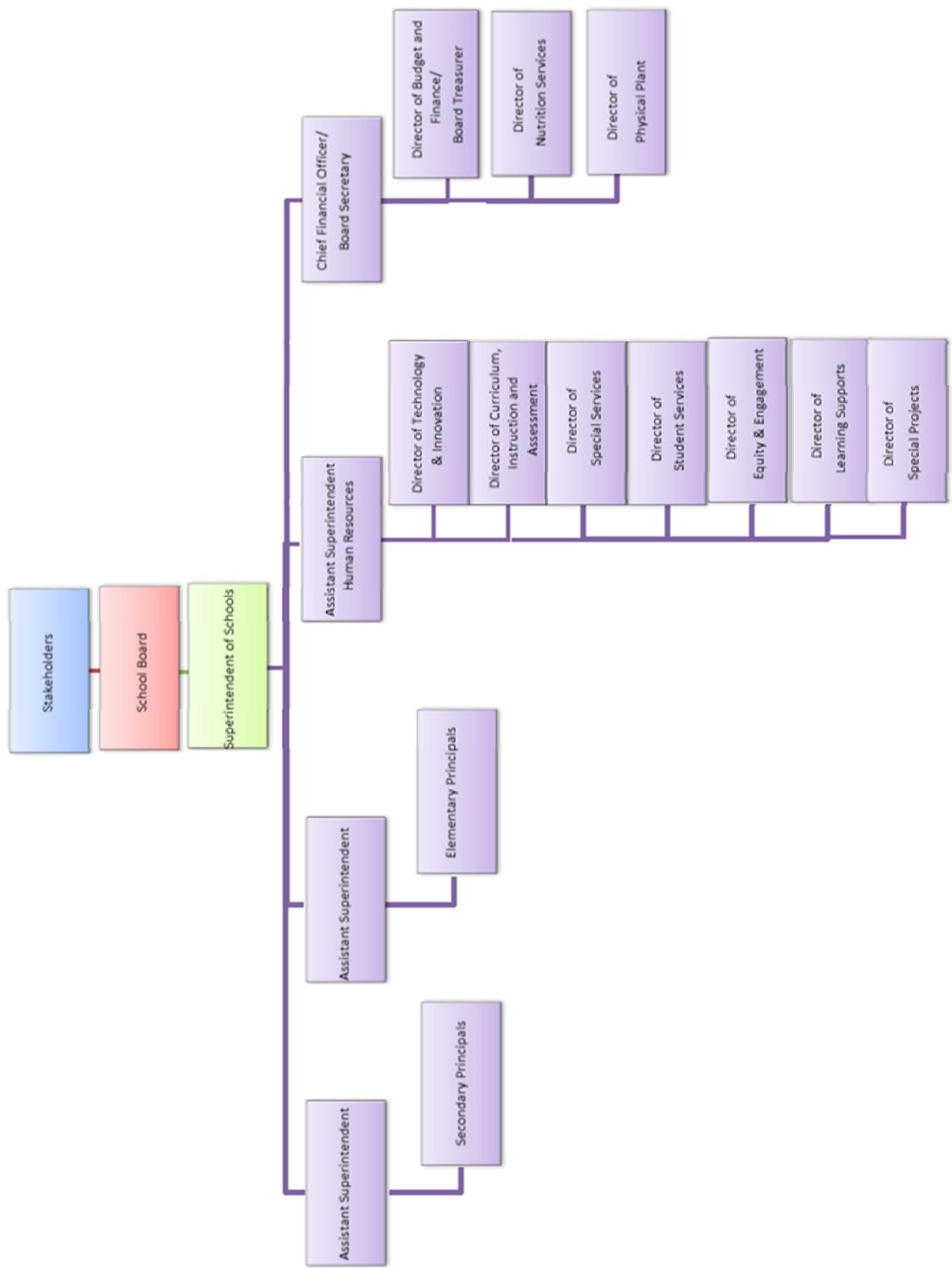
Acknowledgment: The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated efforts of the accounting staff and our auditors, RSM US LLP. I would like to express my appreciation to all staff members who assisted and contributed to this report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

Respectfully submitted,

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

Leslie J. Finger
Director of Budget and Finance, Treasurer

Iowa City Community School District Organizational Structure



Iowa City Community School District

**Board of Education and School District Officials
Year Ended June 30, 2016**

Name	Title	Term Expires
Board of Education		
For the Period July 1, 2015 through September 13, 2015		
Chris Lynch	President	September 2017
Brian Kirschling	Vice President	September 2017
Tuyet Dorau	Board Member	September 2017
Patti Fields	Board Member	September 2015
Jeff McGinness	Board Member	September 2015
Marla Swesey	Board Member	September 2015
Orville Townsend *	Board Member	September 2015

* Appointed July 22, 2014 to serve remainder of term of resigned member.

For the Period September 13, 2015 to June 30, 2016:		
Chris Lynch	President	September 2017
Brian Kirschling	Vice President	September 2017
LaTasha DeLoach	Board Member	September 2019
Phil Hemingway	Board Member	September 2019
Chris Liebig	Board Member	September 2017
Lori Roetlin	Board Member	September 2019
Tom Yates *	Board Member	September 2019

* Resigned effective May 13, 2016 and the position was filled by Paul Roesler via special election on July 19, 2016.

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 ending June 30, 2015**

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



Brenda Burkett

Brenda R. Burkett, CPA, CSBA, SFO
President

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, 2015

Executive Director/CEO



RSM US LLP

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, 2016, 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, 2016, 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, the schedule of the district's proportionate share of the net pension liability and schedule of district contributions for the Iowa Public Employees' Retirement System on pages 57 through 59, other postemployment benefit plan schedule of funding progress on page 60, and budgetary comparison information on pages 61 through 63 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, statement of changes in fiduciary assets and liabilities – agency funds and the accompanying schedule of expenditures of federal awards, as required by the Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 sections 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016 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.

RSM US LLP

Davenport, Iowa
November 21, 2016

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2016

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, 2016. We encourage readers to consider this information in conjunction with the District's financial statements.

Financial Highlights

Total net position increased \$18,108,017 from \$162,998,078 in 2015 to \$181,106,095 in 2016. Total revenues for the fiscal year 2016 increased \$8,278,077 from 2015. Total expenses increased from \$156,111,186 in 2015 to \$169,338,533 in 2016.

General Fund revenues increased from \$140,870,647 in fiscal year 2015 to \$149,586,127 in fiscal year 2016, while General Fund expenditures increased from \$138,493,219 in fiscal year 2015 to \$144,928,058 in fiscal year 2016. In addition, the District transferred \$172,000 to other funds during fiscal year 2016. This resulted in an increase in the District's General Fund balance from \$15,944,282 in fiscal year 2015 to \$20,430,351 in fiscal year 2016.

The increase in General Fund revenues for fiscal year 2016 was attributable to an increase in property tax revenues, 1.25 percent supplemental state aid (formerly allowable growth) as provided in the state funding formula as provided by the Iowa Legislature and approximately \$4M from the Teacher Leadership and Compensation (TLC) grant. The District was able to control expenditures for fiscal year 2016 utilizing budget adjustments from the prior year regarding class size staffing ratios, reductions of certain positions, and controlling the purchase of supplies and materials. These budget adjustments maintained expenditures at a similar level to the prior year after increases in negotiated salary and benefits for all employee groups and the additional expenditures of the TLC grant.

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.

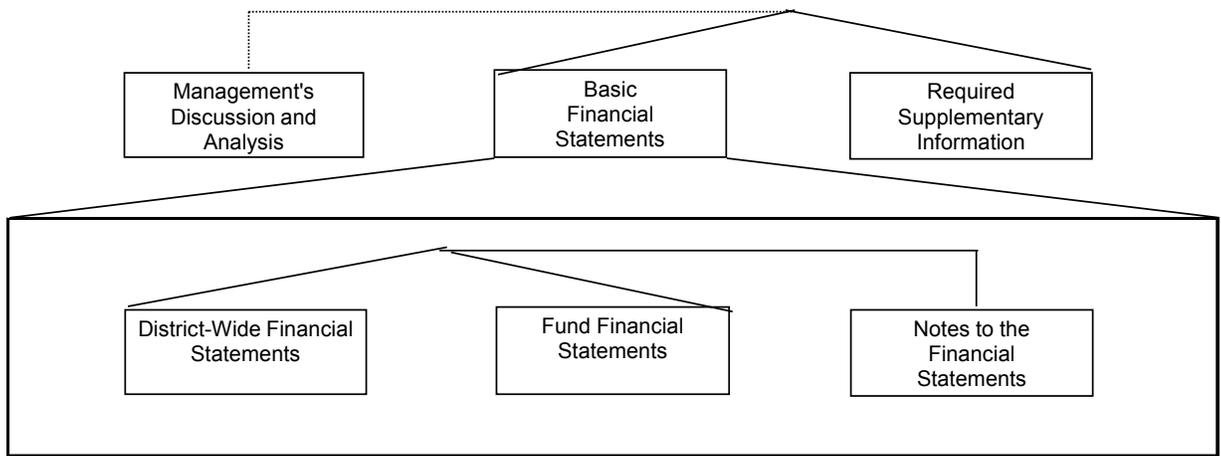
Iowa City Community School District

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2016**

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, 2016**

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, 2016

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.
 - ✓ 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.

Iowa City Community School District

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- 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, 2016 compared to 2015:

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Total Change 2016-2015
	2016	2015	2016	2015	2016	2015	
Current and other assets	\$ 179,420,809	\$150,353,178	\$ 2,561,553	\$ 2,927,191	\$ 181,982,362	\$ 153,280,369	\$ 28,701,993
Capital assets	248,018,597	194,568,925	528,403	518,311	248,547,000	195,087,236	53,459,764
Total assets	427,439,406	344,922,103	3,089,956	3,445,502	430,529,362	348,367,605	82,161,757
Deferred outflows of resources	22,894,385	13,811,840	476,566	284,244	23,370,951	14,096,084	9,274,867
Long-term obligations	133,892,009	69,328,628	1,329,481	1,092,971	135,221,490	70,421,599	(64,799,891)
Other liabilities	37,634,394	29,907,255	303,124	282,856	37,937,518	30,190,111	(7,747,407)
Total liabilities	171,526,403	99,235,883	1,632,605	1,375,827	173,159,008	100,611,710	(72,547,298)
Deferred inflows of resources	99,511,374	98,437,073	323,836	416,828	99,835,210	98,853,901	(981,309)
Net position:							
Net investment in capital assets	203,709,702	176,170,719	528,403	518,311	204,238,105	176,689,030	27,549,075
Restricted	36,650,711	18,444,336	-	-	36,650,711	18,444,336	18,206,375
Unrestricted	(61,064,399)	(33,554,068)	1,081,678	1,418,780	(59,982,721)	(32,135,288)	(27,847,433)
Total net position	\$ 179,296,014	\$161,060,987	\$ 1,610,081	\$ 1,937,091	\$ 180,906,095	\$ 162,998,078	\$ 17,908,017

The District's total assets increased by 23.6 percent during the year ended June 30, 2016. The increase occurred primarily as a result of the investment in capital assets as detailed in Note 5. During the year ended June 30, 2016, the District began construction on a new elementary school, major classroom additions for three elementary schools and continued construction of a new comprehensive third high school as part of the ten year facility master plan. In addition, the District completed approximately \$500,000 of safety and security upgrades and expended over \$700,000 of technology infrastructure upgrades.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2016

The total net position of the District's business-type activities decreased by \$327,010 over the prior year's balance. This decrease is due primarily to increased expenditures for staff and food to serve additional students and federal requirements for certain meal components.

Changes in net position – Figure A-4 shows the changes in net position for the years ended June 30, 2016 and 2015:

Figure A-4
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total School District	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for service and sales	\$ 1,264,023	\$ 1,571,049	\$ 2,357,084	\$ 2,320,575	\$ 3,621,107	\$ 3,891,624
Operating grants and contributions	28,901,876	24,461,796	3,498,804	3,212,336	32,400,680	27,674,132
Capital grants and contributions	641,945	939,553	-	-	641,945	939,553
General revenues:						
Property taxes	78,977,678	76,047,133	-	-	78,977,678	76,047,133
Sales tax	12,615,660	12,515,712	-	-	12,615,660	12,515,712
Unrestricted state grants	57,802,551	56,396,516	-	-	57,802,551	56,396,516
Unrestricted investment earnings	465,432	233,928	6,803	7,509	472,235	241,437
Other	714,694	1,462,366	-	-	714,694	1,462,366
Gain on sale of capital assets	-	-	-	-	-	-
Total revenues	181,383,859	173,628,053	5,862,691	5,540,420	187,246,550	179,168,473
Program expenses:						
Governmental activities:						
Instruction	107,177,328	100,335,876	-	-	107,177,328	100,335,876
Support services	53,642,433	49,085,735	-	-	53,642,433	49,085,735
Noninstructional programs	368,506	605,079	-	-	368,506	605,079
Other expenses	1,960,565	262,491	-	-	1,960,565	262,491
Business-type activities,						
nutritional services	-	-	6,189,701	5,822,005	6,189,701	5,822,005
Total expenses	163,148,832	150,289,181	6,189,701	5,822,005	169,338,533	156,111,186
Change in net position	18,235,027	23,338,872	(327,010)	(281,585)	17,908,017	23,057,287
Net position, beginning of year	161,060,987	137,722,115	1,937,091	2,218,676	162,998,078	139,940,791
Net position, end of year	\$ 179,296,014	\$ 161,060,987	\$ 1,610,081	\$ 1,937,091	\$ 180,906,095	\$ 162,998,078

Property and sales taxes and unrestricted state grants account for 80 percent and 81 percent of the total revenue for the years ended June 30, 2016 and 2015, respectively. The District's expenses primarily relate to instruction and support services which account for 95 percent and 92 percent of the total expenses for the years ended June 30, 2016 and 2015, respectively.

Governmental Activities

Revenues for governmental activities were \$181,583,859 and expenses were \$163,148,832. This difference of \$18,435,027 was used for the repayment of the general obligations bonds, capital loan notes and sales tax revenue bonds as scheduled and described in Note 6 to the basic financial statements and approximately \$27,000,000 in construction in progress that have been capitalized. Revenues in the governmental activities increased approximately \$7,956,000 or 4.6 percent over 2015. Most of this increase is due to the increase from state sources as provided from supplemental state aid and the Teacher Leadership and Compensation grant. In addition, property tax revenues increased approximately \$2,930,000 from assessed valuation growth in both the general and physical plant and equipment levy funds.

Iowa City Community School District

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The increase in expenses in governmental activities of \$12,859,651 or 8.6 percent is related to expenditures from the teacher leadership grant, increased salary and benefits from negotiated contract settlements and amounts recorded as pension expense from the implementation of GASB 68. The District also recorded \$693,683 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**

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 107,177,328	\$ (83,124,575)	\$ 100,335,876	\$ (80,288,412)
Support services	53,642,433	(46,887,342)	49,085,735	(42,160,801)
Noninstructional programs	368,506	(368,506)	605,079	(605,079)
Other expenses	1,960,565	(1,960,565)	262,491	(262,491)
Totals	\$ 163,148,832	\$ (132,340,988)	\$ 150,289,181	\$ (123,316,783)

- The cost financed by users of the District’s programs was \$1,264,023 for 2016 and \$1,571,049 for 2015.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$29,543,821 for 2016 and \$22,409,895 for 2015.
- The remaining net cost of governmental activities was financed with property tax, sales tax, state foundation aid and investment earnings.

Business-Type Activities

Revenues of the District’s business-type activities were \$5,855,888, excluding \$6,803 of investment earnings, and expenses were \$6,189,701. 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 5.8 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 6.3 percent primarily due to the negotiated costs for personnel and increased food supply costs from additional meals served.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2016

Financial Analysis of the District's Funds

As previously noted, the Iowa City Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund highlights: The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$54,622,851 which was an increase from last year's ending fund balances of \$32,359,520. The primary reason for the net increase in combined fund balances in fiscal year 2016 is due to increases in the District's Capital Projects Fund.

- The District's General Fund financial position is the product of many factors. The primary factor resulting in the General Fund's increased balance for the year ending June 30, 2016 was due to the District's control of the operating expenditures and supplemental state aid for fiscal year 2016 being approximately equal to negotiated salary and benefit increases.
- The Physical Plant and Equipment Levy (PEEL) Fund balance decreased from a balance of \$8,318,245 in fiscal year 2015 to \$4,851,589 in fiscal year 2016. The decrease is primarily due to the expenditures for facility expenditures related to the District's facility master plan. The funding for these projects were provided from sale of Capital Loan Notes in December 2014.
- The Capital Projects Fund balance increased from a balance of \$4,879,464 in fiscal year 2015 to \$26,006,769 in fiscal year 2016. This increase is primarily due to the sale of approximately \$60 million of sales tax revenue bonds. These funds were used for the construction expenditures for a new elementary school, classroom additions and renovations to existing elementary schools and the continued construction on a comprehensive third high school as part of the District's ten year facility master plan.

Proprietary fund highlights: The School Nutrition Fund's net position decreased from \$1,105,638 as of June 30, 2015 to \$839,319 as of June 30, 2016, representing a decrease of approximately 24.1 percent for 2016 compared to a decrease of 20.6 percent for 2015. The decrease was primarily due to the increased expenditures to operate the district nutrition program.

The Internal Service Fund for the District's self-insured health insurance fund and dental insurance funds decreased net position from \$15,587,964 in 2015 to \$13,711,689 in 2016. This decrease was due to the increase in health insurance claims compared to prior years and the increase to the liability for unpaid claims as of June 30, 2016.

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 \$8,346,769 less than the total budgeted revenues, a variance of 4.25 percent from the final budget.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2016

Total expenditures were more 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. The increased expenditures related to the budget were in the other expenditure category due to construction expenditures as planned in the District's facility master plan and funded by capital loan notes and sales tax revenue bonds in fiscal years 2015 and 2016, respectively.

Capital Asset and Debt Administration

Capital assets: As of June 30, 2016, the District had invested \$248.5 million, net of accumulated depreciation, in the broad range of capital assets, including land, buildings, athletic facilities, computers and equipment. (See Figure A-6) This amount represents a net increase of \$53.5 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 \$6,237,275.

The original costs of the District's capital assets was over \$339.9 million. Governmental funds account for approximately \$338.3 million with the remainder of \$1.6 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building and construction in progress categories. The building category increased primarily from the construction of Alexander Elementary School that opened in August 2015 and expenditures related to multi-classroom additions at Penn, Twain and Van Allen Elementary Schools. The construction-in-progress category increased from the continued construction on a third comprehensive high school projected to open in August 2017 and the construction of a new elementary school projected to open in August 2017.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	2016	2015	2016	2015	2016	2015	2016-2015
Land	\$ 8,947,961	\$ 8,941,759	\$ -	\$ -	\$ 8,947,961	\$ 8,941,759	\$ 6,202
Construction-in-progress	57,109,432	40,010,055	-	-	57,109,432	40,010,055	17,099,377
Buildings	167,031,948	132,656,764	-	-	167,031,948	132,656,764	34,375,184
Improvements other than buildings	12,580,456	11,043,659	-	-	12,580,456	11,043,659	1,536,797
Furniture and equipment	2,348,800	1,916,688	528,403	518,311	2,877,203	2,434,999	442,204
Total	\$ 248,018,597	\$ 194,568,925	\$ 528,403	\$ 518,311	\$ 248,547,000	\$ 195,087,236	\$ 53,459,764

Iowa City Community School District

**Management’s Discussion and Analysis
For Fiscal Year Ended June 30, 2016**

Long-Term Debt: As of June 30, 2016, the District had \$78,2 million in general obligation and other long-term debt outstanding. This represents an increase of approximately \$58,3 million from last year. The increase in the early retirement obligation is due to an increase in the retirement incentive offered by the district and a greater number of employees accepting the District’s early retirement incentive in 2016 than 2015. The reduction of general obligation bonds and capital loan notes by approximately \$3.8 million was part of the previously stated maturities. The District issued \$60,030,000 of Sales Tax Revenue Bonds in September 2015 with the first payment of \$3,950,000 made in June 2016. (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
	2016	2015	2016-2015
General obligation bonds	\$ 6,320,000	\$ 9,345,000	\$ (3,025,000)
Premium on general obligation bonds	313,240	521,080	(207,840)
Capital loan notes	7,830,000	8,630,000	(800,000)
Sales tax revenue bonds	56,080,000	-	56,080,000
Premium on sales tax revenue bonds	4,272,252	-	4,272,252
Early retirement	2,121,534	1,367,353	754,181
Compensated absences	750,516	546,938	203,578
Totals	\$ 77,687,542	\$ 20,410,371	\$ 57,277,171

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 District received allowable growth of two percent, zero percent and two percent for fiscal year 2011, 2012 and 2013, respectively, supplemental state aid (formerly allowable growth) of two percent and a one-time two percent supplemental state aid allocation for fiscal year 2014 and supplemental state aid at four percent and 1.25 percent for fiscal years 2015 and 2016, respectively. For the fiscal year 2017, the District received supplemental state aid of 2.25 percent. At this time, the District is unable to determine the level of the supplemental state aid rates from the State of Iowa for any future fiscal periods. As the District’s General Fund budget is comprised of approximately 85 percent salary and benefits, wage and salary adjustments realized through the formal negotiations process will have a significant impact on future budget spending decisions.
- The Iowa school funding formula is highly dependent upon student enrollment. The District has experienced enrollment growth of 107, 170, 443, 321, 386, 168 and 343 students in the last seven years, respectively. The enrollment growth of 310 students in fiscal year ending 2017 will assist the District’s budget in fiscal year ending 2018. These continued increases in enrollment require additional staff and materials for educational programs and the demand for additional space to the existing facilities and construction of new facilities. New facilities as well as additions and renovations to existing facilities are included in the District’s Facility Master Plan and will also increase expenditures related to utilities, custodial, maintenance and support staff.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2016

- In March 2012, the District issued General Obligation Refunding Bonds to 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. As required for all outstanding debt, the District must complete certain compliance and reporting requirements as defined by the Securities and Exchange Commission (SEC). Self-reporting options offered by the SEC have been completed by the District and the District believes it is in compliance with all requirements.
- In December 2014, the District sold Capital Loan Notes of \$9,435,000. The proceeds from the sale of these Notes will fund various construction projects in the Facility Master Plan and will be repaid from the existing Physical Plant and Equipment Levy (PPEL) through 2025. In addition, the District sold approximately \$60 million of School Infrastructure Sales, Services and Use Tax Revenue Bonds in September 2015. These funds will be used for projects at Coralville Central Elementary, City High School and the construction of Liberty High School. The Revenue Bonds will be repaid from sales tax revenues collected through 2029.
- The construction of Liberty High School, a new comprehensive high school, began in May 2015 with anticipated opening in August 2017 with a projected enrollment of 700-800 students. The total projected cost of the building and fields is approximately \$57 million. Transition planning for curriculum programs, staffing and attendance areas are in various stages for the new high school. The District anticipates additional projected operating costs of approximately \$2 million annually for this high school. In addition to the building, the District is in the process of designing and planning for construction of athletic venues surrounding the high school building. The funding and completion of these athletic fields will be dependent on future funding options including general obligation bond funding. Administrative and custodial staffing for Liberty High School started during fiscal year 2017 with an anticipated cost of \$480,000 in that budget year. The remainder of the staffing for instruction, support, custodial and administrative services will be added in fiscal year 2018 with an anticipated increase in expenditures of \$1.7 million. In addition, the District anticipates expending approximately \$350,000 in fiscal year 2017 from the general fund for the purchase of supplies and equipment prior to the opening of the building in August 2017.
- The District is in the process of construction a new Hoover elementary school. New Hoover will replace the existing school by the same name and is expected to be opened in the fall of 2017. The operating costs for this new building are expected to be similar to the existing facility. According to the facility master plan, Grant Elementary School, to be located in the Scanlon Coralville subdivision is expected to open in the fall of 2019 with additional projected operating costs of \$800,000 annually. Both facilities are being constructed as part of the Facility Master Plan and will require the District to make adjustments to current attendance areas, however, the construction costs of Grant Elementary will be dependent on future funding options including general obligation bond funding. In addition, the District purchased approximately 22 acres in the City of North Liberty in July 2016 for the construction of an elementary school.
- The enrollment increases experienced in recent years has included significant additional student needs for students requiring English language learning programs. The District has had to hire additional staff with the appropriate certifications to serve these students. The District expended approximately \$1,000,000 more during the year ended June 30, 2016 than the prior year to provide these services and anticipates additional increases in future years. The District will continue to request additional spending authority for its Limited English Program from the School Budget Review Committee to support these expenditures in future periods.

Iowa City Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2016

- The District was subject to various insurance coverage and reporting provisions of the Patient Protection and Affordable Care Act (ACA) during fiscal year 2016 with additional requirements for future years. The transitional reinsurance fees included in the ACA rules are being paid from the current premium levels of the self-funded insurance plan and the District anticipates the impact of the coverage and reporting rules to be minimal based upon existing insurance benefits offered to its staff. The District believes it has completed all coverage and reporting requirements of ACA in a timely and complete manner and anticipates it will continue to meet these ACA requirements.
- The District's Board of Directors has recently revised and update attendance areas within the District for the opening of new facilities in fiscal periods 2018 to 2020. These decisions will impact certain staffing and transportation expenditures for future fiscal periods, however, the impact of these decisions has not been determined at this time.
- The ten year Facility Master Plan, originally approved in December 2013 and subsequently updated in April 2015, includes nearly \$200 million of future construction and renovation projects that will require additional funding sources. The District has initiated plans for requesting funding from its taxpayers through the approval and sale of general obligation bonds. This bond referendum vote is planned for September 12, 2017. In addition, legislative proposals regarding the extension of the sales tax sunset provisions past 2029 would impact the amounts to be requested as general obligation bonds, however, the impact of this legislation and property taxes has not been determined.
- The instructional programs of the district have been impacted by the Teacher Leadership and Compensation grant. Funding for this grant have been provided by the State of Iowa but has resulted in the addition of over 40 FTE to the district's certified teaching staff. These increases in staff require additional space, professional development, curriculum and support services for the district. The Iowa Legislature has also deferred the requirements related to third grade retention and testing requirements to fiscal year periods 2018 and beyond. The District anticipates these legislative requirements will increase expenditures by \$350,000 annually when implemented.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Craig Hansel, District Chief Financial Officer, Iowa City Community School District, 1725 North Dodge Street, Iowa City, Iowa 52245.

Iowa City Community School District

Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash, cash equivalents, and investments	\$ 84,491,382	\$ 1,633,932	\$ 86,125,314
Restricted Cash	5,587,205	-	5,587,205
Receivables:			
Property tax:			
Current year	252,882	-	252,882
Succeeding year	77,594,186	-	77,594,186
Income surtax	6,393,586	-	6,393,586
Sales taxes	500,000	-	500,000
Other	173,561	-	173,561
Due from other governments	4,066,887	29,973	4,096,860
Internal balances	(767,818)	767,818	-
Inventories	-	56,871	56,871
Prepaid expenses	1,128,938	72,959	1,201,897
Total current assets	179,420,809	2,561,553	181,982,362
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	8,947,961	-	8,947,961
Construction-in-progress	57,109,432	-	57,109,432
Depreciable capital assets, net of accumulated depreciation	181,961,204	528,403	182,489,607
Total noncurrent assets	248,018,597	528,403	248,547,000
Total assets	427,439,406	3,089,956	430,529,362
Deferred Outflows of Resources			
Deferred amounts on refunding	49,417	-	49,417
Pension related amounts	22,844,968	476,566	23,321,534
Total deferred outflows of resources	22,894,385	476,566	23,370,951

See notes to basic financial statements.

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable	11,063,983	8,923	11,072,906
Salaries and benefits payable	13,723,860	294,201	14,018,061
Claims payable	2,464,078	-	2,464,078
Accrued interest payable	217,789	-	217,789
Unearned, grant revenues	68,582	-	68,582
General obligation bonds	3,115,000	-	3,115,000
Capital loan notes	815,000	-	815,000
Revenue bonds	3,305,000	-	3,305,000
Early retirement	2,110,586	-	2,110,586
Compensated absences	750,516	-	750,516
Total current liabilities	37,634,394	303,124	37,937,518
Noncurrent liabilities:			
Other postemployment benefit	2,569,683	-	2,569,683
Early retirement	10,948	-	10,948
Net pension liability	63,730,886	1,329,481	65,060,367
General obligation bonds, net of unamortized premium	3,518,240	-	3,518,240
Capital loan notes	7,015,000	-	7,015,000
Revenue bonds, net of unamortized premium	57,047,252	-	57,047,252
Total noncurrent liabilities	133,892,009	1,329,481	135,221,490
Total liabilities	171,526,403	1,632,605	173,159,008
Deferred Inflows of Resources			
Property tax	77,594,186	-	77,594,186
Income surtax	6,393,586	-	6,393,586
Pension related amounts	15,523,602	323,836	15,847,438
Total deferred inflows of resources	99,511,374	323,836	99,835,210
Net Position			
Net investment in capital assets	203,709,702	528,403	204,238,105
Restricted for:			
Capital improvements and equipment	31,557,048	-	31,557,048
Federal and state programs	3,963,463	-	3,963,463
Student activities	1,130,200	-	1,130,200
Unrestricted	(61,064,399)	1,081,678	(59,982,721)
Total net position	\$ 179,296,014	\$ 1,610,081	\$ 180,906,095

Iowa City Community School District

Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, and Contributions	Capital Grants, and Contributions
Governmental Activities				
Instruction:				
Regular instruction	\$ 69,484,658	\$ 478,835	\$ 13,626,411	\$ -
Special instruction	32,653,406	533,318	6,524,009	-
Other instruction	5,039,264	1,250	2,888,930	-
	<u>107,177,328</u>	<u>1,013,403</u>	<u>23,039,350</u>	<u>-</u>
Support services:				
Student services	4,835,646	-	-	-
Instructional services	9,576,097	-	-	-
Administration services	13,741,415	-	-	-
Operation and maintenance	15,242,048	235,782	-	641,945
Transportation services	4,593,145	14,838	208,444	-
Other support services, AEA flowthrough	5,654,082	-	5,654,082	-
	<u>53,642,433</u>	<u>250,620</u>	<u>5,862,526</u>	<u>641,945</u>
Noninstructional programs	<u>368,506</u>	-	-	-
Other:				
Long-term debt interest	1,925,504	-	-	-
Depreciation (unallocated), excluding direct depreciation	35,061	-	-	-
	<u>1,960,565</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	163,148,832	1,264,023	28,901,876	641,945
Business-type activities, nutritional services	6,189,701	2,357,084	3,498,804	-
Total primary government	\$ 169,338,533	\$ 3,621,107	\$ 32,400,680	\$ 641,945

General revenues:

Property taxes levied for:

General purposes

Debt service

Capital outlay

State-wide 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
\$ (55,379,412)	\$ -	\$ (55,379,412)
(25,596,079)	-	(25,596,079)
(2,149,084)	-	(2,149,084)
<u>(83,124,575)</u>	<u>-</u>	<u>(83,124,575)</u>
(4,835,646)	-	(4,835,646)
(9,576,097)	-	(9,576,097)
(13,741,415)	-	(13,741,415)
(14,364,321)	-	(14,364,321)
(4,369,863)	-	(4,369,863)
-	-	-
<u>(46,887,342)</u>	<u>-</u>	<u>(46,887,342)</u>
(368,506)	-	(368,506)
(1,925,504)	-	(1,925,504)
(35,061)	-	(35,061)
<u>(1,960,565)</u>	<u>-</u>	<u>(1,960,565)</u>
(132,340,988)	-	(132,340,988)
-	(333,813)	(333,813)
<u>(132,340,988)</u>	<u>(333,813)</u>	<u>(132,674,801)</u>
66,430,760	-	66,430,760
3,259,578	-	3,259,578
9,287,340	-	9,287,340
12,615,660	-	12,615,660
57,802,551	-	57,802,551
465,432	6,803	472,235
714,694	-	714,694
<u>150,576,015</u>	<u>6,803</u>	<u>150,582,818</u>
18,235,027	(327,010)	17,908,017
<u>161,060,987</u>	<u>1,937,091</u>	<u>162,998,078</u>
<u>\$ 179,296,014</u>	<u>\$ 1,610,081</u>	<u>\$ 180,906,095</u>

Iowa City Community School District

Balance Sheet - Governmental Funds

June 30, 2016

	General	Physical Plant and Equipment Levy
Assets		
Cash, cash equivalents, and investments	\$ 33,270,812	\$ 6,751,910
Restricted cash	-	-
Receivables:		
Property tax:		
Current year	200,376	30,974
Succeeding year	60,238,767	9,984,079
Income surtax	6,393,586	-
Sales tax	-	-
Other	173,561	-
Due from other governments	1,978,107	-
Due from other funds	11,132	-
Prepaid items	1,127,628	-
Total assets	\$ 103,393,969	\$ 16,766,963
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities:		
Accounts payable	\$ 1,895,636	\$ 1,925,110
Salaries and benefits payable	13,706,046	-
Due to other funds	661,001	6,185
Unearned revenue	68,582	-
Total liabilities	16,331,265	1,931,295
Deferred inflows of resources:		
Unavailable revenue - property tax	60,238,767	9,984,079
Unavailable revenue - income surtax	6,393,586	-
Unavailable revenue - sales tax	-	-
Total deferred inflows of resources	66,632,353	9,984,079
Fund balance:		
Nonspendable	1,127,628	-
Restricted	3,963,463	4,851,589
Unassigned	15,339,260	-
Total fund balances	20,430,351	4,851,589
Total liabilities, deferred inflows of resources and fund balances	\$ 103,393,969	\$ 16,766,963

See notes to basic financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 24,869,975	\$ 3,373,663	\$ 68,266,360
5,587,205	-	5,587,205
-	21,532	252,882
-	7,371,340	77,594,186
-	-	6,393,586
500,000	-	500,000
-	-	173,561
2,088,780	-	4,066,887
571,353	89,648	672,133
1,310	-	1,128,938
<u>\$ 33,618,623</u>	<u>\$ 10,856,183</u>	<u>\$ 164,635,738</u>

\$ 7,094,040	\$ 149,198	\$ 11,063,984
17,814	-	13,723,860
-	1,503	668,689
-	-	68,582
<u>7,111,854</u>	<u>150,701</u>	<u>25,525,115</u>

-	7,371,340	77,594,186
-	-	6,393,586
500,000	-	500,000
<u>500,000</u>	<u>7,371,340</u>	<u>84,487,772</u>

1,310	-	1,128,938
26,005,459	3,334,142	38,154,653
-	-	15,339,260
<u>26,006,769</u>	<u>3,334,142</u>	<u>54,622,851</u>

<u>\$ 33,618,623</u>	<u>\$ 10,856,183</u>	<u>\$ 164,635,738</u>
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Iowa City Community School District

**Reconciliation of Total Governmental Fund Balances to Net Position
of Governmental Activities**

June 30, 2016

Total governmental fund balances		\$ 54,622,851
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.		248,018,597
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as a deferred inflow of resources in the funds.		500,000
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	\$ 16,225,022	
Liabilities	<u>(2,513,333)</u>	13,711,689
Internal service funds allocated to business-type activities		(770,762)
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.		(217,788)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows	22,844,968	
Deferred inflows	<u>(15,523,602)</u>	7,321,366
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	(3,115,000)	
General obligation bonds, noncurrent	(3,205,000)	
Capital loan notes, current	(815,000)	
Capital loan notes, noncurrent	(7,015,000)	
Sales tax revenue bonds, current	(3,305,000)	
Sales tax revenue bonds, noncurrent	(52,775,000)	
Early retirement, current	(2,072,779)	
Net pension liability	(63,730,886)	
Other postemployment benefits	(2,569,683)	
Compensated absences, current	(750,516)	
Deferred amounts on refunding bonds	49,417	
Unamortized premium	<u>(4,585,492)</u>	<u>(143,889,939)</u>
Net position of governmental activities		<u><u>\$ 179,296,014</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, 2016

	General	Physical Plant and Equipment Levy
Revenues:		
Local sources:		
Local tax	\$ 63,426,883	\$ 9,287,340
Tuition	1,183,814	-
Other	1,645,777	199,756
State sources	76,749,193	322,534
Federal sources	6,580,460	-
Total revenues	149,586,127	9,809,630
Expenditures:		
Current:		
Instruction:		
Regular instruction	63,581,824	-
Special instruction	32,548,466	-
Other instruction	1,800,677	-
	97,930,967	-
Support services:		
Student services	4,763,197	-
Instructional services	9,713,120	-
Administration services	11,775,373	-
Operation and maintenance	11,887,926	235,751
Transportation services	3,176,446	1,076,520
Other support services, AEA flowthrough	5,654,082	-
	46,970,144	1,312,271
Noninstructional programs	26,947	-
Capital outlay	-	10,988,803
Debt service:		
Principal	-	-
Interest and fiscal charges	-	-
	-	-
Total expenditures	144,928,058	12,301,074
Excess (deficiency) of revenues over expenditures	4,658,069	(2,491,444)
Other financing sources (uses):		
Transfers in	-	-
Transfers out	(172,000)	(975,212)
Issuance of sales tax revenue bonds	-	-
Premium on sales tax revenue bonds	-	-
Total other financing sources (uses)	(172,000)	(975,212)
Net change in fund balances	4,486,069	(3,466,656)
Fund balances, beginning of year	15,944,282	8,318,245
Fund balances, end of year	\$ 20,430,351	\$ 4,851,589

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 6,263,455	\$ 78,977,678
-	-	1,183,814
799,993	2,730,871	5,376,397
12,715,660	220,951	90,008,338
-	-	6,580,460
<u>13,515,653</u>	<u>9,215,277</u>	<u>182,126,687</u>
-	1,237,186	64,819,010
-	-	32,548,466
-	2,731,395	4,532,072
<u>-</u>	<u>3,968,581</u>	<u>101,899,548</u>
-	-	4,763,197
-	-	9,713,120
95,718	711,169	12,582,260
-	968,685	13,092,362
-	340,179	4,593,145
-	-	5,654,082
<u>95,718</u>	<u>2,020,033</u>	<u>50,398,166</u>
<u>358,818</u>	<u>-</u>	<u>385,765</u>
<u>50,815,185</u>	<u>-</u>	<u>61,803,988</u>
-	7,775,000	7,775,000
260,818	2,064,365	2,325,183
<u>260,818</u>	<u>9,839,365</u>	<u>10,100,183</u>
<u>51,530,539</u>	<u>15,827,979</u>	<u>224,587,650</u>
<u>(38,014,886)</u>	<u>(6,612,702)</u>	<u>(42,460,963)</u>
-	6,729,315	6,729,315
(5,582,103)	-	(6,729,315)
60,030,000	-	60,030,000
4,694,294	-	4,694,294
<u>59,142,191</u>	<u>6,729,315</u>	<u>64,724,294</u>
21,127,305	116,613	22,263,331
<u>4,879,464</u>	<u>3,217,529</u>	<u>32,359,520</u>
<u>\$ 26,006,769</u>	<u>\$ 3,334,142</u>	<u>\$ 54,622,851</u>

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, 2016**

Net change in fund balances, total governmental funds	\$	22,263,331
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net 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:		
Capital outlay	\$	59,615,068
Depreciation expense		<u>(6,159,485)</u>
		53,455,583
Net effect of various miscellaneous transactions involving capital asset is to decrease net position:		
Net loss on disposal of capital assets		(5,911)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, change in unavailable revenues.		
		(100,000)
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.		
Repayment of long-term debt		7,775,000
Proceeds from sale of revenue bonds		(60,030,000)
Premium on issued bonds		<u>(4,694,294)</u>
		(56,949,294)
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.		
		(181,745)
The current year employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the statement of net position.		
		8,408,520
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Change in other postemployment benefits		(693,683)
Pension expense		(5,688,444)
Change in early retirement		(835,593)
Change in compensated absences		<u>(203,578)</u>
		(7,421,298)
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.		
		(1,876,275)
Change in Internal Service Fund allocation to business-type activities.		
		60,691
Amortization of bond premium		629,882
Amortization of deferred amount on refunding		<u>(48,457)</u>
		581,425
Change in net position of governmental activities	\$	<u><u>18,235,027</u></u>

See notes to basic financial statements.

Iowa City Community School District

**Statement of Net Position
Proprietary Funds
June 30, 2016**

	Nonmajor Enterprise Fund - School Nutrition	Internal Service Fund
Assets		
Current assets:		
Cash, cash equivalents, and investments	\$ 1,633,932	\$ 16,225,022
Due from other governments	29,973	-
Inventories	56,871	-
Prepaid expenses and deposits	72,959	-
Total current assets	<u>1,793,735</u>	<u>16,225,022</u>
Noncurrent assets, capital assets, net of accumulated depreciation	528,403	-
Total assets	<u>2,322,138</u>	<u>16,225,022</u>
Deferred outflows of resources , pension related amounts	<u>476,566</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 2,798,704</u>	<u>\$ 16,225,022</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 8,923	\$ -
Salaries and benefits payable	294,201	-
Due to other funds	2,944	500
Claims payable	-	2,464,078
Early retirement	-	37,807
Total current liabilities	<u>306,068</u>	<u>2,502,385</u>
Noncurrent liabilities:		
Early retirement	-	10,948
Net pension liability	1,329,481	-
Total liabilities	<u>1,635,549</u>	<u>2,513,333</u>
Deferred inflows of resources , pension related amounts	<u>323,836</u>	<u>-</u>
Net position		
Investment in capital assets	528,403	-
Unrestricted	310,916	13,711,689
Total net position	<u>839,319</u>	<u>13,711,689</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,798,704</u>	<u>\$ 16,225,022</u>
Total enterprise funds net position	\$ 839,319	
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 position.	<u>770,762</u>	
Net position of business-type activities	<u>\$ 1,610,081</u>	

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, 2016

	Nonmajor Enterprise Fund - School Nutrition	Internal Service Fund
Operating revenue:		
Charges for services:		
Food sales	\$ 2,357,084	\$ -
Internal service charges	-	10,170,580
Employee contributions	-	2,935,152
Total operating revenue	2,357,084	13,105,732
Operating expenses:		
Food consumed	2,748,147	-
Salaries and benefits	2,496,060	-
Supplies, services and repairs	336,077	-
Administration expense	60,000	-
Depreciation	52,759	-
Food and meal delivery:		
Salaries and benefits	402,536	-
Truck expenses	8,400	-
Depreciation	25,031	-
Claims, losses and administrative fees	-	14,857,216
Other	-	183,201
Total operating expenses	6,129,010	15,040,417
Operating (loss)	(3,771,926)	(1,934,685)
Nonoperating revenues:		
Federal appropriations	3,003,547	-
State appropriations	67,658	-
Federal food commodities	427,599	-
Interest income	6,803	58,410
Total nonoperating revenues	3,505,607	58,410
Changes in net position	(266,319)	(1,876,275)
Net position, beginning of year	1,105,638	15,587,964
Net position, end of year	\$ 839,319	\$ 13,711,689

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, 2016**

Net changes in net position in enterprise funds.	\$ (266,319)
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.	<u>(60,691)</u>
Change in net position of business-type activities	<u><u>\$ (327,010)</u></u>

See notes to basic financial statements.

Iowa City Community School District

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016**

	Nonmajor Enterprise Fund - School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sales of breakfasts and lunches	\$ 2,357,084	\$ -
Cash received from charges for service	-	10,170,580
Cash received from employees for benefits	-	2,935,152
Cash payments to suppliers for goods and services	(2,675,777)	(183,201)
Cash payments to employees for services	(2,033,641)	-
Cash payments for employee benefits	(924,525)	-
Cash payments for claims, losses and administrative fees	-	(14,601,612)
Net cash used in operating activities	(3,276,859)	(1,679,081)
Cash flows from noncapital financing activities:		
Operating grants received	3,047,352	-
Proceeds from (payments to) interfund accounts	(81,240)	3,052
Net cash provided by noncapital financing activities	2,966,112	3,052
Cash flows from capital and related financing activities, acquisition of capital assets		
	(87,882)	-
Cash flows from investing activities, interest on cash and cash equivalents		
	6,803	58,410
Net decrease in cash and cash equivalents	(391,826)	(1,617,619)
Cash and cash equivalents:		
Beginning	2,025,758	17,842,641
Ending	<u>\$ 1,633,932</u>	<u>\$ 16,225,022</u>
Operating (loss)	<u>\$ (3,771,926)</u>	<u>\$ (1,934,685)</u>
Adjustments to reconcile operating (loss) to net cash used in operating activities:		
Depreciation	77,790	-
Federal food commodities consumed	427,599	-
Change in assets and liabilities:		
Decrease in purchased inventory	4,812	-
Decrease in prepaid expenses and deposits	6,075	-
(Decrease) in accounts payable	(10,443)	-
Increase in salaries and benefits payable	38,038	-
(Decrease) in net pension liability	(48,804)	-
Increase in claims payable	-	337,015
(Decrease) in early retirement	-	(81,411)
Total adjustments	495,067	255,604
Net cash used in operating activities	\$ (3,276,859)	\$ (1,679,081)
Noncash item, noncapital financing activities, food commodities donated to the District from the U.S. Department of Agriculture		
	<u>\$ 427,599</u>	<u>\$ -</u>

See notes to basic financial statements.

Iowa City Community School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

	Private Purpose Trust Fund		
	Winbigler Estate Trust Fund		Agency Funds
Assets , cash and cash equivalents	\$ 71,576	\$	338,263
Liabilities , due to private individuals	27		338,263
Net Position , restricted for needs of students in need of financial assistance	\$ 71,549	\$	-

See notes to basic financial statements.

Iowa City Community School District

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2016**

	Private Purpose Trust Fund
	<u>Winbigler Estate Trust Fund</u>
Net position held in trust, beginning of year	\$ 71,549
Net position held in trust, end of year	<u>\$ 71,549</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 statement of net position presents the District's nonfiduciary assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position.

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 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 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, 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 state-wide 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 and income surtax is recognized as revenue in the year for which it is levied and budgeted for. 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 and budgeted for, other taxes and 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, pension contributions 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 then 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, depreciation on capital assets and claims. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash, cash equivalents and investments: The cash balances of most District funds are nonpooled and separately invested. Investments in the Iowa Schools Joint Investment Trust, nonnegotiable certificates of deposit and IPAS Education Money Market Fund are stated at amortized cost.

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.

Iowa City Community School District

Notes to Basic Financial Statements

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

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 2015 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, 2014 assessed property valuations and is revenue for fiscal year ended June 30, 2016.

The succeeding year property tax receivable represents taxes certified by the Board of Education in April 2016. 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, 2017, the year for which it is levied and budgeted for.

The income surtax receivable represents the fiscal year 2016 levy which will be collected by the District in fiscal year 2017. Although the income surtax receivable has been recorded as of June 30, 2016, 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, 2017, the year for which it is levied and budgeted for.

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	Nonmajor Enterprise
Due from other governments:			
Federal	\$ 1,264,110	\$ -	\$ 29,973
State	278,495	-	-
Local option sales tax	-	2,088,780	-
Other	435,502	-	-
	<u>\$ 1,978,107</u>	<u>\$ 2,088,780</u>	<u>\$ 29,973</u>

Prepaid expenses: Prepaid expenses consist primarily of insurance 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 the lower of cost or market and government-contributed commodities valued at the acquisition 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 and the proprietary fund statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated acquisition 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.

Description:	<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:

Description:	<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.

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 has two items that qualify for reporting in this category. The first is a deferred charge on refunding that 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. The second deferred outflow is the pension related amounts, which consists of unamortized portion of the differences between expected and actual experience, changes of assumptions, net difference between projected and actual earnings on pension plan investments, and charges in proportion and differences between District contributions and proportionate share of contributions not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Iowa City Community School District

Notes to Basic Financial Statements

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

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, 2016, has also been accrued as a liability as of June 30, 2016.

Unearned revenue: Unearned revenue consists of unspent grant proceeds that have not yet been earned as allowable costs have not been incurred.

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, the property tax and income surtax revenues remain a deferred inflow and will become an inflow in the year for which the taxes are levied and budgeted for. The District's government-wide statements also includes pension related amounts as a deferred inflow which consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments and the change in proportion and differences between District contributions and proportionate share of contributions.

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, 2016. 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 becomes due. 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, 2016, the District did not have any long-term obligations related to its business-type activities. Bond premiums and deferred amounts on refunding are amortized over the life of the contracts using a method which approximates the effective interest method. Bond issuance costs are recognized as an expense in the period they are incurred.

Iowa City Community School District

Notes to Basic Financial Statements

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

Pensions: The net pension liability, deferred inflows and outflows of resources related to pensions, pension expense, information about the fiduciary net position of the Iowa Public Employees Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

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

Assigned: Amounts constrained by the District's intent to use them for a specific purpose. 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 through the budget process.

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources. 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 for sales tax revenue bonds are \$30,457,180 for governmental activities. 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 \$31,557,048 for the capital improvements and equipment.

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

Iowa City Community School District

Notes to Basic Financial Statements

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

Interfund activity: Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgets and budgetary control: As allowed by GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*, the District presents budgetary comparison schedules as required supplementary information based on the program structure of functional areas as required by state statute for its legally adopted budget.

Note 2. Cash and Investments

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

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 is not rated. The Iowa Schools Joint Investment Trust is rated Aaa with Moody’s Investor Services. 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 based on the criteria set forth in GASB No. 79.

Iowa City Community School District

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

Concentration of credit risk: The District's general investment policy is to apply the prudent-person rule. In making investments, the District shall exercise the care, skill, prudence and diligence under the circumstances 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. Chapter 12c of the Code of Iowa requires all District funds be deposited into an approved depository and be either insured or collateralized.

As of June 30, 2016, none of the District's deposit bank balance or investments were exposed to custodial credit risk. 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. In addition, the District's investments were not insured but were held by the District or its Agent in the District's name.

A reconciliation of cash and investments as shown on the financial statements of the District follows:

Depository accounts	\$ 64,596,235
Iowa Schools Joint Investment Trust	3
IPAS Education Money Market Fund	<u>27,526,120</u>
Total cash, cash equivalents and investments	<u>\$ 92,122,358</u>
Government-wide statement of net position - unrestricted	\$ 86,125,314
Government-wide statement of net position - restricted	5,587,205
Statement of fiduciary net position	<u>409,839</u>
Total cash, cash equivalents and investments	<u>\$ 92,122,358</u>

Iowa City Community School District

Notes to Basic Financial Statements

Note 3. Interfund Receivables and Payables

Individual interfund receivable and payable balances as of June 30, 2016, are as follows:

Receivable Fund	Payable Fund	Amount
Major Fund, General Fund	Nonmajor Enterprise Fund, School Nutrition Fund	\$ 2,944
Major Fund, General Fund	Major Fund, Physical Plant and Equipment Levy Fund	6,185
Major Fund, Capital Project Fund	Major Fund, General Fund	571,353
Major Fund, General Fund	Nonmajor Fund, Management Fund	1,503
Nonmajor Fund, Student Activity Fund	Major Fund, General Fund	89,648
Major Fund, General Fund	Internal Service Fund	500
		<u>\$ 672,133</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, 2016, is as follows:

Transfer To	Transfer From	Amount
Nonmajor Governmental Funds:		
Special Revenue Fund, Student Activity	Major Fund, General Fund	\$ 172,000
Debt Service	Major Fund, Capital Projects Fund	5,582,103
Debt Service	Major Fund, Physical Plant and Equipment Levy	975,212
		<u>\$ 6,729,315</u>

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, 2016, is as follows:

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 8,941,759	\$ 6,202	\$ -	\$ 8,947,961
Construction-in-progress	40,010,055	43,905,848	26,806,471	57,109,432
Total capital assets not being depreciated	48,951,814	43,912,050	26,806,471	66,057,393
Capital assets being depreciated:				
Buildings	192,119,570	38,858,551	-	230,978,121
Improvements other than buildings	17,424,727	2,315,206	-	19,739,933
Furniture, equipment and vehicles	20,348,671	1,335,732	170,635	21,513,768
Total capital assets being depreciated	229,892,968	42,509,489	170,635	272,231,822
Less accumulated depreciation for:				
Buildings	59,462,806	4,483,367	-	63,946,173
Improvements other than buildings	6,381,068	778,409	-	7,159,477
Furniture, equipment and vehicles	18,431,983	897,709	164,724	19,164,968
Total accumulated depreciation	84,275,857	6,159,485	164,724	90,270,618
Total capital assets being depreciated, net	145,617,111	36,350,004	5,911	181,961,204
Governmental activities capital assets, net	<u>\$ 194,568,925</u>	<u>\$ 80,262,054</u>	<u>\$ 26,812,382</u>	<u>\$ 248,018,597</u>
Business-Type Activities:				
Furniture, equipment and vehicles	\$ 1,474,555	\$ 87,882	\$ -	\$ 1,562,437
Less accumulated depreciation	956,244	77,790	-	1,034,034
Business-type activities capital assets, net	<u>\$ 518,311</u>	<u>\$ 10,092</u>	<u>\$ -</u>	<u>\$ 528,403</u>

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	\$	3,954,184
Special		387,098
Other		516,898

Support services:

Administration services		909,256
Operation and maintenance		356,988

6,124,424

Unallocated depreciation, excluding direct depreciation

35,061

Total governmental activities depreciation expense

\$ 6,159,485

Business-type activities, nutritional services

\$ 77,790

Note 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 9,345,000	\$ -	\$ 3,025,000	\$ 6,320,000	\$ 3,115,000
Capital loan notes	8,630,000	-	800,000	7,830,000	815,000
Premium on general obligation bonds	521,080	-	207,840	313,240	-
Sales tax revenue bonds	-	60,030,000	3,950,000	56,080,000	3,305,000
Premium on sale tax revenue bonds	-	4,694,294	422,042	4,272,252	-
Early retirement	1,367,353	2,072,779	1,318,598	2,121,534	2,110,586
Other postemployment benefits	1,876,000	1,060,683	367,000	2,569,683	-
Net pension liability	52,732,793	10,998,093	-	63,730,886	-
Compensated absences	546,938	1,184,324	980,746	750,516	750,516
Total	<u>\$ 75,019,164</u>	<u>\$ 80,040,173</u>	<u>\$ 11,071,226</u>	<u>\$ 143,988,111</u>	<u>\$ 10,096,102</u>
Business-type activities,					
net pension liability	<u>\$ 1,092,971</u>	<u>\$ 236,510</u>	<u>\$ -</u>	<u>\$ 1,329,481</u>	<u>\$ -</u>

Iowa City Community School District

Notes to Basic Financial Statements

Note 6. Long-Term Liabilities (Continued)

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 ten (10) years of service to the District and has been actively employed during the school year that they request early retirement benefits.
3. The employee must be eligible for the receipt of IPERS retirement benefits or allowance pursuant to Chapter 97B of the Code of Iowa.
4. The employee submits a written notification of their intent to apply for early retirement benefits prior to March 1 in the year the early retirement is to begin.
5. The benefits offered to District employees shall be a District contribution to a Special Pay Deferral Plan (SPDP) of 50 – 60 percent of current year’s base salary depending on years of service and calculated on the average full time equivalence (FTE) during the years of service.

During the year ended June 30, 2016, 47 District employees requested early retirement, to be payable during the year ending June 30, 2017. The benefits to be paid to these employees will be made in October 2016 and January 2017 and the total of \$2,072,779 are generally liquidated from the Management Fund. During the year ended June 30, 2016, the District paid \$1,318,598 of early retirement benefits approved during the year ended June 30, 2015 from the Management Fund. In addition, \$48,756 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, 2016 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
2017	2.00%	\$ 760,000	\$ 30,800
2018	2.00	780,000	15,600
		<u>\$ 1,540,000</u>	<u>\$ 46,400</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
2017	3.00%	\$ 2,355,000	\$ 143,400
2018	3.00	2,425,000	72,750
		<u>\$ 4,780,000</u>	<u>\$ 216,150</u>

On December 3, 2014, the District issued \$9,430,000 in General Obligation School Capital Loan Notes, Series, 2014, maturing June 1, 2015 through June 1, 2025 with a interest rates of 2.00 – 2.25 percent to provide funds to purchase, construct, equip and relocate the One Vision Transitional Schoolhouse; remodel, improve, furnish, and equip Van Allen Elementary; install air-conditioning in and renovate Hoover Elementary; remodel, improve, furnish, and equip Hills Elementary, Weber Elementary and Coralville Central Elementary; Phase I renovation of City High School; and construct, build, furnish and equip East (Hoover) Elementary School. The Notes are general obligations of the District to be paid from a continuing annual levy upon all of the taxable valuation not to exceed one dollar thirty-four cents (\$1.34) per one thousand dollars (\$1,000).

Year ending June 30,	Capital Loan Notes, Series 2014		
	Interest Rates	Principal	Interest
2017	2.00%	\$ 815,000	\$ 158,963
2018	2.00	825,000	142,663
2019	2.00	835,000	126,163
2020	2.00	845,000	109,463
2021	2.00	865,000	92,562
2022	2.00	880,000	75,262
2023	2.00	900,000	57,662
2024	2.00	920,000	39,662
2025	2.25	945,000	21,262
		<u>\$ 7,830,000</u>	<u>\$ 823,662</u>

Iowa City Community School District

Notes to Basic Financial Statements

Note 6. Long-Term Liabilities (Continued)

On August 25, 2015, the District issued \$60,030,000 in Sales Tax Revenue Bonds, maturing June 1, 2016 through June 1, 2029 with interest rates of 3.00 – 5.00 percent to provide funds to build, furnish and equip a new high school building; to build, furnish, and equip addition(s) to existing school buildings in the District; to remodel, repair, expand and improve existing school buildings in the District. The Bonds are not general obligations of the District. The Bonds are payable solely from the proceeds of the Bonds and tax revenues received by the District under the tax.

The District has pledged a portion of future sales tax revenues to repay \$60,030,000 million in sales tax increment bonds issued in August, 2015 noted above. The bonds are payable solely from the incremental sales taxes generated by increased sale taxes in the District. Total principal and interest remaining on the bonds is \$72,598,928, payable through 2029. For the current year, principal and interest paid and total incremental sales tax revenues were \$5,581,853 and 12,815,660, respectively.

Year ending June 30,	Sales Tax Revenue Bonds, Series 2015		
	Interest Rates	Principal	Interest
2017	3.00%	\$ 3,305,000	\$ 2,280,305
2018	4.00	3,405,000	2,181,155
2019	5.00	3,540,000	2,044,955
2020	5.00	3,715,000	1,867,955
2021	5.00	3,900,000	1,682,205
2022	5.00	4,100,000	1,487,205
2023	5.00	4,300,000	1,282,205
2024	5.00	4,515,000	1,067,205
2025	3.00	4,745,000	841,455
2026	3.25	4,885,000	699,105
2027	3.50	5,045,000	540,343
2028	3.50	5,220,000	363,768
2029	3.35	5,405,000	181,067
		<u>\$ 56,080,000</u>	<u>\$ 16,518,928</u>

As of June 30, 2016, the District did not exceed its legal debt margin computed as follows:

Total assessed valuation	<u>\$ 8,821,177,161</u>
Debt limit, 5% of total assessed valuation	\$ 441,058,858
Amount of debt applicable to debt limitation, general obligation bonds and capital loan notes	<u>14,150,000</u>
Excess of debt limit over debt outstanding, legal debt margin	<u>\$ 426,908,858</u>

Iowa City Community School District

Notes to Basic Financial Statements

Note 7. Pension and Retirement Benefits

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

Benefits provided: IPERS provides retirement, disability, and death benefits. Retirement benefits are determined based on the employee's highest five-year average salary and a multiplier based on the years of service. Employees are eligible for full retirement at age 65; at age 62 with at least 20 years of covered employment or when the years of service plus the employee's age equals or exceeds 88. Four years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are calculated based on the actuarial present value of the employee's accrued benefit at the time of death or a calculation based on the employee's contributions, highest covered annual wage and years of service.

Contributions: Per Iowa Code Section 97B.4(4)(d) the required contribution rate is determined by the IPERS actuary as the rate necessary to fully fund the benefits as defined by Iowa Code Chapter 97B. Employees are required to contribute 5.95 percent of their annual pay. The District contractually required contribution rate for the year ended June 30, 2016, was 8.93 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$8,527,680 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2016, the District reported a liability of \$65,060,367 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2015, the District's proportion was 1.32 percent. Net pension liability attributable to governmental activities are generally liquidated by the general fund and management fund.

Iowa City Community School District

Notes to Basic Financial Statements

Note 7. Pension and Retirement Benefits (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$5,434,190. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 982,981	\$ -
Changes of assumptions	1,791,275	-
Net difference between projected and actual earnings on pension plan investments	9,734,320	(15,149,048)
Changes in proportion and differences between District contributions and proportionate share of contributions	2,285,278	(698,390)
Total deferred amounts to be recognized in pension expense in future periods	14,793,854	(15,847,438)
District contributions subsequent to measurement date	8,527,680	-
Total	<u>\$ 23,321,534</u>	<u>\$ (15,847,438)</u>

Deferred pension outflows totaling \$8,527,680 resulting from the District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The deferred outflows and deferred inflows resulting from the difference between projected and actual earnings on pension plan investments will be recognized as a reduction of pension expense over five years. The deferred outflows resulting from differences between expected and actual experience, the deferred outflows resulting from changes of assumptions and the deferred outflows and deferred inflows resulting from changes in proportion and differences between District contributions and proportionate share of contributions will be recognized in pension expense using the average expected remaining service lives of all IPERS members. The average is determined by taking the calculated total future service years of the Plan divided by the number of the people in the Plan including retirees. Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 3,938,117	\$ (5,213,623)
2018	3,938,117	(5,213,623)
2019	3,938,117	(5,213,623)
2020	2,946,432	(163,941)
2021	33,071	(42,628)
	<u>\$ 14,793,854</u>	<u>\$ (15,847,438)</u>

Iowa City Community School District

Notes to Basic Financial Statements

Note 7. Pension and Retirement Benefits (Continued)

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	4.00 to 17.00 percent, average, including inflation.
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
U.S. equity	24%	6.29%
Non U.S. equity	16	6.75
Private equity	11	11.32
Real estate	8	3.48
Core plus fixed income	28	2.04
Credit opportunities	5	3.63
TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
	100%	

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Iowa City Community School District

Notes to Basic Financial Statements

Note 7. Pension and Retirement Benefits (Continued)

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 113,908,998	\$ 65,060,367	\$ 23,828,618

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report; which can be located at www.ipers.org.

Payables to the pension plan: At June 30, 2016, the District reported payables to the defined benefit pension plan of \$1,745,686 for legally required employer contributions and legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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 19 members as of July 1, 2015. IPSIP is governed by an eleven-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 creation of a self-insurance pool and through the purchase of commercial insurance. The District’s participation in IPSIP represents a risk-sharing pool as defined by GASB Statement No. 10 in which the District pools its risks and funds with other members and shares in the cost of losses. 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 2016 or 2015. Payments to IPSIP by the District in order to maintain adequate insurance coverage in fiscal year 2016 was \$1,181,458.

Iowa City Community School District

Notes to Basic Financial Statements

Note 8. Risk Management (Continued)

Employee Health Insurance: During the year ended June 30, 2016, 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.

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, 2016 and 2015 were as follows:

Self-Insurance Liability	Beginning	Claims and Changes in Estimates	Claims Payments	Ending
Health:				
2016	\$ 2,127,062	\$ 14,092,548	\$ 13,755,532	\$ 2,464,078
2015	2,027,725	12,251,977	12,152,640	2,127,062

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 \$5,654,082 for the year ended June 30, 2016. The District's actual constructive revenue and constructive expenses are included in the General Fund.

Note 10. Commitments

As of June 30, 2016, the District had outstanding construction commitments totaling approximately \$46,579,003.

Note 11. Nonvested Employee Benefits

District employees accumulate sick leave hours for subsequent use and can be carried over in limited amounts for use in future years. The contingent liability for this sick leave is approximately \$30,000,000 as of June 30, 2016. 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, 2016.

Iowa City Community School District

Notes to Basic Financial Statements

Note 12. Lease Commitments

The District leases several special education classrooms as of June 30, 2016. Rental expense during the year ended June 30, 2016 was \$48,112.

Lease commitments as of June 30, 2016, for these leases are as follows:

Year ending June 30:	
2017	<u>\$ 13,499</u>

Note 13. Contingencies

As of June 30, 2016, 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 2016, monthly payments were approximately \$7,704 per month, which were paid from the General Fund.

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.

Iowa City Community School District

Notes to Basic Financial Statements

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

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. 43. The District establishes and amends contribution requirements annually.

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2016, the District contributed \$367,000. Contributions are required for both retiree and dependent coverage. The active and retiree premium equivalents effective July 1, 2016, are provided in the tables below:

Medical Benefit:

Rate Tier:

Retiree only	\$ 630.00
Retiree + Family	1,310.00

Dental Benefit:

Rate Tier:

Retiree only	30.00
Retiree + Family	90.00

Other postemployment obligations are generally liquidated by the general fund and management fund.

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	\$ 895,000
Interest on net OPEB obligation	84,420
Adjustment to annual required contribution	81,263
Annual OPEB cost (expense)	<u>1,060,683</u>
Contributions and payments made	<u>367,000</u>
Increase in net OPEB obligation	693,683
Net OPEB obligation July 1, 2015	<u>1,876,000</u>
Net OPEB obligation June 30, 2016	<u><u>\$ 2,569,683</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for 2016 and the two preceding years follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/14	\$ 710,693	55%	\$ 1,341,693
6/30/15	901,307	41	1,876,000
6/30/16	1,060,683	35	2,569,683

Iowa City Community School District

Notes to Basic Financial Statements

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

Funded status and funding progress: As of July 1, 2014, the most recent valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$6,243,000 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$6,243,000. The covered payroll (annual payroll of active employees covered by the plan) was \$97,549,465 and the ratio of the UAAL to the covered payroll was 6.4 percent.

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

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

In the July 1, 2014, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return, health care cost trend rate of 8 percent reduced 0.5 percent each year until reaching the ultimate rate of 4.5 percent and an inflation rate of 3.5 percent each year. The UAAL is being amortized as level percentage of projected payroll on the open basis. The amortization of UAAL is over a period of 30 years.

Iowa City Community School District

Notes to Basic Financial Statements

Note 16. Fund Balances

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

Fund Balances:	Physical Plant and Equipment		Capital Projects	Nonmajor Governmental	Total
	General	Levy			
Nonspendable, prepaids	\$ 1,127,628	\$ -	\$ 1,310	\$ -	\$ 1,128,938
Restricted:					
Categorical funding:					
Gifted and talented program	426,571	-	-	-	426,571
Home school assistance program	773,886	-	-	-	773,886
Supplemental weighting	89,140	-	-	-	89,140
Drop out prevention	592,403	-	-	-	592,403
State preschool	73,400	-	-	-	73,400
Beginning Teacher	25,058	-	-	-	25,058
Teacher salary supplement	612,276	-	-	-	612,276
Teacher quality market factor	18,312	-	-	-	18,312
State class size reduction	55,000	-	-	-	55,000
Rec Ed programs	126	-	-	-	126
State mentoring	14,140	-	-	-	14,140
Early Literacy	155,551	-	-	-	155,551
Teacher quality-core curriculum	193,283	-	-	-	193,283
Teacher leadership program	441,425	-	-	-	441,425
Teacher quality	391,730	-	-	-	391,730
Teacher quality market factor 2008	6,245	-	-	-	6,245
IDEA Part B funding	44,527	-	-	-	44,527
Perkins vocational program	35,154	-	-	-	35,154
Other	15,236	-	-	-	15,236
Debt service	-	-	-	212,235	212,235
Management levy purposes	-	-	-	1,991,707	1,991,707
Student activities	-	-	-	1,130,200	1,130,200
Capital improvements and equipment	-	4,851,589	26,005,459	-	30,857,048
Total restricted	3,963,463	4,851,589	26,005,459	3,334,142	38,154,653
Unassigned	15,339,260	-	-	-	15,339,260
Total fund balances	\$ 20,430,351	\$ 4,851,589	\$ 26,006,769	\$ 3,334,142	\$ 54,622,851

Iowa City Community School District

Notes to Basic Financial Statements

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

As of June 30, 2016, the GASB had issued several Statements not yet implemented by the District. The Statements which may impact the District are as follows:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, will be effective for the District beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

GASB Statement No. 77, *Tax Abatement Disclosures*, issued August 2015, will be effective for the District beginning with its fiscal year ending June 30, 2017. This statement requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The disclosures about the government's own tax abatement agreements includes the purpose of the tax abatement program, the tax being abated, the amount of tax being abated, the provisions of recapturing abated taxes, the types of commitments made by tax abatement recipients, and other commitments made by government in tax abatement agreements. The disclosures about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues includes the name of the government entering into the abatement agreement, the tax being abated, and the amount of the reporting government's tax being abated.

GASB Statement No. 82, *Pension Issues*, issued April 2016, will be effective for the District beginning with its fiscal year ending June 30, 2017. Statement No. 82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

Iowa City Community School District

**Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System**

	June 30,	
	2015	2014
District's proportion of the net pension liability	1.3168825%	1.3572122%
District's proportionate share of the net pension liability	\$ 65,060,367	\$ 53,825,764
District's covered-employee payroll	90,210,145	88,810,145
District's proportionate share of the net pension liability as a percentage of its covered payroll	72.12%	60.61%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present for those years which information is available.

Iowa City Community School District

**Required Supplementary Information
 Schedule of District Contributions
 Iowa Public Employees' Retirement System**

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contributions deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered employee payroll
2016	\$ 8,527,680	\$ 8,527,680	\$ -	\$ 95,494,737	8.93%
2015	8,055,766	8,055,766	-	90,210,145	8.93
2014	7,930,746	7,930,746	-	88,810,145	8.93
2013	7,093,021	7,093,021	-	N/A	N/A
2012	6,149,781	6,149,781	-	N/A	N/A
2011	5,160,450	5,160,450	-	N/A	N/A
2010	4,877,682	4,877,682	-	N/A	N/A
2009	4,558,004	4,558,004	-	N/A	N/A
2008	3,996,870	3,996,870	-	N/A	N/A
2007	3,425,786	3,425,786	-	N/A	N/A

N/A - Information was not available.

Iowa City Community School District

Notes to Required Supplementary Information – Pension Liability

Note 1. Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Note 2. Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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]
2014	7/1/2012	\$ -	\$ 5,125,000	\$ 5,125,000	- %	\$ 90,327,104	5.67%
2015	7/1/2014	-	6,243,000	6,243,000	-	92,475,127	6.75
2016	7/1/2014	-	6,243,000	6,243,000	-	97,549,465	6.40

The information presented in the required supplementary schedules was determined as part of the actuarial valuation date as of July 1, 2014. 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 8 percent with an ultimate rate of 4.5 percent, discount rate of 4.0 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, 2016

	Governmental Fund Types Actual	Enterprise Fund Type Actual	Total Actual
Revenues:			
Local sources	\$ 85,537,889	\$ 2,363,887	\$ 87,901,776
State sources	90,008,338	44,987	90,053,325
Federal sources	6,580,460	3,453,817	10,034,277
Total revenues	182,126,687	5,862,691	187,989,378
Expenditures:			
Instruction	101,899,548	-	101,899,548
Support services	44,744,084	-	44,744,084
Noninstructional programs	385,765	6,129,010	6,514,775
Other expenditures	77,558,253	-	77,558,253
Total expenditures	224,587,650	6,129,010	230,716,660
Excess of revenues over (under) expenditures/expenses	(42,460,963)	(266,319)	(42,727,282)
Other financing sources, net	64,724,294	-	64,724,294
Net change in fund balances/net position	22,263,331	(266,319)	21,997,012
Fund balances/net position, beginning of year	32,359,520	1,105,638	33,465,158
Fund balances/net position, end of year	\$ 54,622,851	\$ 839,319	\$ 55,462,170

See note to required supplementary information.

Budgeted Amounts		Final to Actual Variance- Over (Under)
Original	Final	
\$ 87,859,645	\$ 97,321,977	\$ (9,420,201)
89,579,978	89,579,978	473,347
9,434,192	9,434,192	600,085
<u>186,873,815</u>	<u>196,336,147</u>	<u>(8,346,769)</u>
104,173,702	105,306,469	(3,406,921)
47,407,096	46,381,328	(1,637,244)
7,754,746	7,872,386	(1,357,611)
44,934,996	62,637,339	14,920,914
<u>204,270,540</u>	<u>222,197,522</u>	<u>8,519,138</u>
(17,396,725)	(25,861,375)	(16,865,907)
-	-	64,724,294
<u>\$ (17,396,725)</u>	<u>\$ (25,861,375)</u>	<u>\$ 47,858,387</u>

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, 2016, the District adopted one budget amendment which increased the budgeted expenditures by \$17,926,982.

Actual expenditures for other expenditures exceeded final budget by \$14,920,914.

Iowa City Community School District

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue			Total Nonmajor Governmental Funds
	Management	Student Activity	Debt Service	
Assets				
Cash, cash equivalents, and investments	\$ 1,983,420	\$ 1,188,879	\$ 201,364	\$ 3,373,663
Receivables:				
Property tax:				
Current year	10,661	-	10,871	21,532
Succeeding year	4,082,154	-	3,289,186	7,371,340
Due from other funds	-	89,648	-	89,648
Total assets	\$ 6,076,235	\$ 1,278,527	\$ 3,501,421	\$ 10,856,183
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 871	\$ 148,327	\$ -	\$ 149,198
Due to other funds	1,503	-	-	1,503
Total liabilities	2,374	148,327	-	150,701
Deferred inflows of resources, unavailable revenue - property tax	4,082,154	-	3,289,186	7,371,340
Fund balances, restricted	1,991,707	1,130,200	212,235	3,334,142
Total liabilities, deferred inflows of resources and fund balances	\$ 6,076,235	\$ 1,278,527	\$ 3,501,421	\$ 10,856,183

Iowa City Community School District

Combining Statement of Revenues, Expenditures and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2016

	Special Revenue			Total Nonmajor Governmental Funds
	Management	Student Activity	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ 3,003,877	\$ -	\$ 3,259,578	\$ 6,263,455
State sources	107,751	-	113,200	220,951
Other	1,621	2,727,963	1,287	2,730,871
Total revenues	3,113,249	2,727,963	3,374,065	9,215,277
Expenditures:				
Current:				
Instruction:				
Regular	1,237,186	-	-	1,237,186
Other instruction	-	2,731,395	-	2,731,395
Support services:				
Administration services	709,419	-	1,750	711,169
Operations and maintenance	957,065	11,620	-	968,685
Transportation services	-	340,179	-	340,179
Debt service:				
Principal	-	-	7,775,000	7,775,000
Interest and fiscal charges	-	-	2,064,365	2,064,365
Total expenditures	2,903,670	3,083,194	9,841,115	15,827,979
Excess (deficiency) of revenues over expenditures	209,579	(355,231)	(6,467,050)	(6,612,702)
Other financing sources, transfers in	-	172,000	6,557,315	6,729,315
Net change in fund balances	209,579	(183,231)	90,265	116,613
Fund balances, beginning of year	1,782,128	1,313,431	121,970	3,217,529
Fund balances, end of year	\$ 1,991,707	\$ 1,130,200	\$ 212,235	\$ 3,334,142

Iowa City Community School District

**Statement of Changes in Fiduciary
Assets and Liabilities - Agency Funds
Year Ended June 30, 2016**

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Flexible Benefits Account				
Assets,				
cash and cash equivalents	\$ 266,347	\$ 1,021,061	\$ 1,015,727	\$ 271,681
Liabilities,				
due to private individuals	\$ 266,347	\$ 1,021,061	\$ 1,015,727	\$ 271,681
School Children's Aid				
Assets,				
cash and cash equivalents	\$ 18,292	\$ 18,821	\$ 25,893	\$ 11,220
Liabilities,				
due to private individuals	\$ 18,292	\$ 18,821	\$ 25,893	\$ 11,220
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	\$ 91,707	\$ 130,613	\$ 169,146	\$ 53,174
Liabilities,				
due to private individuals	\$ 91,707	\$ 130,613	\$ 169,146	\$ 53,174
Total Agency Funds				
Assets,				
cash and cash equivalents	\$ 378,534	\$ 1,170,495	\$ 1,210,766	\$ 338,263
Liabilities,				
due to private individuals	\$ 378,534	\$ 1,170,495	\$ 1,210,766	\$ 338,263

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.	67 - 81
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).	82 - 85
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.	86 - 89
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.	90 - 91
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.	92 - 101

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual report for the relevant year.

Iowa City Community School District

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

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities:				
Net investment in capital assets	\$ 64,933,021	\$ 73,555,648	\$ 80,393,020	\$ 93,159,408
Restricted	9,460,390	5,669,654	5,416,705	6,784,465
Unrestricted	6,659,080	17,882,764	32,018,847	33,609,893
Total governmental activities				
net position	\$ 81,052,491	\$ 97,108,066	\$ 117,828,572	\$ 133,553,766
Business-type activities:				
Net investment in capital assets	\$ 456,833	\$ 496,000	\$ 490,509	\$ 498,303
Unassigned	2,111,394	2,345,817	2,560,254	2,752,849
Total business-type activities				
net position	\$ 2,568,227	\$ 2,841,817	\$ 3,050,763	\$ 3,251,152
Primary government:				
Net investment in capital assets	\$ 65,389,854	\$ 74,051,648	\$ 80,883,529	\$ 93,657,711
Restricted	9,460,390	5,669,654	5,416,705	6,784,465
Unrestricted	8,770,474	20,228,581	34,579,101	36,362,742
Total primary government				
net position	\$ 83,620,718	\$ 99,949,883	\$ 120,879,335	\$ 136,804,918

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 103,461,937	\$ 118,552,457	\$ 127,010,427	\$ 144,275,207	\$ 176,170,719	\$ 203,709,702
34,107,364	38,265,060	38,547,315	34,835,478	18,444,336	36,650,711
20,434,179	26,988,542	28,366,297	21,012,594	(33,554,068)	(60,864,399)
\$ 158,003,480	\$ 183,806,059	\$ 193,924,039	\$ 200,123,279	\$ 161,060,987	\$ 179,496,014
\$ 434,533	\$ 372,306	\$ 577,047	\$ 528,075	\$ 518,311	\$ 528,403
3,102,508	3,340,591	3,227,351	2,983,964	1,418,780	1,081,678
\$ 3,537,041	\$ 3,712,897	\$ 3,804,398	\$ 3,512,039	\$ 1,937,091	\$ 1,610,081
\$ 103,896,470	\$ 118,924,763	\$ 127,587,474	\$ 144,803,282	\$ 176,689,030	\$ 204,238,105
34,107,364	38,265,060	38,547,315	34,835,478	18,444,336	36,650,711
23,536,687	30,329,133	31,593,648	23,996,558	(32,135,288)	(59,782,721)
\$ 161,540,521	\$ 187,518,956	\$ 197,728,437	\$ 203,635,318	\$ 162,998,078	\$ 181,106,095

Iowa City Community School District

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

	Fiscal Year		
	2007	2008	2009
Expenses:			
Governmental activities:			
Instruction	\$ 67,906,615	\$ 75,311,719	\$ 80,135,420
Support services:			
Student services	2,945,952	3,151,173	3,410,990
Instructional services	5,125,575	6,292,532	6,277,063
Administration services	8,663,947	9,585,085	9,177,313
Operation and maintenance of plant	10,391,249	10,149,107	11,020,902
Pupil transportation services	3,764,939	5,011,447	5,670,355
Other, primarily AEA flowthrough	5,998,900	5,188,131	4,986,103
Noninstructional programs	13,762	17,660	44,222
Interest on long-term debt	1,167,068	1,065,987	1,028,590
Total governmental activities expenses	105,978,007	115,772,841	121,750,958
Business-type activities, nutrition	3,451,139	3,806,588	4,044,118
Total primary government expenses	\$ 109,429,146	\$ 119,579,429	\$ 125,795,076
Program revenues:			
Governmental activities:			
Charges for services:			
Instruction	\$ 3,375,102	\$ 3,544,907	\$ 3,875,751
Support services	19,701	11,919	113,293
Operating grants and contributions	10,904,544	13,447,339	17,401,300
Capital grants and contributions	709,601	181,603	-
Total governmental activities program revenues	15,008,948	17,185,768	21,717,231
Business-type activities:			
Charges for services, nutrition	2,153,019	2,258,569	2,321,754
Operating grants and contributions	1,545,561	1,759,123	1,906,739
Capital grants and contributions	11,000	-	-
Total business-type program revenues	3,709,580	4,017,692	4,228,493
Total primary government program revenues	\$ 18,718,528	\$ 21,203,460	\$ 25,945,724
Net (expense) revenue:			
Governmental activities	\$ (90,969,059)	\$ (98,587,073)	\$ (100,033,727)
Business-type activities	258,441	211,104	184,375
Total primary government net expense	\$ (90,710,618)	\$ (98,375,969)	\$ (99,849,352)

							Fiscal Year
2010	2011	2012	2013	2014	2015	2016	
\$ 85,736,202	\$ 88,288,063	\$ 91,391,355	\$ 100,951,730	\$ 104,733,457	\$ 100,335,876	\$ 107,177,328	
4,189,268	3,833,693	4,612,635	4,942,088	4,686,664	4,499,186	4,835,646	
5,950,476	6,017,524	6,708,676	6,962,932	7,427,014	6,446,914	9,576,097	
9,894,942	9,113,670	10,421,294	11,401,516	12,506,153	12,221,714	13,741,415	
12,031,969	12,285,578	13,348,760	14,845,156	15,423,524	14,800,540	15,242,048	
4,440,490	4,791,918	5,489,138	5,396,481	5,726,049	5,565,497	4,593,145	
4,798,409	4,973,519	4,616,969	4,889,195	5,224,132	5,585,294	5,689,143	
47,444	6,026	93,018	466,024	563,138	605,079	368,506	
958,922	882,375	857,422	390,685	200,128	229,081	1,925,504	
128,048,122	130,192,366	137,539,267	150,245,807	156,490,259	150,289,181	163,148,832	
4,177,028	4,158,824	4,432,821	4,821,834	5,491,953	5,822,005	6,189,701	
\$ 132,225,150	\$ 134,351,190	\$ 141,972,088	\$ 155,067,641	\$ 161,982,212	\$ 156,111,186	\$ 169,338,533	
\$ 3,494,113	\$ 3,703,065	\$ 3,213,735	\$ 1,891,858	\$ 2,071,749	\$ 1,360,834	\$ 1,013,403	
102,924	122,442	107,478	176,884	205,142	210,215	250,620	
25,053,119	23,180,191	21,043,495	20,880,498	20,109,977	24,461,796	28,901,876	
-	-	-	1,889,776	207,457	939,553	641,945	
28,650,156	27,005,698	24,364,708	24,839,016	22,594,325	26,972,398	30,807,844	
2,262,408	2,175,411	2,244,238	2,245,333	2,260,342	2,320,574	2,357,084	
2,106,387	2,262,074	2,358,944	2,662,433	2,929,125	3,212,336	3,498,804	
-	-	-	-	-	-	-	
4,368,795	4,437,485	4,603,182	4,907,766	5,189,467	5,532,910	5,855,888	
\$ 33,018,951	\$ 31,443,183	\$ 28,967,890	\$ 29,746,782	\$ 27,783,792	\$ 32,505,308	\$ 36,663,732	
\$ (99,397,966)	\$ (103,186,668)	\$ (113,174,559)	\$ (125,406,791)	\$ (133,895,934)	\$ (129,078,091)	\$ (132,340,988)	
191,767	278,661	170,361	85,942	(302,486)	(289,094)	(333,813)	
\$ (99,206,199)	\$ (102,908,007)	\$ (113,004,198)	\$ (125,320,849)	\$ (134,198,420)	\$ (129,367,185)	\$ (132,674,801)	

Iowa City Community School District

**General Revenues and Total Change in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)**

	Fiscal Year		
	2007	2008	2009
Net (expense) revenue:			
Governmental activities	\$ (90,969,059)	\$ (98,587,073)	\$ (100,033,727)
Business-type activities	258,441	211,104	184,375
Total primary government net expense	(90,710,618)	(98,375,969)	(99,849,352)
General revenues and other changes in net position:			
Governmental activities:			
Taxes:			
Property taxes levied for general purposes	43,260,607	46,156,268	50,280,460
Property taxes levied for capital projects	6,463,349	6,715,464	7,131,726
Property taxes levied debt service	3,603,181	3,117,301	3,573,769
Sales taxes provided for capital projects *	-	13,952,660	12,870,778
Unrestricted grants and contributions	38,000,023	40,899,909	43,398,531
Investment earnings	1,214,815	756,496	642,596
Gain on sale of capital assets	-	-	-
Other	3,242,981	3,044,550	3,183,260
Total governmental activities	95,784,956	114,642,648	120,754,233
Business-type activities, investment earnings	94,445	62,486	24,571
Total primary government	95,879,401	114,705,134	120,778,804
Change in net position:			
Governmental activities	4,815,897	16,055,575	20,720,506
Business-type activities	352,886	273,590	208,946
Total primary government	\$ 5,168,783	\$ 16,329,165	\$ 20,929,452

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

Fiscal Year						
2010	2011	2012	2013	2014	2015	2016
\$ (99,397,966)	\$ (103,186,668)	\$ (113,174,559)	\$ (125,406,791)	\$ (133,895,934)	\$ (123,316,783)	\$ (132,340,988)
191,767	278,661	170,361	85,942	(302,486)	(289,094)	(333,813)
(99,206,199)	(102,908,007)	(113,004,198)	(125,320,849)	(134,198,420)	(123,605,877)	(132,674,801)
52,974,155	57,971,131	59,722,769	60,395,065	61,055,235	63,617,123	66,430,760
7,481,779	7,769,270	8,026,572	8,389,497	8,705,266	9,151,358	9,287,340
3,524,683	3,382,231	3,599,933	3,502,939	3,310,092	3,278,652	3,259,578
13,207,890	13,643,664	13,833,210	10,813,815	11,125,642	12,515,712	12,815,660
33,877,697	40,987,077	45,509,708	48,024,527	52,004,652	56,396,516	57,802,551
317,079	197,048	268,335	253,529	216,168	233,928	465,432
-	-	4,384,550	-	4,571	-	-
3,739,877	3,685,961	3,632,061	4,145,399	3,673,548	1,462,366	714,694
115,123,160	127,636,382	138,977,138	135,524,771	140,095,174	146,655,655	150,776,015
8,622	7,228	5,495	5,559	10,127	7,509	6,803
115,131,782	127,643,610	138,982,633	135,530,330	140,105,301	146,663,164	150,782,818
15,725,194	24,449,714	25,802,579	10,117,980	6,199,240	23,338,872	18,435,027
200,389	285,889	175,856	91,501	(292,359)	(281,585)	(327,010)
\$ 15,925,583	\$ 24,735,603	\$ 25,978,435	\$ 10,209,481	\$ 5,906,881	\$ 23,057,287	\$ 18,108,017

Iowa City Community School District

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

	Fiscal Year		
	2007	2008	2009
General Fund:			
Nonspendable	\$ -	\$ -	\$ -
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Reserved	1,334,507	1,546,798	1,534,839
Unreserved	9,208,308	3,554,114	5,344,723
Total General Fund	\$ 10,542,815	\$ 5,100,912	\$ 6,879,562
All other governmental funds:			
Nonspendable	\$ -	\$ -	\$ -
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Reserved	642,360	168,233	178,454
Unreserved, reported in:			
Special revenue funds	9,335,752	5,774,720	5,491,255
Capital projects funds	(8,986,375)	8,161,146	17,028,974
Total all other governmental funds	\$ 991,737	\$ 14,104,099	\$ 22,698,683

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

							Fiscal Year	
2010	2011	2012	2013	2014	2015	2016		
\$ -	\$ 771,671	\$ 876,455	\$ 996,786	\$ 1,174,203	\$ 1,095,801	\$ 1,127,628		
-	3,516,243	3,621,399	3,642,566	3,575,202	3,303,867	3,963,463		
-	-	-	-	-	-	-		
-	502,365	609,563	669,699	877,237	-	-		
-	9,292,774	15,382,598	13,271,679	8,112,212	11,544,614	15,339,260		
3,539,004	-	-	-	-	-	-		
4,396,154	-	-	-	-	-	-		
\$ 7,935,158	\$ 14,083,053	\$ 20,490,015	\$ 18,580,730	\$ 13,738,854	\$ 15,944,282	\$ 20,430,351		
\$ -	\$ -	\$ 50,372	\$ -	\$ -	\$ 1,540	\$ 1,310		
-	30,174,302	34,446,676	34,939,533	31,288,237	16,413,698	34,191,190		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
186,277	-	-	-	-	-	-		
-	-	-	-	-	-	-		
4,944,259	-	-	-	-	-	-		
19,289,186	-	-	-	-	-	-		
\$ 24,419,722	\$ 30,174,302	\$ 34,497,048	\$ 34,939,533	\$ 31,288,237	\$ 16,415,238	\$ 34,192,500		

Iowa City Community School District

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

	Fiscal Year		
	2007	2008	2009
Federal sources, federal grants	\$ 3,846,094	\$ 3,691,110	\$ 5,440,340
State sources, state grants and other	45,049,784	50,154,765	54,506,988
Local sources:			
Ad valorem taxes	53,327,137	69,075,496	73,835,697
Interest and other income	1,214,815	1,321,185	196,284
Other revenues	6,640,304	7,159,282	7,991,035
Total local sources	61,182,256	77,555,963	82,023,016
Total revenues	\$ 110,078,134	\$ 131,401,838	\$ 141,970,344

							Fiscal Year
2010	2011	2012	2013	2014	2015	2016	
\$ 11,278,777	\$ 8,222,274	\$ 8,321,085	\$ 7,463,516	\$ 5,861,754	\$ 6,379,586	\$ 6,580,460	
46,487,840	53,955,043	58,148,506	61,319,723	77,184,727	83,805,768	90,008,338	
76,978,507	83,201,298	85,292,389	82,777,217	72,945,024	76,047,134	78,977,678	
60,266	42,246	191,372	161,781	125,569	124,419	407,023	
8,623,115	9,251,854	6,712,504	8,767,902	7,022,831	7,812,866	6,153,188	
85,661,888	92,495,398	92,196,265	91,706,900	80,093,424	83,984,419	85,537,889	
\$ 143,428,505	\$ 154,672,715	\$ 158,665,856	\$ 160,490,139	\$ 163,139,905	\$ 174,169,773	\$ 182,126,687	

Iowa City Community School District

Governmental Funds Expenditures and Debt Service Ratio

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year		
	2007	2008	2009
Instruction	\$ 65,440,584	\$ 71,694,880	\$ 79,469,308
Pupil personnel services	2,945,952	3,151,173	3,405,973
Instruction and curriculum development services	5,106,837	6,264,667	6,221,272
School administration	9,074,574	9,619,098	9,624,966
Plant operation and maintenance	10,204,862	9,918,437	10,583,745
Pupil transportation services	3,764,939	5,011,447	5,670,355
AEA flowthrough	3,561,580	3,855,124	4,265,250
Community services	13,762	17,660	24,542
Noncapital facilities acquisition/construction	2,407,038	1,301,574	674,733
Capital outlay, facilities acquisition/construction	4,825,783	9,273,067	8,082,813
Debt service:			
Principal	2,380,000	2,495,000	2,515,000
Interest	1,191,652	1,129,252	1,059,153
Bond issuance costs	-	-	-
Total expenditures	\$ 110,917,563	\$ 123,731,379	\$ 131,597,110
Debt service as a percentage of noncapital expenditures	3.37%	3.01%	2.89%

Fiscal Year							
	2010	2011	2012	2013	2014	2015	2016
\$	80,550,680	\$ 85,334,071	\$ 85,181,022	\$ 93,842,840	\$ 96,348,768	\$ 100,113,327	\$ 101,899,548
	4,082,113	3,853,422	4,609,186	4,854,053	4,464,944	4,877,624	4,763,197
	5,796,009	6,119,871	6,585,642	7,040,962	7,409,098	6,585,412	9,713,120
	9,817,405	9,474,078	10,180,266	11,052,695	11,578,554	11,955,731	12,582,260
	10,468,714	10,877,956	11,207,615	12,219,182	13,580,269	13,229,990	13,092,362
	4,440,490	4,791,918	5,489,138	5,396,481	5,726,049	5,565,497	4,593,145
	4,766,004	4,940,696	4,587,779	4,861,844	5,193,678	5,551,884	5,654,082
	38,690	34,444	27,462	531,573	542,712	623,877	385,765
	3,145,655	2,158,361	4,542,517	8,785,850	4,401,635	947,459	2,188,919
	14,027,658	11,619,445	16,458,827	9,877,428	19,092,591	42,850,527	59,615,069
	2,530,000	2,655,000	7,405,000	2,825,000	2,885,000	3,735,000	7,775,000
	988,452	910,978	823,708	669,031	417,400	422,161	2,325,183
	-	-	83,266	-	-	-	-
\$	140,651,870	\$ 142,770,240	\$ 157,181,428	\$ 161,956,939	\$ 171,640,698	\$ 196,458,489	\$ 224,587,650
	2.78%	2.72%	5.85%	2.30%	2.28%	2.71%	6.12%

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		
	2007	2008	2009
Excess of revenues over (under) expenditures	\$ (839,429)	\$ 7,670,459	\$ 10,373,234
Other financing sources (uses):			
General long-term debt issued	\$ -	\$ -	\$ -
Premium on bond issuance	-	-	-
Payment to bond escrow agent	-	-	-
Sale of capital assets	-	-	-
Real estate contract financing	-	-	-
Transfers in	200,906	9,149,956	182,000
Transfers out	(200,906)	(9,149,956)	(182,000)
Total other financing sources (uses)	-	-	-
Net change in fund balances	\$ (839,429)	\$ 7,670,459	\$ 10,373,234

							Fiscal Year	
2010	2011	2012	2013	2014	2015	2016		
\$ 2,776,635	\$ 11,902,475	\$ 1,484,428	\$ (1,466,800)	\$ (8,500,793)	\$ (22,288,716)	\$ (42,460,963)		
\$ -	\$ -	\$ 15,890,000	\$ -	\$ -	\$ 9,430,000	\$ 60,030,000		
-	-	1,232,599	-	-	191,145	4,694,294		
-	-	(12,376,759)	-	-	-	-		
-	-	4,499,440	-	7,621	-	-		
-	-	-	-	-	-	-		
182,000	182,000	182,000	172,000	182,000	1,056,061	6,729,315		
(182,000)	(182,000)	(182,000)	(172,000)	(182,000)	(1,056,061)	(6,729,315)		
-	-	9,245,280	-	7,621	9,621,145	64,724,294		
\$ 2,776,635	\$ 11,902,475	\$ 10,729,708	\$ (1,466,800)	\$ (8,493,172)	\$ (12,667,571)	\$ 22,263,331		

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			
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	1,943,695,634	154,268,256	8,149,488,212	4,806,027,801	14.590
2013	6,300,549,300	2,064,767,753	182,998,016	8,548,315,069	5,010,901,831	14.073
2014	6,560,418,660	2,080,459,785	180,298,716	8,821,177,161	5,200,640,964	13.688
2015	7,083,834,010	2,025,642,591	189,592,895	9,299,069,496	5,471,006,291	13.700
2016	7,287,199,580	2,082,744,148	187,200,825	9,557,144,553	5,600,477,037	13.868

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 \$8,149,488,212 from January 1, 2012 are used for the taxable values for fiscal year 2014.

* Utility and gas and electric valuations are not included for 2014 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
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
2014	11.383	1.670	0.635	13.688	6.737	16.805	1.065	0.344
2015	11.432	1.670	0.598	13.700	6.742	16.705	1.058	0.323
2016	11.612	1.670	0.586	13.868	6.903	16.651	1.061	0.328

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	2016			2007		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Coral Ridge Mall LLC	\$ 84,586,495	1	1.51%			-
American College Testing Program, Inc.	53,041,610	2	0.95	\$ 34,669,777	3	0.90
City of Coralville	33,730,300	3	0.60	24,831,820	5	0.64
Hawk Landlord LLC	28,671,900	4	0.51			
Hawkeye Housing LLC	26,919,660	5	0.48			
Individual	25,744,860	6	0.46			
CCAL 100 Hawk Ridge Drive LLC	25,216,230	7	0.45			
MidwestOne Bank	24,742,660	8	0.44			
HyVee, Inc.	22,396,870	9	0.40			
Dealer Properties IC LLC	21,041,730	10	0.38			
GGP Limited Partnership		-	-	75,640,000	2	1.96
Mid American Energy Co		-	-	78,594,797	1	2.04
Individual		-	-	30,052,327	4	0.78
Raycal Iowa LTD		-	-	24,547,440	6	0.64
Southgate Development Co, Inc.		-	-	23,975,684	7	0.62
Plaza Towers LLC		-	-	19,403,630	9	0.50
Individual		-	-	19,795,050	8	0.51
Hawkeye Real Estate Investment		-	-	18,301,800	10	0.47
All other taxpayers	5,254,384,722	-	-	3,505,313,753	-	-
Total	\$ 5,600,477,037			\$ 3,855,126,078		

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
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
2014	65,648,860	65,594,662	99.92	-	65,594,662	99.92
2015	68,524,114	69,442,154	101.34	3,060	69,445,214	101.34
2016	71,037,013	71,874,564	101.18	-	71,874,564	101.18

Source: Johnson County Auditor and District records.

Iowa City Community School District

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	General Obligation Bonds Outstanding	Percent of Actual Taxable Value of Property	Per Capita	Percentage of Personal Income
2007	\$ 31,951,608	0.82%	\$ 317.00	*
2008	29,387,275	0.73	280.82	*
2009	26,842,483	0.62	256.63	*
2010	24,284,620	0.54	232.31	*
2011	21,603,863	0.46	195.50	*
2012	18,874,126	0.37	163.55	*
2013	16,048,419	0.30	137.86	*
2014	12,874,476	0.24	111.64	*
2015	9,866,080	0.18	89.69	*
2016	6,633,240	0.12	60.30	*

	Other Governmental Activities Debt		Total Primary Government	Less Amount Restricted for Debt Service	Net Debt
	Capital Loan Notes	Sales Tax Revenue Bonds			
2007	\$ -	\$ -	\$ -	\$ -	\$ -
2008	-	-	-	-	-
2009	-	-	-	-	-
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	8,630,000	-	18,496,080	85,927	18,410,153
2016	7,830,000	56,080,000	70,432,240	5,587,205	64,845,035

Source: District records

* Information not available

Iowa City Community School District

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2016
(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Direct and Overlapping Debt
City of Iowa City	57,445,000	99.999%	\$ 57,444,425
City of Coralville	208,213,251	75.415	157,024,023
City of North Liberty	30,570,000	71.219	21,771,648
City of Hills	1,912,000	100.000	1,912,000
Kirkwood Community College	96,426,000	74.391	71,732,266
Johnson County	12,690,000	74.338	9,433,492
City of University Heights	30,000	100.000	30,000
Subtotal, overlapping debt			319,347,854
District direct debt			14,463,240
Total direct and overlapping debt			\$ 333,811,094

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)

	2007	2008	2009
Debt limit	\$ 317,997,232	\$ 332,855,691	\$ 363,164,677
Total net debt applicable to limit	31,700,000	29,205,000	26,690,000
Legal debt margin	\$ 286,297,232	\$ 303,650,691	\$ 336,474,677
Total net debt applicable to the limit as a percentage of debt limit	11.07%	9.62%	7.35%

Source: Johnson County Auditor and District records.

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value - 2014 valuation

\$ 8,821,177,161

Debt limit (5% of assessed value)

\$ 441,058,858

Debt applicable to limit

6,320,000

Legal debt margin

\$ 434,738,858

2010	2011	2012	2013	2014	2015	2016
\$ 374,506,391	\$ 383,874,475	\$ 391,013,093	\$ 400,084,113	\$ 407,474,411	\$ 427,415,753	\$ 441,058,858
24,160,000	21,505,000	17,990,000	15,165,000	12,280,000	9,345,000	6,320,000
\$ 350,346,391	\$ 362,369,475	\$ 373,023,093	\$ 384,919,113	\$ 395,194,411	\$ 418,070,753	\$ 434,738,858

6.45%

5.60%

4.60%

3.79%

3.01%

2.19%

1.43%

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
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
2013	67,862	110,000	*	*	3.10
2014	67,862	110,000	*	*	2.50
2015	67,862	110,000	*	*	3.30

* Information not available

Source: City of Iowa City and Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce, Iowa Workforce Development (August 2015) and Johnson County Auditor.

Iowa City Community School District

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

Employer	2016			2007		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
The University of Iowa	18,650	1	19.76%	17,855	1	20.55%
The University of Iowa Hospitals and Clinics	8,704	2	9.22	7,638	2	0.09
Iowa City Community School District	2,346	3	2.49	1,200	7	0.01
Veterans Administration Hospital	1,562	4	1.65	1,232	6	1.42
Mercy Hospital	1,559	5	1.65	1,262	5	1.45
American College Testing	1,350	6	1.43	1,426	4	1.64
Pearson Educational Measurement	1,200	7	1.27	1,101	8	1.27
Hy-Vee Food Stores, Inc.	1,166	8	1.24	1,500	3	1.73
City of Iowa City	1,108	9	1.17			-
Systems Unlimited	890	10	0.94	760	12	0.87
International Automotive Comp (formerly United Tech)	750	11	0.79	772	11	0.89
Rockwell International	700	13	0.74	828	10	0.95
Riverside Casino and Golf Resort	759	12	0.80	950	9	-
All other employers	53,656	-	-	50,376	-	-
Total	94,400		43.16%	86,900		42.03%

Source: City of Iowa City, as last updated October 2007 and Iowa Department of Economic Development (2015 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			
	2007	2008	2009	2010
Supervisory:				
Instructional administrators	2.00	2.00	2.00	1.50
Noninstructional administrators	7.00	7.50	7.50	8.00
Athletic/activity directors	2.00	2.00	2.00	2.00
Principals	24.00	24.00	24.00	23.50
Assistant principals	6.00	8.00	8.00	8.50
Total supervisory	41.00	43.50	43.50	43.50
Instruction:				
Elementary classroom teachers	337.84	354.27	356.34	349.46
Secondary classroom teachers	223.55	235.59	239.68	230.25
Other classroom teachers	182.58	196.90	207.42	214.85
Paraprofessionals	318.00	344.00	323.00	311.90
Total instruction	1,061.97	1,130.76	1,126.44	1,106.46
Student services:				
Guidance counselors	28.30	28.38	28.93	29.05
Media specialists	26.00	25.80	26.80	26.80
Other professionals (noninstructional)	24.23	26.51	20.00	27.00
Consultants/supervisory	12.00	14.00	12.30	14.33
Total student services	90.53	94.69	88.03	97.18
Support and administration:				
Clerical/secretarial	96.50	104.50	107.75	109.00
Food service workers	65.00	79.70	81.00	93.00
Physical plant	122.00	120.10	121.80	117.80
Other	19.00	19.00	16.00	16.00
Total support and administration	302.50	323.30	326.55	335.80
Total	1,496.00	1,592.25	1,584.52	1,582.94

Source: District records

Full-Time Equivalent Employees as of June 30						Percentage Change
2011	2012	2013	2014	2015	2016	2007 - 2016
1.00	1.00	1.00	1.00	1.00	2.00	0.00%
9.00	9.60	10.60	17.20	16.50	14.50	107.14%
2.00	2.00	2.00	2.50	2.50	2.50	25.00%
24.00	23.50	23.50	23.50	23.50	24.50	2.08%
7.00	7.00	6.00	7.50	6.50	7.00	16.67%
43.00	43.10	43.10	51.70	50.00	50.50	23.17%
349.08	349.71	372.77	390.44	384.64	403.48	19.43%
230.82	238.13	260.50	267.56	255.64	265.83	18.91%
219.01	204.40	208.82	229.12	235.97	243.38	33.30%
307.70	336.18	382.95	382.12	383.96	362.71	14.06%
1,106.61	1,128.42	1,225.04	1,269.24	1,260.21	1,275.40	20.10%
29.93	29.30	31.10	33.40	29.72	27.79	-1.80%
26.82	26.80	25.80	27.00	26.00	25.80	-0.77%
29.00	33.00	29.00	39.00	39.00	45.00	85.72%
11.98	9.14	11.03	8.70	9.76	8.50	-29.17%
97.73	98.24	96.93	108.10	104.48	107.09	18.29%
111.00	109.50	112.00	122.00	122.00	124.00	28.50%
87.00	76.63	81.38	78.63	73.00	84.33	29.74%
116.20	117.70	116.90	123.75	130.06	124.44	2.00%
14.00	16.00	11.00	15.00	18.00	20.00	5.26%
328.20	319.83	321.28	339.38	343.06	352.77	16.62%
1,575.54	1,589.59	1,686.35	1,768.42	1,757.75	1,785.76	19.37%

Iowa City Community School District

Operating Statistics Last Ten Fiscal Years (Unaudited)

Fiscal Year	Official Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change
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
2014	13,159	156,290,131	11,877	1.23
2015	13,328	150,289,181	11,276	(5.06)
2016	13,671	163,148,832	11,934	5.83

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
\$ 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	842.09	15.17	33.76
5,507,940	419	11.14	887.12	14.83	35.06
5,822,005	437	4.29	876.25	15.21	33.74
6,189,701	453	3.67	912.69	14.98	35.70

Iowa City Community School District

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

School	Fiscal Year			
	2007	2008	2009	2010
Elementary:				
Coralville Central Elementary (1948,1959)				
Square feet	52,967	52,967	52,967	52,967
Capacity	462	462	462	462
Enrollment	448	423	427	430
Samuel Kirkwood Elementary (1963,1968,1987)				
Square feet	48,045	48,045	48,045	48,045
Capacity	352	352	352	352
Enrollment	441	438	439	345
Herbert Hoover Elementary (1954, 1968, 1986)				
Square feet	36,643	36,643	36,643	36,643
Capacity	330	330	330	330
Enrollment	306	308	306	362
Hills Elementary (1965, 1969)				
Square feet	24,449	24,449	24,449	24,449
Capacity	220	220	220	220
Enrollment	152	132	137	126
Ernest Horn Elementary (1969, 1978, 2011)				
Square feet	35,303	35,303	35,303	35,303
Capacity	286	286	286	286
Enrollment	288	292	279	331
Helen Lemme Elementary (1970, 1975, 1998)				
Square feet	36,293	36,293	36,293	36,293
Capacity	308	308	308	308
Enrollment	283	289	296	332
Lincoln Elementary (1926, 1988)				
Square feet	25,832	25,832	25,832	25,832
Capacity	220	220	220	220
Enrollment	256	260	253	263
Longfellow Elementary (1917)				
Square feet	30,148	30,148	30,148	30,148
Capacity	308	308	308	308
Enrollment	284	317	305	311
Robert Lucas Elementary (1962, 1978, 1990)				
Square feet	42,080	42,080	42,080	42,080
Capacity	418	418	418	418
Enrollment	426	415	424	416
Horace Mann Elementary (1917)				
Square feet	29,360	29,360	29,360	29,360
Capacity	286	286	286	286
Enrollment	249	257	244	259
Penn Elementary (1961, 1985, 1995)				
Square feet	38,838	38,838	38,838	38,838
Capacity	418	418	418	418
Enrollment	391	417	461	511

(Continued)

Fiscal Year					
2011	2012	2013	2014	2015	2016
52,967	52,967	52,967	52,967	52,967	52,967
462	462	506	506	506	506
430	437	445	426	40	422
48,045	48,045	48,045	48,045	48,045	48,045
352	352	437	437	437	437
314	321	319	378	363	314
36,643	36,643	36,643	36,643	36,643	36,643
330	330	437	437	437	437
377	375	372	325	311	272
24,449	24,449	24,449	24,449	24,449	24,449
220	220	276	276	276	276
98	110	112	100	111	184
35,303	50,603	50,603	50,603	50,603	50,603
286	436	506	506	506	506
363	364	461	464	493	500
36,293	36,293	36,293	36,293	36,293	36,293
308	308	368	368	368	368
338	344	372	399	407	395
25,832	25,832	25,832	25,832	25,832	25,832
220	220	253	253	253	253
250	241	246	239	237	239
30,148	30,148	30,148	30,148	30,148	30,148
308	308	391	391	391	391
318	349	334	322	329	338
42,080	42,080	42,080	42,080	42,080	42,080
418	418	506	506	506	506
411	441	436	424	405	442
29,360	29,360	29,360	29,360	29,360	29,360
286	286	345	345	345	345
250	245	260	245	223	222
38,838	38,838	38,838	38,838	38,838	38,838
418	418	460	460	460	460
464	502	516	524	530	552

Iowa City Community School District

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

School	Fiscal Year			
	2007	2008	2009	2010
Elementary:				
Theodore Roosevelt Elementary (1931, 1961) *				
Square feet	29,008	29,008	29,008	29,008
Capacity	264	264	264	264
Enrollment	298	340	365	309
Bouhmil Shimek Elementary (1970, 1991)				
Square feet	28,130	28,130	28,130	28,130
Capacity	242	242	242	242
Enrollment	220	204	191	201
Mark Twain Elementary (1954, 1961)				
Square feet	40,204	40,204	40,204	40,204
Capacity	330	330	330	330
Enrollment	220	239	234	229
Irving Weber Elementary (1993, 2001)				
Square feet	47,820	48,400	48,400	48,400
Capacity	484	484	484	484
Enrollment	494	523	540	544
Grant Wood Elementary (1969, 1993, 2006)				
Square feet	59,890	59,890	59,890	59,890
Capacity	484	484	484	484
Enrollment	486	524	510	492
Kate Wickham Elementary (1997)				
Square feet	56,049	56,049	56,049	56,049
Capacity	418	418	418	418
Enrollment	452	491	493	492
James Van Allen Elementary (2005)				
Square feet	61,081	61,081	61,081	61,081
Capacity	484	484	484	484
Enrollment	484	551	599	661
Buford Garner Elementary (2010)				
Square feet	-	-	-	-
Capacity	-	-	-	-
Enrollment	-	-	-	-
Norman Borlaug Elementary (2012)				
Square feet	-	-	-	-
Capacity	-	-	-	-
Enrollment	-	-	-	-
Alexander Elementary (2015)				
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	620	610	622	615

* 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.

Fiscal Year					
2011	2012	2013	2014	2015	2016
29,008	29,008	29,008	29,008	29,008	29,008
264	264	264	264	264	264
299	283	40	40	40	40
28,130	28,130	28,130	28,130	28,130	28,130
242	242	276	276	276	276
202	208	228	215	210	212
40,204	40,204	40,204	40,204	40,204	40,204
330	330	460	460	460	460
203	226	299	323	378	262
48,400	48,400	48,400	48,400	48,400	48,400
484	484	506	506	506	506
553	568	477	492	490	422
59,890	59,890	59,890	59,890	59,890	59,890
484	484	575	575	575	575
474	523	569	525	511	360
56,049	56,049	56,049	56,049	56,049	56,049
418	418	506	506	506	506
489	477	481	482	503	529
61,081	61,081	61,081	61,081	61,081	61,081
484	484	552	552	552	552
425	446	499	500	507	524
63,715	63,815	63,815	63,815	63,815	63,815
500	500	529	529	529	529
388	429	504	539	581	609
-	-	67,029	67,029	67,029	67,029
-	-	552	552	552	552
-	-	352	382	403	431
					67,714
					500
					348
124,436	124,436	124,436	124,436	124,436	124,436
875	875	875	875	875	875
638	641	650	679	641	628

Iowa City Community School District

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

School	Fiscal Year			
	2007	2008	2009	2010
Junior High (continued):				
South East Junior High School (1959, 1982, 1995)				
Square feet	115,604	111,183	138,806	138,806
Capacity	775	775	775	775
Enrollment	660	701	705	688
North Central Junior High School (2006)				
Square feet	82,612	82,612	82,612	82,612
Capacity	450	450	450	450
Enrollment	308	349	359	398
High School:				
City High School (1939, 1974, 1982, 1985, 1990, 1995, 2005, 2013)				
Square feet	267,752	267,752	267,752	267,752
Capacity	1,600	1,600	1,600	1,600
Enrollment	1,356	1,507	1,383	1,371
West High School (1969, 1983, 1986, 1993, 1996, 2005)				
Square feet	309,943	339,217	339,217	339,217
Capacity	1,800	1,800	1,800	1,800
Enrollment	1,838	1,764	1,754	1,770
Elizabeth Tate High School (2005)				
Square feet	19,700	19,700	19,700	19,700
Capacity	160	160	160	160
Enrollment	121	118	110	120
Portable Classrooms (Various)				
Square feet	24,992	33,296	33,296	33,296
Capacity				
Number	34	37	37	37
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	5	5	5	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	18	18	18	18

Source: District records

Fiscal Year					
2011	2012	2013	2014	2015	2016
138,806	138,806	138,806	138,806	138,806	138,806
775	775	775	775	775	775
674	733	761	771	800	801
82,612	82,612	82,612	82,612	82,612	82,612
450	450	450	450	450	450
400	414	469	467	478	504
267,752	267,752	267,752	287,047	287,047	287,047
1,600	1,600	1,600	1,600	1,600	1,600
1,409	1,410	1,414	1,494	1,599	1,668
339,217	339,217	339,217	339,217	339,217	339,217
1,800	1,800	1,800	1,800	1,800	1,800
1,863	1,910	1,956	1,941	1,985	2,001
19,700	19,700	19,700	19,700	19,700	19,700
160	160	160	160	160	160
118	162	149	135	151	158
33,296	33,296	36,000	35,100	35,100	35,100
37	37	40	39	39	40
24,588	-	-	-	-	-
-	41,776	41,776	41,776	41,776	41,776
19,638	19,638	19,638	19,638	19,638	19,638
5	5	5	5	5	5
1	2	2	2	2	2
2	2	2	2	2	2
4	4	4	4	3	3
2	2	2	2	2	2
19	19	19	19	19	20

Iowa City Community School District

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016**

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:			
Child Nutrition Cluster:			
USDA Commodities (Noncash)	10.555	77-1737	\$ 427,599
National School Lunch Program	10.555	77-1737	2,320,374
National School Summer Program	10.559	77-1737	65,650
National School Breakfast Program	10.553	77-1737	557,612
National School Lunch Program - After School Snacks	10.555	77-1737	22,671
			<u>3,393,906</u>
 Fresh Fruit & Vegetable Grant	 10.582	 N/A	 <u>52,584</u>
Total U.S. Department of Agriculture			<u><u>3,446,490</u></u>
 U.S. Army Corps of Engineers:			
Passed through Johnson County, Iowa:			
Flood Control Projects	12.106	N/A	<u>5,176</u>
 U.S. Department of Education:			
Passed through State of Iowa Department of Education:			
Title I - Grants to Local Educational Agencies	84.010A	N/A	1,861,456
Title I - Grants to Local Educational Agencies - Schools in Need of Assistance	84.010A	N/A	75,803
Subtotal			<u>1,937,259</u>
 IDEA - High Cost Claim	 84.027	 N/A	 17,550
IDEA-Non-nimas Work Groups	84.027	N/A	540
Subtotal			<u>18,090</u>
 Vocational Education Basic Grants to States	 84.048A	 77-6957	 106,662
Education for Homeless Children and Youth	84.196	N/A	36,000
Twenty-First Century Learning Centers	84.287A	N/A	422,306
Title II - Improving Teacher Quality State Grant	84.367	N/A	318,227
Title VI, Part A - Iowa Technical Adequacy Project (ITAP)	84.369	N/A	52,951
 Passed through Grant Wood Area Education Agency:			
Special Education Grants to States	84.027	N/A	607,812
Title III - English Language Acquisition	84.365	N/A	136,488

(Continued)

Iowa City Community School District

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education (Continued):			
Direct Program:			
Comprehensive School Health Programs - Youth Survey	84.215F	N/A	620
Fund for the Improvement of Education - PE	84.215H	N/A	<u>270,953</u>
Total U.S. Department of Education			<u>3,907,368</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>35,717</u>
Total expenditures of federal awards			<u><u>\$ 7,394,751</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, 2016

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, 2016. 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). 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

Expenditures of federal awards are recognized in the accounting period in which the liability is incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Total Expenditures by Program

Total expenditures for the Special Education Grants to States IDEA Part B CFDA No. 84.027 is \$625,902.

Note 4. Indirect Cost Rate

The District has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

Note 5. Subrecipients

For the year ended June 30, 2016, the District did not pass through any Federal funds to subrecipients.

Iowa City Community School District

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016**

Finding	Status	Corrective Action Plan or Other Explanation
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None reported.

**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, 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, 2016, 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 21, 2016.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a material weakness.

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*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. We noted an immaterial instance of noncompliance or other matter that is described in Part IV of the accompanying schedule of findings and questioned costs.

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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Davenport, Iowa
November 21, 2016

**Report on Compliance For the Major Federal
Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for the 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 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2016. The District's major federal program is 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 the District's major federal program 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the 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 its major federal program for the year ended June 30, 2016.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Davenport, Iowa
November 21, 2016

Iowa City Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

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 2 CFR 200.516 Yes No

Identification of major program:

CFDA Number	Name of Federal Program
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10.553, 10.555, 10.559	Child Nutrition Cluster
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Dollar threshold used to distinguish between type A and type B programs: \$750,000

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, 2016

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

A. Material Weakness

2016-001

Finding: The District does not have adequate procedures in place to ensure year-end balances calculated using end user applications are accurate. The District uses multiple steps and processes during the completion of year-end balances using end user application. However, interim processing steps did not identify a formula error in these computations.

Criteria: A system of internal control requires timely reconciliation of account balances in order to prepare GAAP financial statements.

Condition: The District uses end user computing to assist in preparing year-end entries and reconciliation of account balances but these computations are not reviewed by other members of the finance department. In the current year, a formula error resulted in a miscalculation of capital assets and cash. Adjustments were made subsequently by the District to correct the errors.

Context: Errors in capital assets and cash.

Cause: There is no review of the computations made using end user computing applications.

Effect: Material misstatement of the Governmental Activities financial statements by approximately \$11,400,000.

Recommendation: We recommend the District develop a process to review calculations made in end user computing applications to ensure their accuracy including a review separate from the preparer.

Response and corrective action plan: The end of year balances are computed and reviewed using multiple steps. The initial steps of these computations did not properly compute the amounts to be recorded for the amounts to be recorded on the District's Comprehensive Annual Financial Report for the capital assets as disclosed in Note 5 to the financial statements. The District procedures would have identified these computations during the review and reconciliation of the report preparation. In addition, the computations did not impact the recording of revenues and expenditures within the District's operating funds, but were for the report presentation only.

B. Instances of Noncompliance

None reported.

Iowa City Community School District

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016**

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

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

Finding: Other expenditures for the year ended June 30, 2016 exceeded the amended certified budget.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures are allowed to exceed the budget.

Response and corrective action plan: The expenditures in the “other expenditure” category relate to the construction and renovation of buildings within the facility master plan. These expenditures were due to a favorable construction schedule that exceeded the District’s revised budget amounts and includes approximately \$8 million of accrued expenses and retainage payables that were required to be reported in accordance with generally accepted accounting principles, but will be paid in the next fiscal period. The District will review its cash flow models for construction projects to monitor these types of expenditures compared to budgets in future periods.

16-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.

16-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.

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

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

16-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.

Iowa City Community School District

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016**

16-IV-F – Board Minutes

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

16-IV-G – Certified Enrollment

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

16-IV-H – Supplementary Weighting

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

16-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.

16-IV-J – Certified Annual Report

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

16-IV-K – Categorical Funding

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

16-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, 2016, the District's financial activity and other required information for the state-wide sales, services and use tax revenue are as follows:

Beginning balance	\$	4,879,464
State-wide sales, services and use tax		12,715,660
Interest		301,669
Contributions and rebates		498,324
Sale of revenue tax bonds, net of premium		64,463,476
Expenditures/transfers out:		
Family Resource Programs		(358,818)
School infrastructure:		
Buildings		(49,322,378)
Equipment		(1,588,525)
Transfer to debt service		(5,582,103)
	\$	<u>26,006,769</u>

Iowa City Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

The state-wide sales, services and use tax revenue received during the year ended June 30, 2016 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Physical plant and equipment levy	\$ 1.45827	\$ 12,715,660

16-IV-M – Deficit Balances

None of the District's funds had deficit fund balances as of June 30, 2016.

16-IV-N – Revenue Bonds

The District has an appropriate sinking fund set up for revenue bonds outstanding as of June 30, 2016.

16-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).

16-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, 2016**

<u>Current Number</u>	<u>Comment</u>	<u>Corrective Action Plan</u>	<u>Anticipated Date of Completion</u>	<u>Contact Person</u>
2016-001	End user computing calculation errors.	See corrective action plan at 2016-001.	June 30, 2017	Director of Budget and Finance