



Exhibit 2I: Narrative Update May 2026 Iowa City Community School District

The Iowa City Community School District has diligently been working to reconcile account balances and complete audits to provide stakeholders with an accurate representation of the district's financial position.

Bank statements reconciliations for 2023 and 2024 have been completed. Fiscal year 2025 has been substantially reconciled; the General Fund and the Insurance Fund has been reconciled through June 2025. The Activity Fund, the Food Service Fund, and the Investment General are currently in process. Journal entries posted for the general fund and have been cleared back within the reconciliations and posted. Draft entries for the rest of the year continue.

The remaining funds are still pending for FY2025, as the General Fund was being reconciled several entries and corrections impact the other accounts which will help with those reconciliations. Fiscal year 2026 reconciliations have begun going backwards to identify any entries or adjustments that are needed for each month. Once FY2025 is completed then FY2026 can be fully reconciled, as working backwards on identifying adjustments needed in FY2026 should speed up the reconciliation process.

Audit field work for FY2024 was finished Friday, April 17th, 2026. We anticipate the draft FY24 audit to be received no later than May 15, 2026. The Auditors are preparing the financial statements for the Audit for the FY2024 year.

April 1st, 2026 Board Work Session

The April 1, 2026 board work session focused primarily on a comprehensive financial analysis of the district's funds and cash flow challenges. The district's financial advisor (PFM) reviewed multiple funds, including the General Fund, Debt Service Fund, PPEL, and SAVE, and highlighted cash flow concerns and possible solutions, particularly in the General Fund. The district faces monthly cash shortages, specifically in July when payroll obligations exceed available cash before state aid arrives. To address this, PFM recommended issuing a \$25 million in Tax Anticipation Warrants to stabilize short-term liquidity, repay interfund loans, and support required interfund borrowing.

PFM's solution relied on interfund loans between accounts (General Fund, SAVE, PPEL, and Debt Service). The SAVE fund is especially constrained, with existing debt obligations limiting its flexibility through 2038, while the PPEL fund is expected to temporarily support SAVE expenses and maintain a strong cash balance for capital and technology needs. Across funds, PFM emphasized the importance of maintaining higher minimum cash reserves, separating bank accounts for clearer fund tracking, and completing overdue audits.

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The district faces limited financial flexibility in the near term, with constrained capacity for new spending and capital projects. The board discussed the need for cost controls, potential reductions, and long-term structural decisions (including facilities planning) to avoid recurring financial concerns. The board ultimately agreed to move forward with the proposed borrowing plan, recognizing that stronger financial management, timely audits, and a clear fiscal strategy will be critical to regaining stability and future access to capital markets.

April 28th, 2026 Cash Flow Update

At the April 28th, 2026 Board of Education meeting, PFM Financial Advisors updated the ICCSD Board on the district's improving financial position and ongoing cashflow challenges for FY2026. PFM explained that its earlier recommendation to issue up to \$25 million in taxable anticipatory warrants was based on a "worst-case scenario" created amid significant uncertainty about beginning cash balances, capital spending, and unresolved accounting issues. Since April 1, however, the district has identified approximately \$6.6 million in positive financial variance through higher-than-expected revenues and lower expenditures in the General Fund, while audits, reconciliations, and staffing improvements, including the hiring of a new CFO, have increased confidence in the district's financial outlook.

PFM's recommendations utilize interfund loans to help meet the district's obligations. The district must provide a \$7.32 million loan from the General Fund to the SAVE Fund by May 22, 2026 so the SAVE Fund can make upcoming bond payments. PFM indicated this loan can be funded without external borrowing because of the improved cashflow position. The second issue involves repayment of a separate \$10 million loan from the Health Insurance Fund, which legally must be repaid by October 1st, 2026. PFM presented two repayment strategies: Option 1 delays repayment until after July 1, 2026, preserving stronger General Fund cash balances and avoiding the immediate need for borrowing, while Option 2 repays before June 30, 2026, which would likely require issuing about \$7 million in warrants to maintain adequate liquidity for payroll and operations.

PFM ultimately recommended Option 1 because it gives the district more time to complete audits, reconcile accounts, integrate the new CFO, and reduce uncertainty surrounding fund balances. Under this option, the district is projected to end FY2026 with roughly \$21.4 million in General Fund cash, or about 35 days of cash on hand, which PFM believes is sufficient to cover July payroll without borrowing. PFM also noted that the district may ultimately avoid issuing warrants altogether if financial performance continues improving.

Property Sales

To improve the cash position of the district, the Board and administration have begun the process of selling three properties the district owns and will transfer the proceeds of those sales to the General Fund at the May 26th, 2026 board meeting. The district will be disposing of the following properties:

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- Former Hills Elementary School Site: \$450,000
- Former Educational Services Center: \$3,248,773
- Future School Site, Coralville: \$2,756,000 minimum

Environmental Hazard MSA Requests

The district is working on a submission of an MSA request to the SBRC for asbestos abatement completed in the last three fiscal years.

- FY24: \$100,000
- FY25: \$320,388.18
- FY26: \$32,156.78

If granted, the total request will increase the district's spending authority by \$452,544.96

Transportation Costs

The district will also request modifications to the expenditure totals for FY24 and FY25 as transportation equipment leases for the district's transportation vendor were paid out of the General Fund, but were eligible to be paid for by the Physical Plant & Equipment Levy. The amounts for these two years were as follows:

- FY24: \$1,100,255.52
- FY25: \$1,170,729.52

If granted, the total request will increase the district's spending authority by \$2,270,985.04.

Updated UAB Calculations

Summary of Requested Adjustments

- E-Rate Funding Deposited to General Fund: (\$1,259,191.40)
- Environmental Hazard MSA Requests: \$452,544.96
- Transportation Costs Re-Coded to PPEL: \$2,270,985.04

All requests shown in FY26, line 16.

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		Select a School District								
Iowa City		Unspent Authorized Budget Report						Iowa Department of Management	1/4/2026	
3141		(Line 32 = Legal Limit on General Fund Spending)								
		Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Actual FY 2024	Estimated FY 2025	Estimated FY 2026	
1	Regular Program District Cost	95,804,730	98,380,795	102,700,637	103,229,023	106,710,135	110,247,873	112,527,706	116,230,193	
2	Regular Program Budget Adjustment +	0	0	0	498,620	0	0	0	0	
3	Supplementary Weighting District Cost +	2,567,277	2,706,928	2,757,255	2,696,574	2,997,328	3,278,507	3,499,584	3,945,904	
4	Special Ed District Cost +	9,195,027	9,606,539	10,268,725	10,418,877	11,214,016	12,094,909	12,368,367	13,202,806	
5	Teacher Salary Supplement District Cost +	7,919,507	8,139,022	8,500,780	8,540,427	8,830,037	9,132,885	10,382,762	11,174,735	
6	Prof Dev Supplement District Cost +	978,776	1,004,093	1,046,678	1,049,574	1,083,080	1,117,641	1,176,839	1,237,687	
7	Early Intervention Suppl District Cost +	1,003,763	1,030,948	1,076,113	1,080,427	1,116,332	1,153,740	1,216,487	1,280,746	
8	Teacher Leadership Suppl District Cost +	4,635,484	4,760,191	4,967,313	4,986,046	5,150,531	5,321,499	5,609,326	5,904,030	
9	AEA Special Ed Support +	4,588,994	4,719,801	4,935,998	4,959,181	5,142,339	5,335,652	5,447,167	5,641,386	
10	AEA Special Ed Support Adjustment +	0	0	0	0	0	0	0	0	
11	AEA Media Services +	836,073	858,046	886,305	906,045	938,503	967,769	997,380	1,034,222	
12	AEA Educational Services +	918,511	942,614	973,857	995,604	1,031,498	1,063,830	1,096,633	1,137,357	
13	AEA Sharing District Cost +	0	0	0	0	6,142	6,173	6,171	6,270	
14	AEA Teacher Salary Suppl District Cost +	429,615	442,800	464,027	467,203	485,505	505,075	516,756	536,009	
15	AEA Prof Dev Suppl District Cost +	50,104	51,587	54,016	54,410	56,473	58,808	0	0	
16	SBRC Modified Suppl Amt Dropout Prev +	4,742,675	4,461,313	4,920,051	4,950,347	5,166,956	5,352,112	5,416,581	5,688,650	
17	SBRC Modified Suppl Amt Other #1 +	2,366,093	2,799,172	3,306,247	4,760,214	3,639,385	6,030,671	4,871,100	7,269,684	
18	SBRC Modified Suppl Amt Other #2 +	971,981	2,346,538	877,681	1,252,800	951,426	996,043	1,925,039	1,306,458	
19	Special Ed Deficit Modified Suppl Amt +	8,714,434	8,662,181	9,830,075	9,968,520	10,623,841	10,984,784	18,373,455	19,417,013	
20	Special Ed Positive Balance Reduction -	0	0	0	0	0	0	0	0	
21	AEA Special Ed Positive Balance -	0	0	0	0	0	0	0	0	
22	Allowance for Construction Projects +	0	0	0	0	0	0	0	0	
23	SBRC Unspent Modified Suppl Amt -	0	0	0	0	0	0	0	0	
24	Enrollment Audit Adjustment +	-48,097	-24,698	-12,355	-88,119	-1,590	-35,872	-2,450	-53,115	
25	AEA Prorata Reduction -	485,100	485,100	485,100	485,100	541,573	637,927	939,311	957,862	
26	Maximum District Cost =	145,189,847	150,402,770	157,068,303	160,240,673	164,600,364	172,974,172	184,489,592	194,002,173	
27	Preschool Foundation Aid +	1,673,896	1,726,880	1,969,916	1,488,852	1,929,413	1,756,494	1,643,555	1,976,949	
28	Instructional Support Authority +	7,658,630	7,832,095	8,179,079	8,260,869	8,409,826	8,645,638	8,769,284	9,000,866	
29	Ed Improvement Authority +	0	0	0	0	0	0	0	0	
30	Other Miscellaneous Income +	12,509,053	11,657,875	19,699,856	29,517,459	31,601,951	20,591,198	18,413,136	23,679,455	
31	Unspent Auth Budget - Previous Year +	9,442,659	3,828,094	2,048,574	3,167,626	239,935	-2,505,057	3,304,215	3,772,402	
32	Maximum Authorized Budget =	176,474,085	175,447,714	188,965,728	202,675,479	206,781,489	201,462,445	216,619,782	232,431,845	
33	Expenditures -	172,645,991	173,399,140	185,798,102	202,435,544	209,286,546	198,158,230	212,847,380	224,896,059	
34	Unspent Authorized Budget =	3,828,094	2,048,574	3,167,626	239,935	-2,505,057	3,304,215	3,772,402	7,535,786	

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