

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
of the  
LINN-MAR COMMUNITY SCHOOL DISTRICT  
Marion, Iowa  
For the fiscal year ended June 30, 2012**



**OFFICIAL ISSUING REPORT**

**David Nicholson  
Business Administrator, Board Secretary,  
Board Treasurer**

**2999 North 10<sup>th</sup> Street  
Marion, IA 52302**



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COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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Kathleen Mulholland, Ed.D.  
Superintendent

Rick Ironside, Ed.D.  
Associate  
Superintendent

David Nicholson  
Business Administrator  
Board Secretary  
Board Treasurer

Karla Christian  
Executive Director of  
Human Resources

Dirk Halupnik  
Executive Director of  
Instructional Services

Julie Jensen  
Executive Director of  
Student Services

Barry Buchholz  
President  
Board of Directors

#### District Schools

High School, 9-12  
Jeff Gustason, Ph.D.  
Principal

Excelsior, 6-8  
John Christian  
Principal

Oak Ridge, 6-8  
Erica Rausch  
Principal

Bowman Woods, K-5  
John Zimmerman  
Principal

Echo Hill, K-5  
Dan Ludwig  
Principal

Indian Creek, K-5  
Tina Monroe  
Principal

Linn Grove, PreK-5  
Shannon Bisgard  
Principal

Novak, K-5  
Joe North  
Principal

Westfield, K-5  
Ed Rogers  
Principal

Wilkins, K-5  
Marilee McConnell  
Principal

December 10, 2012

Barry Buchholz, President,  
Members of the Board of Education, and the Citizens of  
Linn-Mar Community School District  
Marion, Iowa

We are proud to submit to you the Comprehensive Annual Financial Report of the Linn-Mar Community School District for the year ending June 30, 2012. This report has been prepared to conform to the guidelines recommended by the Association of School Business Officials International.

## **MANAGEMENT RESPONSIBILITY**

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed information is fairly stated in all material respects and is presented in a manner which sets forth the financial position and results of the operations of the governmental activities, business-type activities, each major fund and aggregate of the remaining funds of the District in accordance with generally accepted accounting principles, (GAAP). It includes all funds and account groups of the entire District. The District is not included in any other reporting entity, nor are other entities included within this report. All disclosures necessary to enable a reader to gain maximum understanding of the District's financial activities have been included.

## **CAFR**

The 2012 Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Internal Controls and Compliance.

**Introductory Section-** This section includes a transmittal letter, economic outlook of the community, the District's accomplishments, the Certificate of Excellence in Financial Reporting for the year ended June 30, 2011, the District's Team Leadership Network and a list of the Board of Directors and District Officials.

**Financial Section-** The School District's financial statements and schedules are presented in accordance with the financial reporting pyramid set forth by the Governmental Accounting Standards Board. This section includes

the independent auditor's report, Management's Discussion and Analysis (MD&A), audited basic financial statements, required supplementary information, and combining and individual fund statements and schedules. The audited basic financial statements provide both an overview and a broad long-term perspective of the School District as a whole in the government-wide financial statements. The MD&A is provided by management as a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

***Statistical Section-*** This section includes selective financial, economic and demographic information, generally presented on a multi-year basis for comparison.

***Compliance Section-*** This section includes audit reports relating to the Board's single audit over internal control, federal and state awards, Schedule of Expenditures of Federal and State Awards.

### **Linn-Mar Community School District**

This report includes all funds of the Linn-Mar Community School District. The District provides a full range of services including instructional, administrative, transportation, food service, maintenance of sites and facilities, clerical and extra- and co-curricular activities.

The District is governed by a seven-member elected Board of Education. During the 2008 legislative session, a bill was passed that changed the board terms from three years to four years and requires school elections to be held in September of odd numbered years, beginning in September 2009. The Board of Directors is a policy-making and planning body whose decisions are carried out by school administrators.

The Linn-Mar Community School District is located in Linn County in east central Iowa. The District includes portions of Cities of Cedar Rapids, Marion and Robins, as well as unincorporated land in northern Linn County. The District originated in 1948 as Marion Rural Independent School District, and became the Marion Rural Community School District under the Community School Reorganization Act adopted in 1955. It operated under this name from 1955 to 1963 when its name was changed to Linn-Mar Community School District. The District is currently the 12<sup>th</sup> largest of Iowa's 371 public school systems. The certified enrollment taken on the October 1, 2011 was approximately 6,730 students. The District operates one high school, two middle schools, seven elementary schools, an alternative High School Program, a special education transition program, a home school assistant program and an early childhood preschool program. The District provides a full range of educational services appropriate to students in early childhood and grades pre-kindergarten through twelve. These services include basic, regular and enriched academic education; special education for children with special needs; vocational education; and numerous individualized programs such as specialized instruction for students at-risk and for limited English speaking students

In addition to a strong PK-12 educational program, the District works with the local community college to offer learning opportunities for the adults in the community with the District's community education program.

The District is supported financially by state aid, property taxes, state and federal grants for special projects and local revenue received for tuition and other services.

## **Economic Condition and Outlook**

Linn-Mar Community School District is located in the Cedar Rapids metropolitan service area. The District covers 64 square miles and encompasses the outer edges of the city of Marion and the NE portion of city of Cedar Rapids. The Cedar Rapids metropolitan service area is home numerous Fortune 500 companies two of which are located within Linn-Mar's District boundaries.

Rockwell Collins, a Fortune 500 company, is the largest employer, not only in the Linn-Mar District, but in the Cedar Rapids metro area. Rockwell Collins produces advanced communications and aviation electronics for both the government and commercial customers. The company is a leading supplier of commercial and military aviation electronics and communications systems.

Rockwell Collins currently employs approximately 8,700 people in the Cedar Rapids / Iowa City Corridor and continues to expand their facilities throughout the Cedar Rapids Community. Rockwell Collins has been and will continue to have the state's largest technical workforce. Rockwell Collins also prides itself in the partnerships they have established with the local school districts in the area.

The District's facilities are in average to good condition. The oldest building, which opened in 1947 and had several additions, was repurposed in 2010. It now houses the central administrative offices, the district's alternative HS program and the district's home school program. There are four other facilities that were initially built in the late 50's and early 60's, each of which has had several additions over the years. The five remaining school sites were built between 1995 and 2010.

The financial solvency ratio of the District measures movement and distribution of current assets. The financial solvency ratio represents a school district's year end position after payment of all current and outstanding or accrued liabilities. After a declining solvency ratio from fiscal years 2000 to 2006, the ratio leveled out to around 5% for three consecutive fiscal years, 2006-2008; and increased to 8% for the 2009 school year. That upward trend has continued through the 2012 fiscal year with the District closing out the year with a solvency ratio of 15.83%. The current solvency ratio of 15.83% exceeds the target range of 5 to 15% as defined by the Iowa Association of School Boards. Exceeding the target range will be short lived. The State set the allowable growth at 2% for the 2013 fiscal year. This will drive down both the solvency ratio and the total spending authority.

Even though the MSA has seen some effects from the recession with layoffs, Linn-Mar continues to see residential growth. In City of Marion during the 2011 calendar year, 128 new single-family dwelling building permits were issued at a valuation of \$14,949,682 and 23 new multi-family dwelling units were issued at a valuation of \$5,349,470.

## **District Major Initiative and Achievements**

The staff, board, students, and community members are to be commended for making the 2011-2012 school year a very productive one. Some of the many accomplishments for the year include:

- With the help of very dedicated staff and patient parents, the District was able to successfully implement a new math series (Every Day Mathematics) in all of the district's elementary schools.

- The District was able to successfully implement a new human resource and accounting software package. The human resource and account staff need to be commended; they implemented a software package in 3 months that typically takes 6 to 12 months. Throughout the course of the year many additional hours were put in to train staff and refine the software to meet the district's needs.
- A very important decision was made by the Board of Education to move forward with the design and construction of an aquatic center. An aquatic center has been on the District's list of projects to be completed ever since HS girls and boys swimming was sanctioned by the board back in 1990. Since that time, the Linn-Mar swimmers have been depended on the good will of the YMCA and Coe College for available pool time, which meant they had to swim during the very early morning and late evening hours. Now the swimmers will be able to practice at normal times and have a true home base for swim meets.
- Many staff members received local, regional, state and national recognition from various professional and community organizations for their dedicated work in educating our youth.
- The recording of approximately 24,296 volunteer hours with over 763 volunteers in the District. Volunteers enhance our students' learning by acting as tutors, reading to kindergarten classrooms, assisting teachers in their classrooms or on field trips, or serving on committees. Last year, 79 volunteers gave more than 100 hours each to our schools.
- The District was recognized for its continued excellence in financial reporting with the receipt of the District's eighth consecutive Certificate of Excellence in Financial Reporting award for the 2010-2011 Comprehensive Annual Financial Report (CAFR.)

All of the dedicated work that went into these initiatives and achievements had one main focus: supporting the learning of the District's students. For the 2011-2012 school year, the students, as a group, continued to perform at a high level. Following are a few indicators:

- Student achievement exceeded the primary goal of one year of growth for each grade span in reading, math and science as measured on ITBS standardize test.
- Students in grades 5-8 met or exceeded their target growth on the NWEA MAP mathematics test.
- On the ITBS and ITED assessments, the students out-performed the state and nation in the content areas of reading, math, and science, continuing a multi-year tradition.
- Linn-Mar students continue to score higher than both the state and national averages of student that complete the ACT assessment. The 11-12 Linn-Mar Community School District composite ACT score was 24.6 compared to 22.1 for the state and 21.1 national composite scores with a 75% participation rate.
- Several Individual students or teams received state and/or national recognition in variety of academic, extra-curricular and co-curricular competitions. Fifty seven percent of the students who took AP exam, which totaled 365, scored 4 or better, resulting in multiple advanced placement scholars.

## **Financial Information**

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

In addition, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved the District's governing body. Activities of the General Fund, Special Revenue Funds, Enterprise Fund, Debt Service Fund and Capital Projects Fund are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the budgeted amount) is established by function and encompasses all fund types. To facilitate the monitoring of the legal provisions, and to provide more complete information to interested parties the District prepares a more detailed budget for each fund. The following information reflects the comprehensive budget for these individual funds rather than demonstrating compliance at the legal level. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

## **Cash Management**

The District, in an effort to be a good manager of public funds, is continuously looking for investment opportunities that comply with the District's investment policy. The current goals of the District Investments in order of priority are:

- To ensure safety of the principal;
- To maintain the necessary liquidity to match expected liabilities; and
- To obtain a reasonable rate of return.

To maximize investment return, the District invested in money market deposits, certificate of deposits, savings account and Iowa Schools Joint Investment Trust. Interest revenue of \$126,323.99 was earned on all investments for the year ended June 30, 2012, which was an increase of \$480.24 from Fiscal Year 2011. The majority of the increase can be attributed to the increased cash position of the district and the slight increase in rate of returns our local banks were offering.

## **Risk Management**

The District currently covers property, liability and worker's compensation losses with traditional insurance coverage through the Iowa Associations of School Board's group plan carried by Employer's Mutual Insurance Company.

## **Independent Audit**

State law and District policy require an annual audit to be made of the books of account, financial records and transactions of all funds of the District by a Certified Public Accountant selected by the Board of Directors of the District. The District has complied with this requirement. The report of the District's independent accountants, Nolte, Cornman and Johnson, P.C., appears in this report. Their audit of the basic financial statements was performed in accordance with auditing standards generally accepted in the United State of America and, accordingly, included a review of the District's system of budgetary and accounting controls.

## **Certificate of Excellence in Financial Reporting**

The Association of School Business Officials International (ASBO), awards a Certificate of Excellence in Financial Reporting. This 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 Certificate, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, (CAFR) whose contents conform to program standards. Such CAFR must satisfy both Generally Accepted Accounting Principals and applicable legal requirements.

This Certificate is valid for a period of one year only. The District believes that the current CAFR conforms to the requirements for the Certificate of Excellence and therefore, is submitting to ASBO to determine its eligibility for the Certificate.

## **Acknowledgements**

The publication of this report is a major step toward the commitment to professionalism in financial reporting and significantly increases the accountability of the District to the taxpayers. This would not have been possible without the help of several people. We would like to express our appreciation to all District, City and County employees who assisted in the preparation of this report.

Finally, sincere appreciation is extended to the Board of Education, where commitment to excellence begins. It is with great pleasure that this year's Comprehensive Annual Financial Report is submitted to the Board of Education.

David L. Nicholson  
Business Administrator  
Board Secretary/Treasurer

Dr. Kathleen Mulholland  
Superintendent of Schools

# Association of School Business Officials International

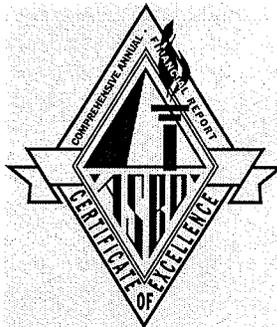


*The Certificate of Excellence in Financial Reporting Award  
is presented to*

## **Linn-Mar Community School District**

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

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



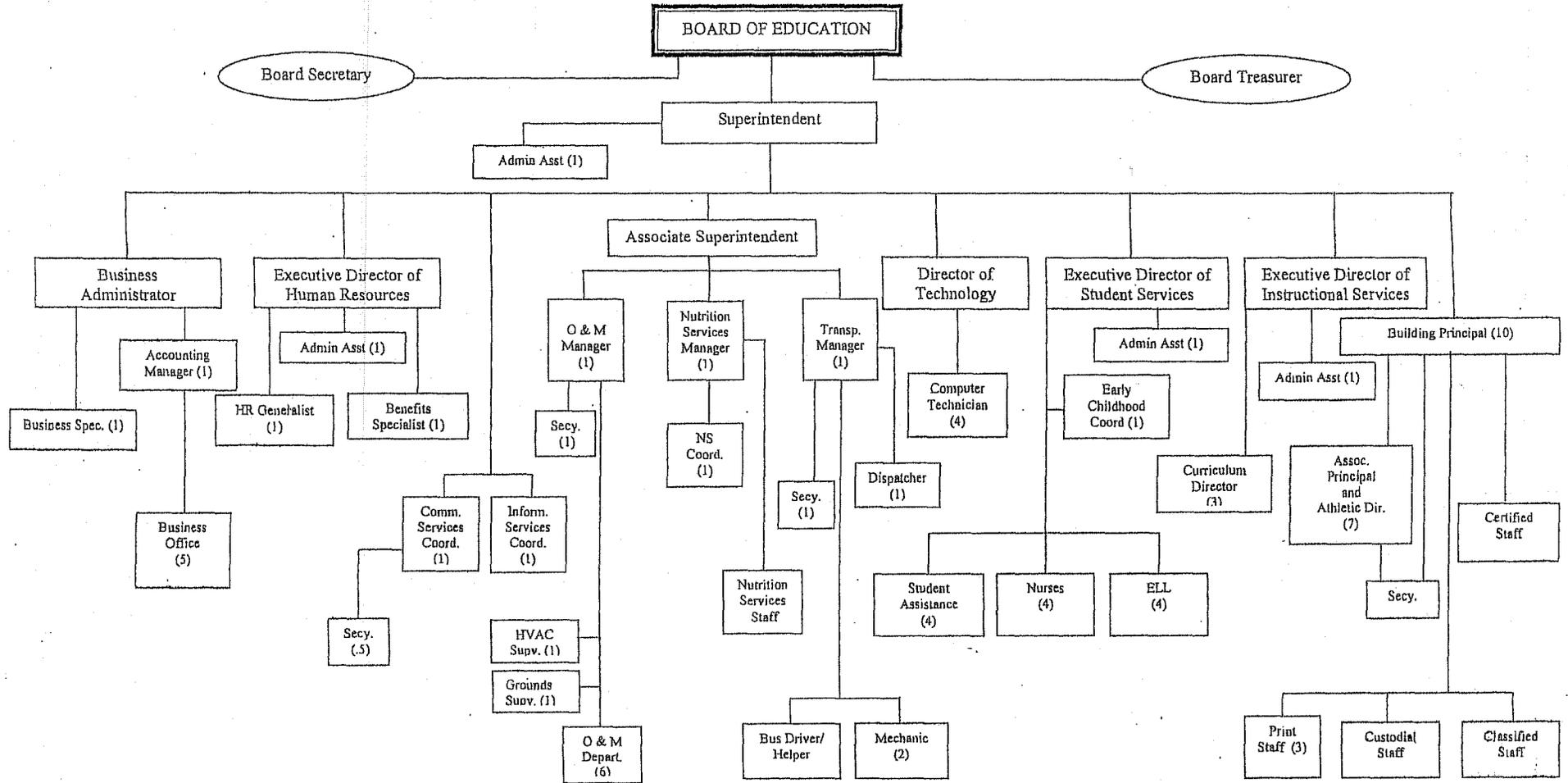
A handwritten signature in cursive script, reading 'Brian L. Mee'.

Brian L. Mee, SFO, RSBA  
President

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

John D. Musso, CAE, RSBA  
Executive Director

Linn-Mar Community School District  
Organizational Chart



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LINN-MAR COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL DISTRICT ADMINISTRATION

Year Ended June 30, 2012

Board of Education

	<u>Title</u>	<u>Term/Contract Expires</u>
Before September, 2011 election		
Ann Stark	President	September, 2011
Barry Buchholz	Vice President	September, 2011
Helen Romanowsky	Member	September, 2011
Bob Gilchrist	Member	September, 2011
Robert Crawford	Member	September, 2013
Todd Hutcheson	Member	September, 2013
Tina Patterson	Member	September, 2013
After September, 2011 election		
Barry Buchholz	President	September, 2015
Tina Patterson	Vice President	September, 2013
Tim Isenberg	Director	September, 2015
Elizabeth Wilson	Director	September, 2015
Robert Crawford	Director	September, 2013
Todd Hutcheson	Director	September, 2013
Ann Stark	Director	September, 2015

School District Administration

Dr. Katie Mulholland	Superintendent	2013
David Nicholson	Business Administrator/ Treasurer and Board Secretary	2012
Terry Abernathy	Attorney	Indefinite
Simmons Perrine Moyer Bergman PC	Attorney	Indefinite
Ahlers & Cooney	Attorney	Indefinite

LINN-MAR COMMUNITY SCHOOL DISTRICT

**NOLTE, CORNMAN & JOHNSON, P.C.**  
Certified Public Accountants  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50209-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Linn-Mar Community School District  
Marion, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Linn-Mar Community School District, Marion, Iowa as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Linn-Mar Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2012 on our consideration of the Linn-Mar Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 13 through 23 and 52 through 54 are 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, which considers it to be an essential part of the 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 U.S. generally accepted auditing standards, 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Linn-Mar Community School District's basic financial statements. The combining and individual fund financial statements and schedules, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, listed in the table of contents under the single audit section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying statistical section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. This information has not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.



Nolte, Corman & Johnson, P.C.

Newton, Iowa  
November 26, 2012

## Management Discussion and Analysis

This section of the Linn-Mar Community School District's Comprehensive Annual Financial Report presents its "discussion and analysis" of the District's financial performance during the fiscal year ending June 30, 2012. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### Financial Highlights

- The State of Iowa approved a 0% allowable growth rate for the 2011-12 school year. The district had an enrollment increase of 83.58 students, which help to generate \$491,785 in new money.
- The District's total net assets for governmental activities were \$57,923,888 at June 30, 2012 compared to \$50,878,086 at June 30, 2011, an increase of 13.85%.
- At the end of the current fiscal year, the total of assigned and unassigned fund balances in the general fund was \$10,234,148 or 15.83% of total general fund revenues compared to prior years total balance of \$8,000,016 or 12.53% of total general fund revenues.

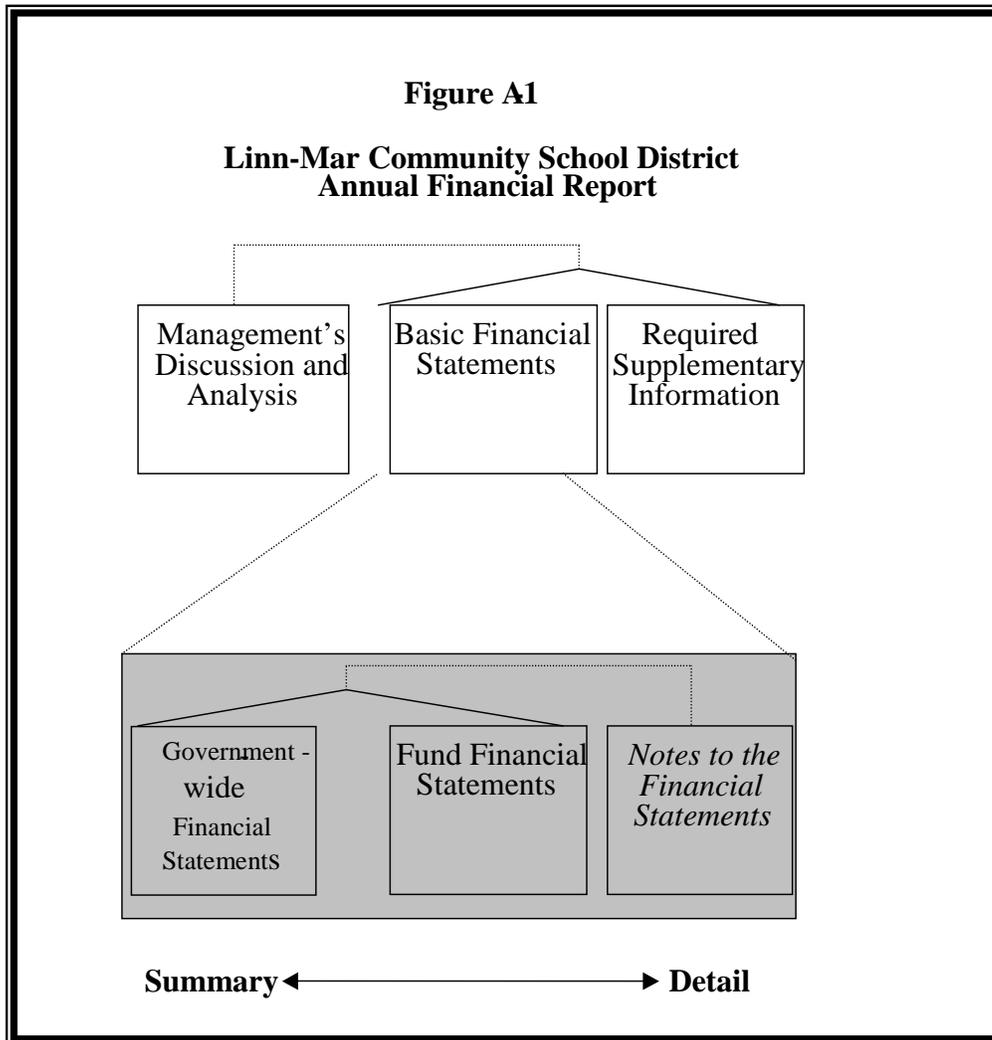
### Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), 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 funds statements* show how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short* and *long-term* financial information about the activities the District operates *like businesses*, such as food services.

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 related to one another.

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 management's discussion and analysis highlights the structure and contents of each of the statements.



## Government -Wide Financial Statements

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary 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
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
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
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
Type of inflow/outflow information	All revenues and expenses during 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

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In 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 taxes and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be included here.

## **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 repaying its long-term debts) or to show that it is properly using certain revenues, (such as federal grants).

The District has two 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 funds statements provide a detailed short-term view that helps the reader 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 at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- *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 funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.

### Financial Analysis of the District as a Whole

Net assets are an indicator of the fiscal health of the District. The District's net assets grew by 14.11% increasing from \$52.03 million at June 30, 2011 to \$59.37 million at June 30, 2012. (See Figure A-3).

Figure A-3  
Condensed Statement of Net Assets (in millions of dollars)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2012	2011	2012	2011	2012	2011-12
Current and other assets	\$ 62.38	64.53	0.50	0.80	62.88	65.33	3.90%
Capital assets	114.90	115.97	0.71	0.73	115.61	116.70	0.94%
<b>Total assets</b>	<b>177.28</b>	<b>180.50</b>	<b>1.21</b>	<b>1.53</b>	<b>178.49</b>	<b>182.03</b>	<b>1.98%</b>
Long-term obligations	36.87	39.48	0.06	0.08	36.93	39.56	7.12%
Other liabilities	89.54	83.10	-	-	89.54	83.10	-7.19%
<b>Total liabilities</b>	<b>126.41</b>	<b>122.58</b>	<b>0.06</b>	<b>0.08</b>	<b>126.47</b>	<b>122.66</b>	<b>-3.01%</b>
Net assets:							
Invested in capital assets	26.46	33.86	0.71	0.73	27.17	34.59	27.31%
Restricted	16.91	15.74	-	-	16.91	15.74	-6.92%
Unrestricted	7.51	8.32	0.44	0.72	7.95	9.04	13.71%
<b>Total net assets</b>	<b>\$ 50.88</b>	<b>57.92</b>	<b>1.15</b>	<b>1.45</b>	<b>52.03</b>	<b>59.37</b>	<b>14.11%</b>

Note: Amounts reported here may differ slightly from the amounts reported in the basic financial statements due to rounding.

Investment in capital assets, such as land, buildings, machinery and equipment, less any outstanding debt used to acquire those assets is \$34.59 million. These assets are considered non-spendable since they represent capital assets used to provide services to students. The resources needed to pay the obligations from the debt related to these assets must be provided from other resources. \$15.74 million of net assets have some external restrictions on how the funds may be used. The remaining balance of \$9.04 million represents unrestricted net assets which may be used to meet the District's ongoing obligations.

As mentioned before, restricted net assets represent resources that are subject to external restrictions such as enabling legislation or constitutional provisions. The District's restricted net assets decreased \$1.17 million, or 6.92% over the prior year. This decrease was primarily a result of spending down the ARRA Ed Jobs funding during the course of the school year.

Unrestricted net assets are the assets that can be used to finance day-to-day operations without constraints established by debt restrictions, enabling legislation or other legal binding requirements. Unrestricted net assets increased \$1.09 million, or 13.71%. The increase can be mainly attributable to the maintaining a strong cash reserve levy.

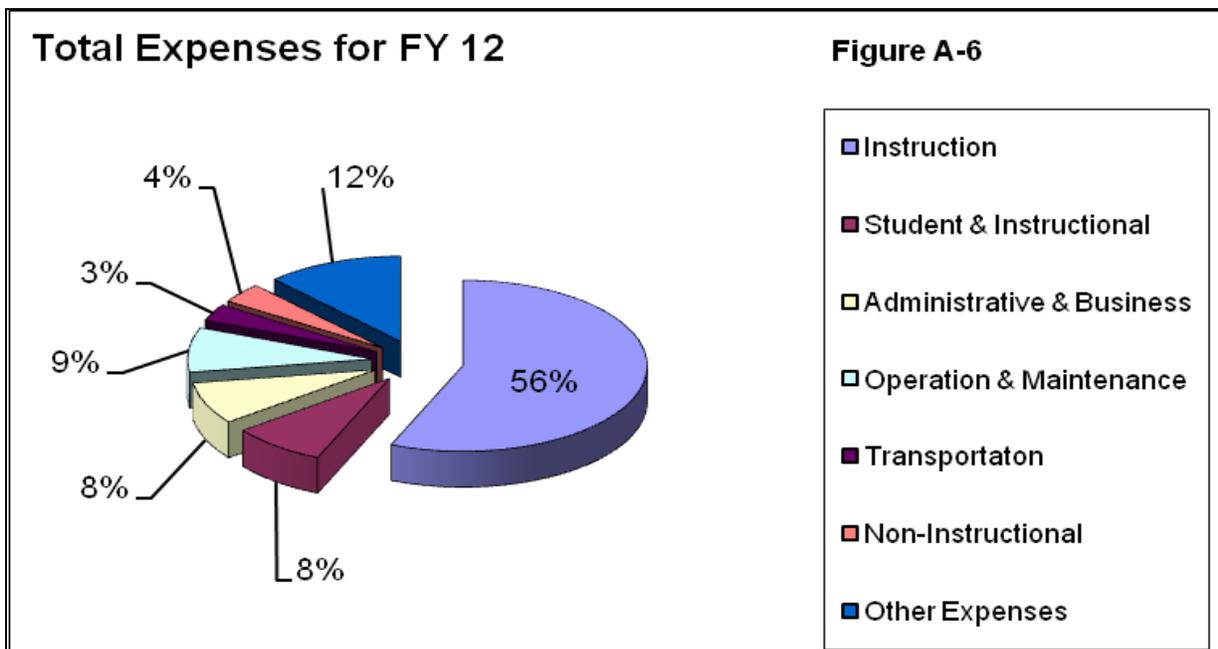
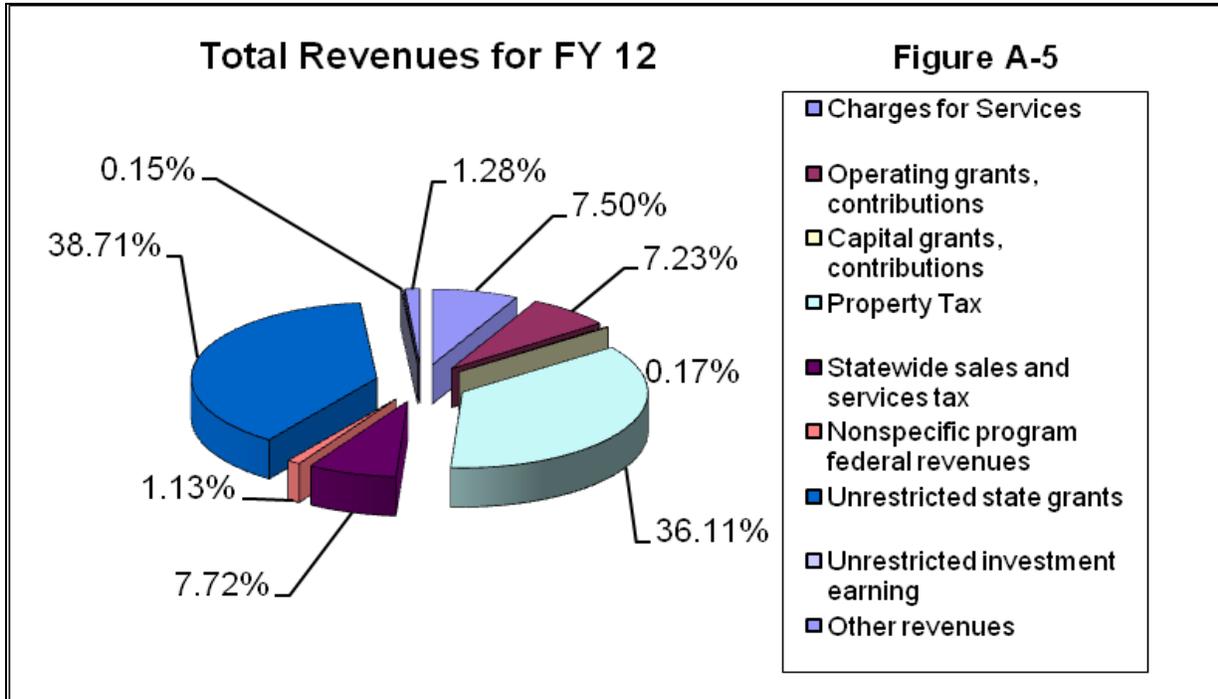
The following figure shows changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4  
Changes in Net Assets (in millions of dollars)

	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2012	2011	2012	2011	2012	2011-12
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$ 5.79	4.23	2.00	2.03	7.79	6.26	-19.64%
Operating grants and contributions and restricted interest	9.10	5.12	0.86	0.91	9.96	6.03	-39.46%
Capital grants and contributions and restricted interest	-	0.05	0.23	0.09	0.23	0.14	-40.00%
General revenues:							
Property tax	30.33	30.13	-	-	30.33	30.13	-0.66%
Statewide sales services and use tax	6.12	6.44	-	-	6.12	6.44	5.23%
Nonspecific program federal revenues	-	0.94	-	-	-	0.94	100.00%
Unrestricted state grants	26.87	32.30	-	-	26.87	32.30	20.21%
Unrestricted investment earnings	0.12	0.12	-	-	0.12	0.12	0.00%
Other	0.65	1.07	-	-	0.65	1.07	64.62%
<b>Total revenues</b>	<b>78.98</b>	<b>80.40</b>	<b>3.09</b>	<b>3.03</b>	<b>82.07</b>	<b>83.43</b>	<b>1.65%</b>
<b>Program expenses:</b>							
Governmental activities:							
Instruction	41.59	42.88	-	-	41.59	42.88	3.10%
Support services	18.68	21.14	0.10	0.04	18.78	21.18	12.78%
Non-instructional programs	0.11	0.19	2.65	2.69	2.76	2.88	4.35%
Other expenditures	10.26	9.15	-	-	10.26	9.15	-10.82%
<b>Total expenses</b>	<b>70.64</b>	<b>73.36</b>	<b>2.75</b>	<b>2.73</b>	<b>73.39</b>	<b>76.09</b>	<b>3.68%</b>
<b>Changes in net assets</b>	<b>8.34</b>	<b>7.04</b>	<b>0.34</b>	<b>0.30</b>	<b>8.68</b>	<b>7.34</b>	<b>-15.46%</b>
Net assets beginning of year	42.54	50.88	0.81	1.15	43.35	52.03	20.02%
Net assets end of year	\$ 50.88	57.92	1.15	1.45	52.03	59.37	14.11%

The District as a whole experienced a 1.65 percent increase in operating revenue while experiencing a 3.68 percent increase in expenses. The District's total revenue was approximately \$83.43 million of which \$80.40 million was for governmental activities, while the remaining \$3.03 million was for business type activities. Property taxes and unrestricted state aid account for most of the district's revenue, with each contributing approximately 36 percent and 39 percent respectively of the total dollars raised, (See Figure A-5).

The total cost for all programs and services increased 3.68 percent to \$76.09 million. The District's total expenditures are listed in Figure A-6. The chart shows that the majority of the District's expenditures (64%) are devoted to Instruction and Student and Instructional services. Another 3 percent is spent on transporting students safely to and from school and on extra curricular events. The majority of the 3.68 percent increase in expenses is related to increase in the negotiated salary and benefits.



## Governmental Activities

Revenues for the district's governmental activities increased 1.80 percent, while expenses increased 3.85 percent. The increased revenues can be credited both to the continued growth in student population and efforts of the district to keep a strong financial position:

The District experienced a \$2.72 million increase in governmental activity expenditures, majority of which can be attributed to negotiated salary and benefit packages given to the district employee groups.

Figure A-7 presents the cost of three District activities: Instruction, Support Services, and Other Expenses. The table shows each activity's *net cost*, (total costs less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-7  
Total and Net Cost of Governmental Activities (Expressed in Millions)

	Total Cost of Services			Net Cost of Services		
	2011	2012	Change	2011	2012	Change
			2011-12			2011-12
Instruction	\$ 41.59	42.88	3.10%	31.11	36.27	16.59%
Support services	18.68	21.14	13.17%	17.03	20.89	22.67%
Non-instructional programs	0.11	0.19	72.73%	0.11	0.19	72.73%
Other expenses	10.26	9.15	-10.82%	7.50	6.60	-12.00%
<b>Totals</b>	<b>\$ 70.64</b>	<b>73.36</b>	<b>3.85%</b>	<b>55.75</b>	<b>63.95</b>	<b>14.71%</b>

- The cost of all governmental activities this year was \$73.36 million.
- The cost financed by users of the District's programs was \$4.23 million.
- Federal and State governments subsidized certain programs with grants and contributions totaling \$5.12 million.
- The net cost of governmental activities was financed with \$30.13 million in property tax, \$6.44 million in statewide sales, services and use tax, \$.94 million in nonspecific federal grants, \$32.3 million in unrestricted state grants and \$1.19 million in unrestricted interest and other income.

## Business-Type Activities

Revenues of the District's business-type activities went down by 1.94 percent to \$3.03 million while expenses decreased slightly to \$2.73 million (Refer to Figure A-4). The School Nutrition Fund is the District's only business type activity. The revenues in the School Nutrition Fund can be broken down into three main categories; charges for services, federal and state reimbursements and investment income.

During the year ending June 30, 2012 the District's net assets increased in the business-type activities by \$293,526.

## Financial Analysis of the District's Funds

### Governmental Fund Highlights

At the end of fiscal year 2012, the District's governmental funds reported combined ending fund balances of \$26,081,824, a decrease of \$517,183 in comparison with the prior year. A closer look at each individual governmental fund reveals the following;

- The **General Fund** balance increased from \$9.8 million on June 30, 2011 to \$11.8 million on June 30, 2012. The increase can be attributed to the District's decision to maintain a cash reserve levy of \$2.5 million in anticipation of lower than usual allowable growth rates set by the State.
- The **Debt Service Fund** balance increased slightly from \$2.93 million to \$3.16 million. This increase is due to the dollars needed to make the sales tax revenue bonds that are due by July 1, 2012.
- The **Capital Projects Fund** balance decreased from \$10.64 million on June 30, 2011 to \$8.14 on June 30, 2012. This resulted from spending down the sales tax bond proceeds for the District's facilities and infrastructure construction projects.
- The **Management Fund** balance decreased from \$2,022,662 on June 30, 2011 to \$1,982,724 on June 30, 2012. The District made a decision not to increase the management fund taxes and dip into the fund balance to cover its demands.
- The **Student Activity Fund** balance increased from \$549,258 on June 30, 2011 to \$650,050 on June 30, 2012. This increase is attributed to additional fundraising conducted by the students.
- The **Public Education and Recreation Levy Fund** decreased from \$641,891 on June 30, 2011 to \$374,485 on June 30, 2012. This significant drop in fund balance is attributed to using \$300,000 of the fund balance to help offset some of the construction cost of the District's new baseball/softball complex.

### Business-Type Fund Highlights

This is the fourth year in a row that the District's business-type revenues exceeded expenses. At the close of the 2012 fiscal year, revenues exceeded expenditures by \$199,441. The steps taken by management to control cost by adjusting the staffing model, additional federal grant funds and managing the expenses has made a difference in the overall financial condition of the nutrition program.

### Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, 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 budget is prepared according to U.S. Generally Accepted Accounting Principles. Over the course of the year, the District amended its annual operating budget one time to reflect higher than expected costs associated with instruction and supporting activities. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on page 52.

The District's total actual receipts were \$56,930 more than budgeted receipts, a variance of roughly .06%. The main contributing factor to this variance had to do with the District receiving more in federal revenue than was originally estimated.

By April 15<sup>th</sup> of each year, the budget must be adopted by the Board of Directors for the fiscal year beginning July 1 through June 30, which immediately follows. Because there are a number of unknowns at that time, such as State revenue allocations, insurance premiums, negotiated employee contracts, enrollment increase, and construction project invoicing, the District has the ability to amend its budget before May 31<sup>st</sup> of each year. By monitoring the budget throughout the year, the District felt that a budget amendment was not necessary. In spite of the budget vs. actual comparisons that were done, the certified budget was exceeded in the support services functional area by \$18,434, a variance of .09%. This difference can be attributed to the change in accounting practice in recording accrued benefits and the budgeting of expenses as instructional instead of support services.

## Capital Asset Administration

By the end of 2012, the District had invested, net of depreciation, \$116.70 million in various capital assets including land, buildings, vehicles and equipment (See Figure A-8). This amount represents a net increase of \$1.08 million or .94 percent over the previous fiscal year. Detailed information regarding the District's capital assets can be found in Note 6 of the notes to the basic financial statements.

Figure A-8  
Capital Assets, Net of Depreciation (Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2012	2011	2012	2011	2012	2010-11
Land	\$ 5,290	5,292	-	-	5,290	5,292	0.04%
Construction in progress	15,438	5,007			15,438	5,007	-67.57%
Buildings	87,144	90,154	-	-	87,144	90,154	3.45%
Land improvements	4,757	13,405	-	-	4,757	13,405	181.80%
Machinery and equipment	2,270	2,113	713	725	2,983	2,838	-4.86%
Total	\$ 114,899	115,971	713	725	115,612	116,696	0.94%

## Long-Term Liabilities

At year-end, the District had \$83.098 million in long-term debt, a decrease of \$6.44 million over the previous fiscal year. Of this amount, \$6,822,294 is due within one year. Detailed information regarding the District's long-term debt can be found in Note 7 of the notes to the basic financial statements.

Figure A-9  
Outstanding Long-Term Obligations  
(Expressed in Thousands)

	Total District			Total Change
	June 30,			
	2011	2012		
General Obligation Bonds	\$ 48,440	45,365	-6.35%	
Revenue Bonds	293	160	-45.39%	
Capital Lease	290	251	-13.45%	
Early retirement	39,705	36,585	-7.86%	
Net OPEB liability	548	521	-4.93%	
Compensated absences	263	216	-17.87%	
<b>Totals</b>	<b>\$ 89,539</b>	<b>83,098</b>	<b>-7.19%</b>	

## Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of three existing circumstances that could significantly affect its financial health in the future:

- The District will be reducing its cash reserve levy over the next several years, which will lower the unrestricted fund balance within the board targeted range.
- Even though the state has record fund balances, they have not set the allowable growth for fiscal year 2014. This makes it difficult for the District to plan its budget for the following year.
- The District is expecting its certified enrollment to increase at a rate of at-least 100 students for the next several years. This is very crucial due to the Iowa school funding formula is based in part upon student enrollment.

## 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 of the money it receives. If you have questions about this report or need additional financial information, contact the office of the Business Administrator, Linn-Mar Community School District, 2999 10<sup>th</sup> Street, Marion, Iowa 52302.

LINN-MAR COMMUNITY SCHOOL DISTRICT

## BASIC FINANCIAL STATEMENTS



LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 32,279,895	767,149	33,047,044
Receivables:			
Property tax:			
Delinquent	173,330	-	173,330
Succeeding year	30,246,623	-	30,246,623
Accounts	256,077	250	256,327
Accrued interest	11,652	-	11,652
Due from other governments	1,567,120	-	1,567,120
Inventories	-	37,743	37,743
Capital assets not being depreciated:			
Land	5,291,530	-	5,291,530
Construction in progress	5,006,904	-	5,006,904
Capital assets being depreciated, net of accumulated depreciation:			
Buildings	13,404,790	-	13,404,790
Land improvements	90,154,440	-	90,154,440
Machinery and equipment	2,113,409	725,388	2,838,797
<b>TOTAL ASSETS</b>	<b>180,505,770</b>	<b>1,530,530</b>	<b>182,036,300</b>
<b>LIABILITIES</b>			
Accounts payable	1,998,006	1,028	1,999,034
Salaries and benefits payable	5,997,075	14,585	6,011,660
Accrued interest payable	1,031,144	-	1,031,144
Deferred revenues:			
Succeeding year property tax	30,246,623	-	30,246,623
Other	211,169	68,503	279,672
Noncurrent liabilities:			
Portion due within one year:			
General obligation bonds payable	3,105,000	-	3,105,000
Revenue bonds payable	3,225,000	-	3,225,000
Bus lease payable	51,134	-	51,134
Early retirement payable	225,699	-	225,699
Compensated absences payable	215,461	-	215,461
Portion due after one year:			
General obligation bonds payable	42,260,000	-	42,260,000
Revenue bonds payable	33,360,000	-	33,360,000
Bus lease payable	109,031	-	109,031
Early retirement payable	25,454	-	25,454
Net OPEB liability	521,086	-	521,086
<b>TOTAL LIABILITIES</b>	<b>122,581,882</b>	<b>84,116</b>	<b>122,665,998</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	33,860,908	725,388	34,586,296
Restricted for:			
Categorical funding	1,536,821	-	1,536,821
Debt service	7,554,475	-	7,554,475
School infrastructure	2,668,580	-	2,668,580
Physical plant and equipment levy	1,080,541	-	1,080,541
Management levy	1,879,625	-	1,879,625
Student activities	650,050	-	650,050
Public education and recreation levy purposes	374,485	-	374,485
Unrestricted	8,318,403	721,026	9,039,429
<b>TOTAL NET ASSETS</b>	<b>\$ 57,923,888</b>	<b>1,446,414</b>	<b>59,370,302</b>

SEE NOTES TO FINANCIAL STATEMENTS.

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities		Business Type Activities
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 30,061,936	2,644,102	509,274	-	(26,908,560)	-	(26,908,560)
Special	7,364,222	518,111	1,502,776	-	(5,343,335)	-	(5,343,335)
Other	5,453,547	1,056,186	380,948	-	(4,016,413)	-	(4,016,413)
	<u>42,879,705</u>	<u>4,218,399</u>	<u>2,392,998</u>	<u>-</u>	<u>(36,268,308)</u>	<u>-</u>	<u>(36,268,308)</u>
Support services:							
Student	3,226,515	-	-	-	(3,226,515)	-	(3,226,515)
Instructional staff	3,054,671	-	82,196	-	(2,972,475)	-	(2,972,475)
Administration	6,041,272	-	-	-	(6,041,272)	-	(6,041,272)
Operation and maintenance of plant	6,369,265	-	-	-	(6,369,265)	-	(6,369,265)
Transportation	2,444,605	13,688	100,401	47,975	(2,282,541)	-	(2,282,541)
	<u>21,136,328</u>	<u>13,688</u>	<u>182,597</u>	<u>47,975</u>	<u>(20,892,068)</u>	<u>-</u>	<u>(20,892,068)</u>
Non-instructional programs:							
Food service operations	158,537	-	-	-	(158,537)	-	(158,537)
Community service operations	28,656	-	-	-	(28,656)	-	(28,656)
	<u>187,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(187,193)</u>	<u>-</u>	<u>(187,193)</u>
Long-term debt interest	3,216,868	-	-	-	(3,216,868)	-	(3,216,868)
Other expenses:							
AEA flowthrough	2,543,681	-	2,543,681	-	-	-	-
Depreciation(unallocated)*	3,388,470	-	-	-	(3,388,470)	-	(3,388,470)
	<u>5,932,151</u>	<u>-</u>	<u>2,543,681</u>	<u>-</u>	<u>(3,388,470)</u>	<u>-</u>	<u>(3,388,470)</u>
Total governmental activities	73,352,245	4,232,087	5,119,276	47,975	(63,952,907)	-	(63,952,907)
Business Type activities:							
Support services:							
Administration:							
Nutrition services	117	-	-	-	-	(117)	(117)
Operation and maintenance of plant:							
Nutrition services	46,701	-	-	-	-	(46,701)	(46,701)
Non-instructional programs:							
Nutrition services	2,692,079	2,024,234	912,443	94,085	-	338,683	338,683
Total business type activities	2,738,897	2,024,234	912,443	94,085	-	291,865	291,865
Total	\$ 76,091,142	6,256,321	6,031,719	142,060	(63,952,907)	291,865	(63,661,042)
General Revenues:							
Property tax levied for:							
General purposes					\$ 23,341,607	-	23,341,607
Capital outlay					2,976,713	-	2,976,713
Debt service					3,807,344	-	3,807,344
Statewide sales, services and use tax					6,441,915	-	6,441,915
Unrestricted state grants					32,295,010	-	32,295,010
Nonspecific program federal revenues					939,496	-	939,496
Unrestricted investment earnings					124,796	1,529	126,325
Other					1,071,828	132	1,071,960
Total general revenues and transfers					<u>70,998,709</u>	<u>1,661</u>	<u>71,000,370</u>
Changes in net assets					7,045,802	293,526	7,339,328
Net assets beginning of year					50,878,086	1,152,888	52,030,974
Net assets end of year					<u>\$ 57,923,888</u>	<u>1,446,414</u>	<u>59,370,302</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

LINN-MAR COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2012

	General	Capital Projects	Debt Service	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 18,117,479	8,068,362	2,994,887	3,099,167	32,279,895
Receivables:					
Property tax:					
Delinquent	129,764	15,818	21,833	5,915	173,330
Succeeding year	22,514,283	2,896,895	3,757,272	1,078,173	30,246,623
Accounts	224,354	21,027	-	10,696	256,077
Accrued interest	-	11,652	-	-	11,652
Due from other funds	12,492	9,270	145,255	-	167,017
Due from other governments	674,569	892,551	-	-	1,567,120
<b>TOTAL ASSETS</b>	<b>\$ 41,672,941</b>	<b>11,915,575</b>	<b>6,919,247</b>	<b>4,193,951</b>	<b>64,701,714</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 1,201,964	730,240	-	65,802	1,998,006
Salaries and benefits payable	5,974,556	-	-	22,519	5,997,075
Due to other funds	-	146,819	-	20,198	167,017
Deferred revenue:					
Succeeding year property tax	22,514,283	2,896,895	3,757,272	1,078,173	30,246,623
Other	211,169	-	-	-	211,169
Total liabilities	29,901,972	3,773,954	3,757,272	1,186,692	38,619,890
Fund balances:					
Restricted for:					
Categorical funding	1,536,821	-	-	-	1,536,821
Debt Service	-	4,392,500	3,161,975	-	7,554,475
School infrastructure	-	2,668,580	-	-	2,668,580
Physical plant and equipment levy	-	1,080,541	-	-	1,080,541
Management levy purposes	-	-	-	1,982,724	1,982,724
Student activities	-	-	-	650,050	650,050
Public education and recreation levy purposes	-	-	-	374,485	374,485
Unassigned	10,234,148	-	-	-	10,234,148
Total fund balances	11,770,969	8,141,621	3,161,975	3,007,259	26,081,824
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 41,672,941</b>	<b>11,915,575</b>	<b>6,919,247</b>	<b>4,193,951</b>	<b>64,701,714</b>

SEE NOTES TO FINANCIAL STATEMENTS.

LINN-MAR COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2012

Total fund balances of governmental funds(page 28)	\$ 26,081,824
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	115,971,073
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.	(1,031,144)
Long-term liabilities, including bonds and notes payable, capital leases, early retirement, compensated absences and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(83,097,865)</u>
Net assets of governmental activities(page 26)	<u>\$ 57,923,888</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Debt Service	Other Governmental Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 22,532,908	9,200,281	3,807,344	1,027,046	36,567,579
Tuition	2,824,909	-	-	-	2,824,909
Other	931,959	402,106	6,023	1,307,782	2,647,870
State appropriations	35,325,267	971	1,341	367	35,327,946
Federal appropriations	3,029,743	-	-	-	3,029,743
Total revenues	<u>64,644,786</u>	<u>9,603,358</u>	<u>3,814,708</u>	<u>2,335,195</u>	<u>80,398,047</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	29,382,989	315,484	-	252,288	29,950,761
Special	7,284,562	-	-	26,470	7,311,032
Other	4,251,356	2,970	-	1,198,125	5,452,451
	<u>40,918,907</u>	<u>318,454</u>	<u>-</u>	<u>1,476,883</u>	<u>42,714,244</u>
Support services:					
Student	3,217,342	-	-	9,173	3,226,515
Instructional staff	3,016,947	13,453	-	8,324	3,038,724
Administration	6,022,281	31,503	-	32,590	6,086,374
Operation and maintenance of plant	4,619,691	69,994	-	398,452	5,088,137
Transportation	2,361,389	53,077	-	92,213	2,506,679
	<u>19,237,650</u>	<u>168,027</u>	<u>-</u>	<u>540,752</u>	<u>19,946,429</u>
Non-instructional programs:					
Food service operations	-	91,177	-	67,360	158,537
Community service operations	-	-	-	28,656	28,656
	<u>-</u>	<u>91,177</u>	<u>-</u>	<u>96,016</u>	<u>187,193</u>
Debt service:					
Principal	-	-	6,327,396	-	6,327,396
Interest and fiscal charges	-	-	3,266,476	-	3,266,476
	<u>-</u>	<u>-</u>	<u>9,593,872</u>	<u>-</u>	<u>9,593,872</u>
Capital outlay	-	5,518,236	-	428,096	5,946,332
Other expenditures:					
AEA flowthrough	2,543,681	-	-	-	2,543,681
	<u>2,543,681</u>	<u>5,518,236</u>	<u>-</u>	<u>428,096</u>	<u>8,490,013</u>
Total expenditures	<u>62,700,238</u>	<u>6,095,894</u>	<u>9,593,872</u>	<u>2,541,747</u>	<u>80,931,751</u>
Excess(deficiency) of revenues over(under) expenditures	1,944,548	3,507,464	(5,779,164)	(206,552)	(533,704)
Other financing sources(uses):					
Sale of equipment	16,521	-	-	-	16,521
Transfers in	-	-	6,009,968	-	6,009,968
Transfers out	-	(6,009,968)	-	-	(6,009,968)
Total other financing sources(uses)	<u>16,521</u>	<u>(6,009,968)</u>	<u>6,009,968</u>	<u>-</u>	<u>16,521</u>
Net changes in fund balances	1,961,069	(2,502,504)	230,804	(206,552)	(517,183)
Fund balances beginning of year	9,809,900	10,644,125	2,931,171	3,213,811	26,599,007
Fund balances end of year	<u>\$ 11,770,969</u>	<u>8,141,621</u>	<u>3,161,975</u>	<u>3,007,259</u>	<u>26,081,824</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LINN-MAR COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds(page 30)		\$	(517,183)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>			
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays depreciation expense and loss on disposal of assets in the year are as follows:			
Capital outlay	\$	5,173,878	
Depreciation expense		(4,011,704)	
Loss on disposal		<u>(90,030)</u>	1,072,144
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.			6,327,396
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.			49,608
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.			
Early retirement		39,128	
Compensated absences		47,599	
Other postemployment benefits		<u>27,110</u>	<u>113,837</u>
Changes in net assets of governmental activities(page 27)			<u>\$ 7,045,802</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
 PROPRIETARY FUND

JUNE 30, 2012

	<u>School Nutrition</u>
<u>ASSETS</u>	
Current assets:	
Cash and pooled investments	\$ 767,149
Receivables:	
Accounts	250
Inventories	37,743
Total current assets	<u>805,142</u>
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	725,388
Total non-current assets	<u>725,388</u>
TOTAL ASSETS	<u>1,530,530</u>
<u>LIABILITIES</u>	
Accounts payable	1,028
Salaries and benefits payable	14,585
Unearned revenues	68,503
TOTAL LIABILITIES	<u>84,116</u>
<u>NET ASSETS</u>	
Invested in capital assets	725,388
Unrestricted	721,026
Total net assets	<u>\$ 1,446,414</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND

YEAR ENDED JUNE 30, 2012

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 2,024,234
Miscellaneous	132
TOTAL OPERATING REVENUES	<u>2,024,366</u>
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	117
Operation and maintenance of plant:	
Services	20,018
Supplies	26,683
Non-instructional programs:	
Salaries	1,129,722
Benefits	178,830
Services	9,264
Supplies	1,284,517
Depreciation	87,560
Other	2,186
TOTAL OPERATING EXPENSES	<u>2,738,897</u>
OPERATING LOSS	<u>(714,531)</u>
NON-OPERATING REVENUES:	
State sources	24,697
Federal sources	887,746
Interest on investments	1,529
TOTAL NON-OPERATING REVENUES	<u>913,972</u>
Net income before contributions	199,441
Capital contributions	<u>94,085</u>
Changes in net assets	293,526
Net assets beginning of year	<u>1,152,888</u>
Net assets end of year	<u>\$ 1,446,414</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2012

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 2,032,278
Cash received from miscellaneous operating activities	132
Cash payments to employees for services	(1,293,967)
Cash payments to suppliers for goods or services	(1,179,974)
Net cash used in operating activities	<u>(441,531)</u>
Cash flows from non-capital financing activities:	
State grants received	24,697
Federal grants received	727,711
Repayment of interfund loan to the General Fund	(18,420)
Net cash provided by non-capital financing activities	<u>733,988</u>
Cash flows from capital financing activities and related activities:	
Acquisition of assets	(5,455)
Net cash used in capital financing activities and related activities	<u>(5,455)</u>
Cash flows from investing activities:	
Interest on investments	1,529
Net cash provided by investing activities	<u>1,529</u>
Net increase in cash and cash equivalents	288,531
Cash and cash equivalents at beginning of year	<u>478,618</u>
Cash and cash equivalents at end of year	<u>\$ 767,149</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (714,531)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	160,035
Depreciation	87,560
Decrease in inventories	4,705
Increase in accounts receivable	(250)
Decrease in accounts payable	(1,929)
Increase in salaries and benefits payable	14,585
Increase in unearned revenue	8,294
Net cash used in operating activities	<u>\$ (441,531)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$160,035.

During the year ended June 30, 2012, the School Nutrition Fund received contributed capital from the Capital Projects: Physical Plant and Equipment Levy Fund of \$91,177 and from the General Fund of \$2,908.

SEE NOTES TO FINANCIAL STATEMENTS.

LINN-MAR COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

A. REPORTING ENTITY

The Linn-Mar Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally the District operates and sponsors various adult education programs. The geographic area served includes the City of Marion, Iowa, portions of the Cities of Robbins and Cedar Rapids and portions of the agricultural territory in Linn County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Linn-Mar Community School District has included all funds, organizations, agencies, boards, commissions and authorities. 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 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 that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Linn-Mar Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Linn County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. 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 support.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The 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. From the fund are paid the general operating expenses, including instructional, support and other costs. Combining schedules are also included for the Capital Project Fund accounts.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following nonmajor governmental funds:

The Special Revenues - Management Fund is utilized to account for the payment of property insurance as well as early retirement incentives.

The Special Revenues - Student Activity Fund is utilized to account for the various student run organizations and athletic accounts of the District.

The Special Revenues - Public Education and Recreation Levy Fund is utilized to account for the resources used to establish and maintain public recreation places and playgrounds and necessary accommodations for children and adults.

The District reports the following major proprietary funds:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is a major fund used to account for the food service operations of the District.

### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they

are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, 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 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 revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

The proprietary fund enterprise fund of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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 principle ongoing operations. The principle operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the accrual basis.

#### D. Cash, Pooled Investments and Cash Equivalents

The cash balance of most District funds are pooled and invested. Investments are stated at fair value except for the investments in the Iowa Schools Joint Investment Trust, which are valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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 day of purchase, they have a maturity date no longer than three months.

#### E. Property Taxes

Property taxes in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property taxes revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to

certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

F. Inventories

The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method), or market and food commodities which were received from the federal government and recorded at the contributed value as of the date received.

G. Capital Assets

Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market 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 two years.

Assets	Amounts
Land	\$ 2,000
Buildings	2,000
Land improvements	2,000
Intangibles	175,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Land is not depreciated. Buildings, land improvements, machinery and equipment and intangibles are depreciated/amortized using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	5-20 years
Machinery and equipment	5-20 years

H. Salaries and Benefits Payable

Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2012, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2012.

## I. Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenues consist of unspent federal grant proceeds, succeeding year property tax receivable, and other receivables not collected within sixty days after year end.

## J. Unearned Revenue

Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

## K. Compensated Absences

District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the statement of net assets and will be paid in the future primarily from the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The full balance is shown as due within a year using first-in, first-out basis.

## L. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

## M. Fund Equity

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

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.

Unassigned - All amounts not included in other spendable classifications. It is only to be used for residual amounts in the General Fund or for deficit balances in other governmental funds.

## N. Restricted Net Assets

In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Net assets restricted through enabling legislation consists of \$1,536,821 for categorical funding, \$2,668,580 for school infrastructure, \$1,879,625 for management levy, \$1,080,541 for physical plant and equipment levy, \$650,050 for student activities and \$374,485 for public education and recreation levy.

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

## Note 2. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the District's Board of Education annually adopts a single district-wide budget and approves the related appropriations following required public notice and hearing

for all funds. The budgets and related appropriations as well as the financial statements are prepared on the modified accrual basis or accrual basis of accounting. 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 disbursements known as functional areas, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula.

The Board of Education follows these procedures in establishing budgetary data reflected in the financial statements:

1. In accordance with the Statutes of the State of Iowa, prior to March 15, the Board Secretary submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures or expenses and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding years. This budget is submitted in summary form, with an administrative control. The legal level of control for the detailed budget is at the functional area level.
2. Public hearings are required to be conducted to obtain taxpayer comment.
3. Prior to April 15, the budget is legally enacted through certification from the County Auditor.
4. Management is authorized to transfer budgeted amounts between departments within any functional area; however, any revisions that alter the total expenditures or expenses of any functional area must be approved by the Board of Education.
5. The Board of Education may amend the budget during the year by holding public hearings and certifying the amendment with the County Auditor.
6. Appropriations lapse at the end of each fiscal year.
7. The budget cannot be amended without the approval of the Board of Education.
8. Unexpended budgetary balances lapse at June 30 and are not available to finance expenditures or expenses of the following year.

### Note 3. Deposits and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit and other evidence of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

As of June 30, 2012, the carrying amount of the District's bank deposits and pooled investments totaled \$33,047,044 with bank balances of \$30,984,253. These amounts are included in the cash and pooled investments on the statement of net assets. Of the bank balance, \$1,000,000 was covered by federal depository insurance and \$29,984,253 was covered by a multiple financial institution collateral pool that provided for additional assessments against members of the pool.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 1,612,683</u>

The investments are valued at an amortized cost pursuant to Rule 21-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District and must also conform to any loan covenant investment maturity restrictions. The maturity of the District's position in an external investment pool is based on the average maturity of the pool's investments.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service. The District's policy relating to credit risk of investments is to have the majority of the District's bank deposits with an AAA/Aaa rated national banking company (by Standard & Poors and Moody's Investors Services).

Custodial credit risk for deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. It is the District's policy to require that time deposits in excess of FDIC insurable limits (\$250,000) 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.

Note 4. Transfers

The detail of transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 6,009,968</u>

The Capital Projects Fund transferred to the Debt Service Fund to finance repayments of the District's General Obligation bonds, revenue bonds, and bus leases.

Note 5. Due From and Due to Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 10,928
Capital Projects	Nonmajor Governmental Funds	9,270
Debt Service	Capital Projects	145,255
General	Capital Projects	<u>1,564</u>
Total		<u>\$ 167,017</u>

These interfund balances arise from timing differences involved in the reimbursement of expenses at year end. The balances between governmental funds have been eliminated from the Government-wide Statement of Net Assets.

Note 6. Capital Assets

A summary of changes in property and equipment comprising capital assets is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	5,290,281	1,249	-	5,291,530
Construction in progress	15,437,928	4,294,656	14,725,680	5,006,904
Total capital assets not being depreciated	<u>20,728,209</u>	<u>4,295,905</u>	<u>14,725,680</u>	<u>10,298,434</u>
Capital assets being depreciated:				
Buildings	109,880,295	5,702,650	103,348	115,479,597
Land improvements	6,113,364	9,432,743	88,875	15,457,232
Machinery and equipment	8,876,388	468,260	345,718	8,998,930
Total capital assets being depreciated	<u>124,870,047</u>	<u>15,603,653</u>	<u>537,941</u>	<u>139,935,759</u>
Buildings	22,736,523	2,638,251	49,617	25,325,157
Land improvements	1,355,879	750,219	53,656	2,052,442
Machinery and equipment	6,606,925	623,234	344,638	6,885,521
Total accumulated depreciation	<u>30,699,327</u>	<u>4,011,704</u>	<u>447,911</u>	<u>34,263,120</u>
Total capital assets being depreciated, net	<u>94,170,720</u>	<u>11,591,949</u>	<u>90,030</u>	<u>105,672,639</u>
Governmental activities capital assets, net	<u>\$ 114,898,929</u>	<u>15,887,854</u>	<u>14,815,710</u>	<u>115,971,073</u>
Business type activities:				
Machinery and equipment	\$ 1,298,507	99,540	26,723	1,371,324
Less accumulated depreciation	585,099	87,560	26,723	645,936
Business type activities capital assets, net	<u>\$ 713,408</u>	<u>11,980</u>	<u>-</u>	<u>725,388</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 195,696
Special	56,714
Administration	24,306
Operation and maintenance of plant	34,901
Transportation	279,832
	<u>591,449</u>
Unallocated depreciation	<u>3,388,470</u>
Total governmental activities depreciation expense	<u>\$ 3,979,919</u>
Business type activities:	
Food services	<u>\$ 87,560</u>

Note 7. General Long-Term Debt

A summary of changes in general long-term debt for the year ended June 30, 2012:

	Balance			Balance	Due
	Beginning	Additions	Reductions	End	Within
	of Year			of Year	One Year
Governmental activities:					
General Obligation bonds	\$ 48,440,000	-	3,075,000	45,365,000	3,105,000
Revenue bonds	39,705,000	-	3,120,000	36,585,000	3,225,000
Capital leases	292,561		132,396	160,165	51,134
Early retirement	290,281	119,236	158,364	251,153	225,699
Net OPEB liability	548,196	22,354	49,464	521,086	-
Compensated absences	263,060	215,461	263,060	215,461	215,461
Total	\$ 89,539,098	357,051	6,798,284	83,097,865	6,822,294

General Obligation Bonds

As of June 30, 2012 the District had general obligation bonds outstanding of \$45,365,000, which had been issued for capital facility construction. The General Obligation Bonds will be paid with property taxes collected in the Debt Service Fund. Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year	Bond Issue of July 1, 2005				Bond Issue of January 1, 2007					
	Ending June 30,	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total	
2013	3.750	% \$	650,000	272,275	922,275	4.000	% \$	100,000	694,807	794,807
2014	4.000		670,000	247,900	917,900	4.000		105,000	690,806	795,806
2015	4.000		695,000	221,100	916,100	4.000		110,000	686,606	796,606
2016	4.000		730,000	193,300	923,300	4.000		115,000	682,206	797,206
2017	4.000		750,000	164,100	914,100	4.000		850,000	677,607	1,527,607
2018-2022	4.000-4.125		3,325,000	343,200	3,668,200	4.000-4.125		11,545,000	2,403,030	13,948,030
2023-2024	-		-	-	-	4.13		4,310,000	216,976	4,526,976
			<u>\$ 6,820,000</u>	<u>1,441,875</u>	<u>8,261,875</u>			<u>\$ 17,135,000</u>	<u>6,052,038</u>	<u>23,187,038</u>

Year	Bond Issue of February 1, 2007			Bond Issue of April 1, 2010						
	Ending June 30,	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total	
2013	4.000	% \$	400,000	252,573	652,573	1.350	% \$	1,075,000	79,805	1,154,805
2014	4.125		1,640,000	236,572	1,876,572	1.700		735,000	65,293	800,293
2015	3.750		1,715,000	168,923	1,883,923	2.050		740,000	52,797	792,797
2016	3.800		1,760,000	104,610	1,864,610	2.400		690,000	37,628	727,628
2017	3.850		980,000	37,730	1,017,730	2.650		795,000	21,067	816,067
Total			<u>\$ 6,495,000</u>	<u>800,408</u>	<u>7,295,408</u>			<u>\$ 4,035,000</u>	<u>256,590</u>	<u>4,291,590</u>

Year Ending June 30,	Bond Issue of April 12, 2011				Bond Issue of April 28, 2011			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2013	3.250 % \$	-	343,663	343,663	0.750 % \$	880,000	6,600	886,600
2014	3.250	-	343,662	343,662	-	-	-	-
2015	3.250	-	343,663	343,663	-	-	-	-
2016	3.250	-	343,662	343,662	-	-	-	-
2017	3.250	-	343,663	343,663	-	-	-	-
2018-2022	3.250	-	1,718,312	1,718,312	-	-	-	-
2023-2026	3.250-3.500	10,000,000	1,081,600	11,081,600	-	-	-	-
		<u>\$ 10,000,000</u>	<u>4,518,225</u>	<u>14,518,225</u>		<u>\$ 880,000</u>	<u>6,600</u>	<u>886,600</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2013	\$ 3,105,000	1,649,723	4,754,723
2014	3,150,000	1,584,233	4,734,233
2015	3,260,000	1,473,089	4,733,089
2016	3,295,000	1,361,406	4,656,406
2017	3,375,000	1,244,167	4,619,167
2018-2022	14,870,000	4,464,542	19,334,542
2023-2026	14,310,000	1,298,576	15,608,576
	<u>\$ 45,365,000</u>	<u>13,075,736</u>	<u>58,440,736</u>

#### Revenue Bonds

The District pledged future statewide sales, services and use tax revenues to repay the \$9,525,000, \$15,550,000 and \$18,850,000 bonds issued in October of 2008, July of 2009 and March of 2010, respectively. The bonds were issued for the purpose of financing a portion of the costs of several ongoing projects. The bonds are payable solely from the proceeds of the statewide sales, services, and use tax revenues received by the District and are payable through 2030. The bonds are not general obligations of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 72 percent of the statewide sales, services, and use tax revenues. The total principal and interest remaining to be paid on the notes is \$50,207,240. For the current year, \$4,652,367 of principal and interest were paid on the bonds and total statewide sales, services, and use tax revenues were \$6,441,915.

Year Ending June 30,	Bond Issue of October 1, 2008				Bond Issue of July 1, 2009			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2013	4.000 % \$	1,235,000	201,278	1,436,278	3.375 % \$	1,990,000	401,394	2,391,394
2014	4.000	885,000	158,877	1,043,877	3.375	1,825,000	337,016	2,162,016
2015	3.500	915,000	125,165	1,040,165	3.375	1,885,000	274,409	2,159,409
2016	3.600	945,000	92,143	1,037,143	4.000	1,955,000	203,500	2,158,500
2017	3.750	975,000	56,851	1,031,851	4.000	2,020,000	124,000	2,144,000
2018	3.800	1,015,000	19,285	1,034,285	4.000	2,090,000	41,800	2,131,800
Total		<u>\$ 5,970,000</u>	<u>653,599</u>	<u>6,623,599</u>		<u>\$ 11,765,000</u>	<u>1,382,119</u>	<u>13,147,119</u>

Year Ending June 30,	Bond Issue of March 1, 2010					Total		
	Interest Rates	Principal	Interest	Total	Principal	Interest	Total	
2013	4.000 %	\$ -	815,030	815,030	\$ 3,225,000	1,417,702	4,642,702	
2014	4.000	-	815,030	815,030	2,710,000	1,310,923	4,020,923	
2015	4.000	-	815,030	815,030	2,800,000	1,214,604	4,014,604	
2016	4.000	-	815,030	815,030	2,900,000	1,110,673	4,010,673	
2017	4.000	-	815,030	815,030	2,995,000	995,881	3,990,881	
2018-2022	4.000	5,190,000	3,670,950	8,860,950	8,295,000	3,732,035	12,027,035	
2023-2027	4.125-4.500	7,920,000	3,433,650	11,353,650	7,920,000	3,433,650	11,353,650	
2028-2030	4.600-4.625	5,740,000	406,772	6,146,772	5,740,000	406,772	6,146,772	
Total		<u>\$ 18,850,000</u>	<u>9,956,462</u>	<u>28,806,462</u>	<u>\$ 36,585,000</u>	<u>13,622,240</u>	<u>50,207,240</u>	

#### School Bus Leases

During the year ended June 30, 2010, the District entered into capital lease purchase agreement of \$314,228 for the lease purchase of four school buses. The school bus leases are payable from the Capital Projects: Physical Plant and Equipment Levy Fund. Details of the District's indebtedness under the agreement in effect at June 30, 2012 is as follows:

Year Ending June 30,	Bus lease of August 1, 2009				
	Interest Rates	Principal	Interest	Total	
2013	4.346 %	\$ 51,134	6,960	58,094	
2014	4.346	53,356	4,738	58,094	
2015	4.346	55,675	2,419	58,094	
Total		<u>\$ 160,165</u>	<u>14,117</u>	<u>174,282</u>	

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the gross amount of assets acquired on the inception date.

The assets acquired through capital bus leases and the corresponding depreciation taken is as follows:

Asset	Governmental Activities
Machinery and equipment	\$ 314,228
Less: Accumulated depreciation	<u>(117,836)</u>
	<u>\$ 196,392</u>

The June 30, 2012 debt issued by the District did not exceed its legal debt margin computed as follows:

Total assessed valuation	<u>\$ 2,783,050,196</u>
Debt limit, 5% of total assessed valuation	\$ 139,152,510
Amount of debt applicable to debt limit, total general obligation bonded debt	<u>82,110,165</u>
Excess of debt limit over bonded debt	<u>\$ 57,042,345</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees and administrators. Eligible employees must be at least age fifty-five and employees must have completed twenty years of service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement incentive for each eligible employee is equal to the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay, multiplied by 50 percent (60 percent for administrators), plus all unused personal days compensated for at the rate of substitute pay used during the last year of service. Employees may also elect to continue participation in the District's group health insurance plan until age 65 or until insurance is acquired elsewhere. Their participation is at the employee's expense with the exception that any unused personal days of separation compensation may be used to cover the cost of premiums.

At June 30, 2012, the District had obligations to fifteen participants with a total liability of \$251,153. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$158,364 and are recorded as an expenditure in the Nonmajor Special Revenue: Management Levy Fund. Early retirement is recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

Note 8. Other Postemployment Benefits(OPEB)

Plan Description - The District participates in an agent multiple-employer health care plan called the Metro Interagency Insurance Plan (MIIP). This plan provides medical and prescription drug benefits for eligible employees and retirees and their spouses. There are 433 active and 42 retired members in the plan. Participants must be age 55 or older at retirement. The plan issues financial statements and required supplementary information which are available in a report publicly available through request at the Metro Interagency Insurance Program at 1120 33rd Avenue SW, Cedar Rapids, Iowa 52404.

The medical/prescription drug coverage is provided through a self-insured 28E organization plan with Metro Interagency Insurance Program. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis. Liabilities of the District's OPEB are paid primarily from the General Fund.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover 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 ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	294,419
Interest on net OPEB obligation		7,330
Adjustment to annual required contribution		(279,395)
Annual OPEB cost		<u>22,354</u>
Contributions made		(49,464)
Increase in net OPEB obligation		<u>(27,110)</u>
Net OPEB obligation beginning of year		548,196
Net OPEB obligation end of year	\$	<u><u>521,086</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$49,464 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 191,982	23.3 %	\$ 403,059
2011	194,778	25.5	548,196
2012	22,354	45.2	521,086

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,717,407, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,717,407. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$44.2 million, and the ratio of the UAAL to covered payroll was 3.8%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - 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. Actuarially determined amounts 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 in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include 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 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.

As of the July 1, 2011 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 3.5%.

Mortality rates are from the 94 Group Annuity Mortality Table (Projected to 2000), applied on a 2/3 female, 1/3 male basis. Annual retirement probabilities were developed based upon recent Linn-Mar Community School District experience. Termination probabilities were based upon national termination studies performed by the Society of Actuaries and were adjusted to reflect the recent lower termination rates experienced by Linn-Mar Community School District.

#### Note 9. Risk Management

##### Self-Insurance

Health - Six public education entities are currently participating in a 28E organization which was established in 1990 to provide a self-insurance plan for employee medical coverage. The Districts

contribute to the self-insurance plan an amount equal to 125% of Wellmark Blue Cross/Blue Shield projections of the rating period. The fund reinsures for stop-loss insurance for claims in excess of \$200,000 per year per individual. An insurance carrier is paid an administrative fee to process the claims.

The total premium paid into the plan by all six members from July 1, 2011 to June 30, 2012 was \$29,234,022, of which \$3,856,407 was paid by Linn-Mar Community School District.

In addition, the District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

Note 10. Due from Other Governments

Amount due from other governments by fund as of June 30, 2012 are as follows:

	General Fund	Capital Projects Fund	Total
Local appropriation			
Tuition	\$ 294,445	-	294,445
Statewide Sales, Services and Use Tax	-	892,551	892,551
Total local appropriations	294,445	892,551	1,186,996
State appropriations:			
Nonpublic Transportation	100,401	-	100,401
Foster Care Claim	11,637	-	11,637
Juvenile Court	6,596	-	6,596
State Vocational Aid	22,800	-	22,800
Total state appropriations	141,434	-	141,434
Federal appropriations:			
Medicaid	7,234	-	7,234
Advance Placement Program	732	-	732
Title I	84,898	-	84,898
Perkins	37,108	-	37,108
Title IIA	98,420	-	98,420
Title VIA	8,288	-	8,288
Title III	2,010	-	2,010
Total federal appropriations	238,690	-	238,690
Total	\$ 674,569	892,551	1,567,120

Note 11. Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered payroll for the year ended June 30, 2012. Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered

payroll for the year ended June 30, 2011. Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$3,411,978, \$2,800,796 and \$2,632,144 respectively, equal to the required contributions for each year. The District is a participating employer in the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer public employees retirement system designed as a supplement to Social Security.

Note 12. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$2,543,681 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 13. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2012, expenditures in the support services functional area exceeded the certified budget.

Note 14. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Gifted and talented	\$ 136,261
Home school assistance program	22,669
Dropout and dropout prevention	360,841
Teacher salary supplement	237,993
Educator quality, professional development	171,203
Beginning teacher mentoring and induction program	10,820
Educator quality, market factor	14,578
Educator quality, model core curriculum	404,634
Four-year-old preschool	177,822
Total restricted for categorical funding	\$ 1,536,821

**LINN-MAR COMMUNITY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION



LINN-MAR COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES,  
 EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -  
 ACTUAL TO BUDGET - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 42,040,358	2,025,895	44,066,253	37,189,723	37,189,723	6,876,530
Intermediate sources	0	0	0	7,026,170	7,026,170	(7,026,170)
State sources	35,327,946	24,697	35,352,643	36,025,132	36,025,132	(672,489)
Federal sources	3,029,743	887,746	3,917,489	3,038,430	3,038,430	879,059
Total revenues	<u>80,398,047</u>	<u>2,938,338</u>	<u>83,336,385</u>	<u>83,279,455</u>	<u>83,279,455</u>	<u>56,930</u>
Expenditures/Expenses:						
Instruction	42,714,244	0	42,714,244	45,191,561	45,191,561	2,477,317
Support services	19,946,429	46,818	19,993,247	19,974,813	19,974,813	(18,434)
Non-instructional programs	187,193	2,692,079	2,879,272	3,030,210	3,030,210	150,938
Other expenditures	18,083,885	0	18,083,885	19,171,667	19,171,667	1,087,782
Total expenditures	<u>80,931,751</u>	<u>2,738,897</u>	<u>83,670,648</u>	<u>87,368,251</u>	<u>87,368,251</u>	<u>3,697,603</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(533,704)	199,441	(334,263)	(4,088,796)	(4,088,796)	3,754,533
Other financing sources, net	<u>16,521</u>	<u>94,085</u>	<u>110,606</u>	<u>145,258</u>	<u>145,258</u>	<u>(34,652)</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	(517,183)	293,526	(223,657)	(3,943,538)	(3,943,538)	3,719,881
Balance beginning of year	<u>26,599,007</u>	<u>1,152,888</u>	<u>27,751,895</u>	<u>24,188,347</u>	<u>24,188,347</u>	<u>3,563,548</u>
Balance end of year	<u>\$ 26,081,824</u>	<u>1,446,414</u>	<u>27,528,238</u>	<u>20,244,809</u>	<u>20,244,809</u>	<u>7,283,429</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LINN-MAR COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, 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.

During the year ended June 30, 2012, the expenditures in the support services functional area exceeded the certified budget.

LINN-MAR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$ -	\$ 1,290	\$ 1,290	0.0 %	\$ 41,783	3.1 %
2011	July 1, 2009	-	1,290	1,290	0.0	42,567	3.0
2012	July 1, 2011	-	1,717	1,717	0.0	44,218	3.9

See Note 8 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## SUPPLEMENTARY INFORMATION



LINN-MAR COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2012

	Management Fund	Student Activity	Public Education and Recreation Levy	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,978,067	701,953	419,147	3,099,167
Receivables:				
Property tax:				
Delinquent	4,657	-	1,258	5,915
Succeeding year	848,955	-	229,218	1,078,173
Accounts	-	10,696	-	10,696
<b>TOTAL ASSETS</b>	<b>\$ 2,831,679</b>	<b>712,649</b>	<b>649,623</b>	<b>4,193,951</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	31,550	34,252	65,802
Salaries and benefits payable	-	20,121	2,398	22,519
Due to other funds	-	10,928	9,270	20,198
Deferred revenue:				
Succeeding year property tax	848,955	-	229,218	1,078,173
<b>Total liabilities</b>	<b>848,955</b>	<b>62,599</b>	<b>275,138</b>	<b>1,186,692</b>
Fund balances:				
Restricted for:				
Management levy purposes	1,982,724	-	-	1,982,724
Student activities	-	650,050	-	650,050
Public education and recreation levy purposes	-	-	374,485	374,485
<b>Total fund balances</b>	<b>1,982,724</b>	<b>650,050</b>	<b>374,485</b>	<b>3,007,259</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,831,679</b>	<b>712,649</b>	<b>649,623</b>	<b>4,193,951</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LINN-MAR COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2012

	Management Fund	Student Activity	Public Education and Recreation Levy	Total
<b>REVENUE:</b>				
Local sources:				
Local tax	\$ 808,699	-	218,347	1,027,046
Other	4,507	1,286,485	16,790	1,307,782
State sources	289	-	78	367
<b>TOTAL REVENUE</b>	<b>813,495</b>	<b>1,286,485</b>	<b>235,215</b>	<b>2,335,195</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	252,288	-	-	252,288
Special	26,470	-	-	26,470
Other	13,464	1,184,661	-	1,198,125
Support services:				
Student support	9,173	-	-	9,173
Instructional staff	8,324	-	-	8,324
Administration	32,590	-	-	32,590
Operation and maintenance of plant	351,551	1,032	45,869	398,452
Transportation	92,213	-	-	92,213
Non-instructional programs:				
Food service operations	67,360	-	-	67,360
Community service operations	-	-	28,656	28,656
Capital outlay	-	-	428,096	428,096
<b>TOTAL EXPENDITURES</b>	<b>853,433</b>	<b>1,185,693</b>	<b>502,621</b>	<b>2,541,747</b>
Net change in fund balances	(39,938)	100,792	(267,406)	(206,552)
Fund balances beginning of year	2,022,662	549,258	641,891	3,213,811
Fund balances end of year	\$ 1,982,724	650,050	374,485	3,007,259

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LINN-MAR COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS

June 30, 2012

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	
<b>ASSETS</b>				
Cash and pooled investments	\$ 4,164,871	1,575,447	2,328,044	8,068,362
Receivables:				
Property tax:				
Delinquent	-	15,818	-	15,818
Succeeding year	-	2,896,895	-	2,896,895
Accounts	-	-	21,027	21,027
Accrued interest	11,652	-	-	11,652
Due from other funds	-	9,270	-	9,270
Due from other governments	892,551	-	-	892,551
<b>TOTAL ASSETS</b>	<b>\$ 5,069,074</b>	<b>4,497,430</b>	<b>2,349,071</b>	<b>11,915,575</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 158,957	374,739	196,544	730,240
Due to other funds	-	145,255	1,564	146,819
Deferred revenue:				
Succeeding year property tax	-	2,896,895	-	2,896,895
<b>Total liabilities</b>	<b>158,957</b>	<b>3,416,889</b>	<b>198,108</b>	<b>3,773,954</b>
Fund balances:				
Restricted for:				
Debt service	2,507,500	-	1,885,000	4,392,500
School infrastructure	2,402,617	-	265,963	2,668,580
Physical plant and equipment	-	1,080,541	-	1,080,541
<b>Total fund balances</b>	<b>4,910,117</b>	<b>1,080,541</b>	<b>2,150,963</b>	<b>8,141,621</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,069,074</b>	<b>4,497,430</b>	<b>2,349,071</b>	<b>11,915,575</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LINN-MAR COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES

CAPITAL PROJECTS ACCOUNTS

Year Ended June 30, 2012

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	
REVENUE:				
Local sources:				
Local tax	\$ 6,441,915	2,758,366	-	9,200,281
Other	134,422	263,379	4,305	402,106
State sources	-	971	-	971
<b>TOTAL REVENUE</b>	<b>6,576,337</b>	<b>3,022,716</b>	<b>4,305</b>	<b>9,603,358</b>
EXPENDITURES:				
Current:				
Instruction:				
Regular	315,484	-	-	315,484
Other	-	2,970	-	2,970
Support services:				
Instructional staff	13,453	-	-	13,453
Administration	4,500	27,003	-	31,503
Operation and maintenance of plant	-	69,994	-	69,994
Transportation	-	53,077	-	53,077
Non-instructional programs:				
Food service operations	-	91,177	-	91,177
Capital outlay	2,870,370	1,606,584	1,041,282	5,518,236
<b>TOTAL EXPENDITURES</b>	<b>3,203,807</b>	<b>1,850,805</b>	<b>1,041,282</b>	<b>6,095,894</b>
Excess(Deficiency) of revenues over(under) expenditures	3,372,530	1,171,911	(1,036,977)	3,507,464
OTHER FINANCING USES:				
Transfers out	(5,484,713)	(525,255)	-	(6,009,968)
<b>NET CHANGES IN FUND BALANCES</b>	<b>(2,112,183)</b>	<b>646,656</b>	<b>(1,036,977)</b>	<b>(2,502,504)</b>
Fund balances beginning of year	7,022,300	433,885	3,187,940	10,644,125
Fund balances end of year	\$ 4,910,117	1,080,541	2,150,963	8,141,621

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**LINN-MAR COMMUNITY SCHOOL DISTRICT**

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATISTICAL SECTION

(UNAUDITED)

This part of the Linn-Mar Community School District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

<u>Contents</u>	<u>Page</u>
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.	62-77
Revenue Capacity These schedules contain trend information to help the reader assess the factors affecting the District’s ability to generate its property taxes.	78-84
Debt Capacity These schedules contain trend information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.	85-89
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 and to help make comparisons over time and with other governments.	90-95
Operating Information These schedules contain information about the District’s operations and resources to help the reader understand how the District’s financial information relates to the services the District provides and the activities it performs.	96-102

LINN-MAR COMMUNITY SCHOOL DISTRICT  
NET ASSETS BY COMPONENT,  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year			
	2012	2011	2010	2009
Governmental activities:				
Invested in capital assets, net of related debt	\$ 33,860,908	26,461,367	12,919,519	22,311,057
Restricted	15,744,577	16,905,099	25,300,975	11,235,639
Unrestricted	8,318,403	7,511,620	4,314,105	3,979,908
Business type activities:				
Invested in capital assets, net of related debt	725,388	713,408	573,824	643,946
Unrestricted	721,026	439,480	231,642	65,575
Total primary government net assets	<u>\$ 59,370,302</u>	<u>52,030,974</u>	<u>43,340,065</u>	<u>38,236,125</u>

Source: School District financial records.

2008	2007	2006	2005	2004	2003
24,807,981	21,318,303	20,216,871	18,950,280	17,765,683	12,343,975
3,365,122	2,164,827	1,520,582	1,544,394	1,862,379	1,877,350
2,456,499	1,695,688	1,453,180	1,543,426	1,296,870	6,547,920
486,498	214,844	230,113	222,667	251,625	166,505
(30,500)	(3,686)	(11,093)	109,925	103,353	111,532
31,085,600	25,389,976	23,409,653	22,370,692	21,279,910	21,047,282

LINN-MAR COMMUNITY SCHOOL DISTRICT

EXPENSES, PROGRAM REVENUES AND NET (EXPENSE)/REVENUE,  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year			
	2012	2011	2010	2009
<b>Expenses:</b>				
Governmental activities:				
Regular instruction	\$ 30,061,936	28,640,227	27,660,836	27,781,726
Special instruction	7,364,222	8,291,861	8,880,524	8,818,399
Other instruction	5,453,547	4,656,988	4,878,366	4,026,619
Student services	3,226,515	3,095,443	2,236,875	2,175,607
Instructional staff services	3,054,671	2,449,712	2,386,183	2,294,187
Administration services	6,041,272	5,671,887	5,444,176	4,674,249
Operation and maintenance of plant services	6,369,265	5,128,200	5,496,221	5,191,799
Transportation services	2,444,605	2,331,937	2,363,942	2,159,488
Central Services	-	-	-	-
Non-instructional programs	187,193	112,581	97,096	106,490
Capital outlay	-	1,120,778	1,317,844	1,223,442
Interest on long-term debt and fiscal charges	3,216,868	3,621,298	3,837,554	2,464,043
AEA flowthrough	2,543,681	2,703,997	2,582,490	2,285,973
Depreciation(unallocated)	3,388,470	2,819,601	2,228,121	2,184,773
Total governmental activities	73,352,245	70,644,510	69,410,228	65,386,795
Business type activities:				
Nutrition services	2,738,897	2,746,151	2,714,977	2,722,516
Total business type activities	2,738,897	2,746,151	2,714,977	2,722,516
Total primary government expenses	76,091,142	73,390,661	72,125,205	68,109,311
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
Instruction	4,218,399	4,301,403	4,191,449	3,631,198
Support services	13,688	1,424,420	1,210,650	642,461
Capital outlay	-	64,537	24,664	515,733
Operating grants and contributions	5,119,276	9,100,509	8,149,292	7,239,896
Capital grants and contributions	47,975	-	37,419	24,030
Total governmental activities	9,399,338	14,890,869	13,613,474	12,053,318
Business type activities:				
Charges for services:				
Nutrition	2,024,234	2,003,376	1,997,621	1,991,245
Operating grants and contributions	912,443	860,457	809,883	740,393
Capital grants and contributions	94,085	228,761	2,572	236,818
Total business type activities	3,030,762	3,092,594	2,810,076	2,968,456
Total primary government revenues	12,430,100	17,983,463	16,423,550	15,021,774
<b>Net (Expense)/Revenues</b>				
Total governmental activities	(63,952,907)	(55,753,641)	(55,796,754)	(53,333,477)
Total business type activities	291,865	346,443	95,099	245,940
Total primary government net expense	\$ (63,661,042)	(55,407,198)	(55,701,655)	(53,087,537)

Source: School District financial records.

2008	2007	2006	2005	2004	2003
25,437,813	21,937,911	20,178,989	19,081,962	17,039,534	16,139,361
8,420,667	7,519,352	6,679,381	5,164,314	5,757,573	5,150,466
3,571,552	3,579,827	3,188,662	3,059,878	2,218,068	2,099,637
1,990,772	1,594,995	1,412,916	1,223,482	1,648,627	1,489,379
2,299,782	1,878,077	1,899,314	1,605,511	2,055,120	1,727,303
4,672,761	3,891,968	3,763,183	3,378,697	3,271,431	2,870,739
4,667,734	4,203,686	4,095,267	3,846,824	3,207,633	2,752,614
2,169,820	1,919,725	1,703,145	1,888,372	1,434,039	1,201,064
-	-	-	-	89,770	214,611
528,040	134,998	123,594	35,199	29,200	31,047
1,600,889	668,614	362,586	547,102	946,714	-
2,749,679	3,187,276	2,679,973	1,841,270	1,783,718	1,854,262
2,103,691	1,851,025	1,675,939	1,522,333	1,452,261	1,485,575
1,590,669	1,421,397	1,418,636	1,365,187	1,036,958	987,826
61,803,869	53,788,851	49,181,585	44,560,131	41,970,646	38,003,884
2,551,435	2,246,998	1,975,734	1,737,249	1,621,131	1,358,071
2,551,435	2,246,998	1,975,734	1,737,249	1,621,131	1,358,071
64,355,304	56,035,849	51,157,319	46,297,380	43,591,777	39,361,955
3,369,306	3,135,249	2,636,136	2,583,797	2,614,374	1,824,369
378,260	268,695	324,150	118,012	98,871	400,659
463,025	31,801	15,869	2,222	21,291	-
5,967,312	4,863,775	4,223,332	3,861,964	3,212,119	3,413,166
606,055	32,471	64,059	-	655,602	564,664
10,783,958	8,331,991	7,263,546	6,565,995	6,602,257	6,202,858
1,781,217	1,636,219	1,376,066	1,255,687	1,188,254	1,069,697
681,827	575,908	482,199	457,601	390,243	311,174
327,659	23,861	-	-	118,253	-
2,790,703	2,235,988	1,858,265	1,713,288	1,696,750	1,380,871
13,574,661	10,567,979	9,121,811	8,279,283	8,299,007	7,583,729
(51,019,911)	(45,456,860)	(41,918,039)	(37,994,136)	(35,368,389)	(31,801,026)
239,268	(11,010)	(117,469)	(23,961)	75,619	22,800
(50,780,643)	(45,467,870)	(42,035,508)	(38,018,097)	(35,292,770)	(31,778,226)

LINN-MAR COMMUNITY SCHOOL DISTRICT

TOTAL PRIMARY GOVERNMENT NET EXPENSES  
 GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS,  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)

	Fiscal Year			
	2012	2011	2010	2009
<b>Net (Expense)/Revenues</b>				
Total governmental activities	\$ (63,952,907)	(55,753,641)	(55,796,754)	(53,333,477)
Total business type activities	291,865	346,255	95,099	245,940
Total primary government net expense	(63,661,042)	(55,407,386)	(55,701,655)	(53,087,537)
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Property tax levied for:*				
General purposes	23,341,607	24,868,320	22,702,893	21,831,162
Debt service	3,807,344	3,684,005	3,899,645	3,888,560
Capital projects	2,976,713	1,781,832	2,979,169	2,475,886
Sales tax	6,441,915	6,121,089	6,709,286	5,592,757
Unrestricted grants and contributions	32,295,010	26,871,830	23,992,475	25,677,917
Nonspecific program federal revenues	939,496	-	-	-
Miscellaneous	1,071,828	645,187	306,483	486,687
Investment earnings	124,796	124,865	214,798	277,510
Total governmental activities	70,998,709	64,097,128	60,804,749	60,230,479
Business type activities:				
Miscellaneous	132	-	-	5,717
Investment earnings	1,529	979	846	1,866
Total business type activities	1,661	979	846	7,583
Total primary government	71,000,370	64,098,107	60,805,595	60,238,062
<b>Changes in Net Assets</b>				
Total governmental activities	7,045,802	8,343,487	5,007,995	6,897,002
Total business type activities	293,526	347,234	95,945	253,523
Total primary government	\$ 7,339,328	8,690,721	5,103,940	7,150,525

Note: In February 2007, the patrons of Linn County passed the Local Option Sales Tax. During the 2008 legislative session, the Iowa Legislature passed a 1% statewide sales, services and use tax that replaced the local option sales tax.

\* Changes in property tax revenues are a product of underlying changes in property values and tax rates.  
 See Pages 66-70.

Source: School District financial records.

2008	2007	2006	2005	2004	2003
(51,019,911)	(45,456,860)	(41,918,039)	(37,994,136)	(35,368,389)	(31,801,026)
239,268	(11,010)	(117,469)	(23,961)	75,619	22,800
(50,780,643)	(45,467,870)	(42,035,508)	(38,018,097)	(35,292,770)	(31,778,226)
19,280,777	17,325,174	16,602,942	15,597,005	13,825,403	13,007,184
3,445,151	3,955,928	3,625,571	3,618,618	3,527,896	3,353,356
2,160,905	2,448,213	1,383,971	1,197,792	1,267,743	1,209,605
5,678,033	-	-	-	-	-
24,618,955	21,510,545	19,940,735	18,313,369	16,741,241	16,373,697
-	-	-	-	-	-
407,049	366,102	388,024	232,652	66,916	492,574
879,825	1,839,083	1,129,329	147,868	94,877	484,146
56,470,695	47,445,045	43,070,572	39,107,304	35,524,076	34,920,562
-	-	-	-	-	-
5,572	3,148	3,897	1,575	1,322	1,501
5,572	3,148	3,897	1,575	1,322	1,501
56,476,267	47,448,193	43,074,469	39,108,879	35,525,398	34,922,063
5,450,784	1,988,185	1,152,533	1,113,168	155,687	3,119,536
244,840	(7,862)	(113,572)	(22,386)	76,941	24,301
5,695,624	1,980,323	1,038,961	1,090,782	232,628	3,143,837

LINN-MAR COMMUNITY SCHOOL DISTRICT

FUND BALANCES, GOVERNMENTAL FUNDS,  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2012	2011	2010	2009
General Fund				
Nonspendable	\$ -	37,400	-	-
Restricted*	1,536,821	1,487,025	943,448	462,658
Committed	-	285,459	-	-
Assigned	-	110,941	-	-
Unassigned**	10,234,148	7,889,075	5,172,927	4,663,394
Total general fund	<u>11,770,969</u>	<u>9,809,900</u>	<u>6,116,375</u>	<u>5,126,052</u>
All Other Governmental Funds				
Restricted for:				
Capital projects funds	3,749,121	6,251,625	15,430,146	7,026,156
Special revenue funds	10,561,734	10,537,482	10,490,979	5,332,590
Total all other governmental funds	<u>14,310,855</u>	<u>16,789,107</u>	<u>25,921,125</u>	<u>12,358,746</u>
Total governmental funds	<u>\$ 26,081,824</u>	<u>26,599,007</u>	<u>32,037,500</u>	<u>17,484,798</u>

Source: School District financial records.

Notes: \* restricted fund balances have fluctuated over the past ten years due to the state of Iowa's view on how categorical funds could be spent. Pre 9-11 era, the state of Iowa required schools to reserve any unspent categorical funds. Since then, they have opened the door somewhat and allowed schools to spend some of the categorical funds to support general programming, thus the drop off of reserved balances in 2003. In 2004 and on, the District has reserved funds for state categorical funds, debt retirement, and construction of new facilities

\*\* Designated General Fund balances in years prior to 2011 has been reclassified as assigned due to the implementation of Governmental Accounting Standards Board Statement 54, based on documentation showing the purpose of the designations

2008	2007	2006	2005	2004	2003
-	-	-	-	-	-
323,383	247,809	3,631	111,397	196,692	-
-	-	-	-	-	-
-	56,121	291,487	-	-	-
2,953,846	2,323,217	2,112,222	2,522,629	2,364,453	3,801,967
3,277,229	2,627,147	2,407,340	2,634,026	2,561,145	3,801,967
1,765,430	9,575,282	9,063,180	-	532,842	1,750,001
2,623,576	11,916,369	21,206,259	11,794,551	1,908,712	2,111,878
4,389,006	21,491,651	30,269,439	11,794,551	2,441,554	3,861,879
7,666,235	24,118,798	32,676,779	14,428,577	5,002,699	7,663,846

LINN-MAR COMMUNITY SCHOOL DISTRICT

GOVERNMENTAL FUNDS REVENUES,  
 Last Ten Fiscal Years  
 (Modified Accrual Basis of Accounting)

	Fiscal Year			
	2012	2011	2010	2009
Local sources:				
Property taxes	\$ 30,125,664	30,323,051	29,571,174	28,185,239
Statewide sales, services and use tax	6,441,915	6,121,089	6,709,286	5,592,757
Tuition	2,824,909	2,510,058	2,176,974	1,968,604
Other revenues	2,647,870	2,805,732	2,701,306	3,057,302
Total local sources	<u>42,040,358</u>	<u>41,759,930</u>	<u>41,158,740</u>	<u>38,803,902</u>
Intermediate sources				
Other revenues	-	-	-	-
Total intermediate sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
State sources:				
State grants	35,327,946	33,473,648	27,767,019	31,357,360
Total state sources	<u>35,327,946</u>	<u>33,473,648</u>	<u>27,767,019</u>	<u>31,357,360</u>
Federal sources:				
Federal grants	3,029,743	3,752,150	5,484,986	2,108,874
Total federal sources	<u>3,029,743</u>	<u>3,752,150</u>	<u>5,484,986</u>	<u>2,108,874</u>
Total revenues	<u>\$ 80,398,047</u>	<u>78,985,728</u>	<u>74,410,745</u>	<u>72,270,136</u>

Source: School District financial records.

2008	2007	2006	2005	2004	2003
24,876,851	23,719,160	21,599,046	20,403,652	18,611,587	17,570,145
5,678,033	-	-	-	-	-
1,792,758	1,421,707	1,205,786	1,253,420	1,051,953	967,069
3,483,303	4,046,617	3,002,710	2,045,578	1,790,888	2,234,570
35,830,945	29,187,484	25,807,542	23,702,650	21,454,428	20,771,784
1,892	-	29,089	7,455	-	28,111
1,892	-	29,089	7,455	-	28,111
29,653,682	25,415,872	23,250,133	21,001,096	19,492,157	19,216,125
29,653,682	25,415,872	23,250,133	21,001,096	19,492,157	19,216,125
1,837,335	1,099,201	1,211,973	962,098	1,179,748	1,107,290
1,837,335	1,099,201	1,211,973	962,098	1,179,748	1,107,290
67,323,854	55,702,557	50,298,737	45,673,299	42,126,333	41,123,310

LINN-MAR COMMUNITY SCHOOL DISTRICT

GOVERNMENTAL FUNDS EXPENDITURES AND DEBT RATIO,  
 Last Ten Fiscal Years  
 (Modified Accrual Basis of Accounting)

	Fiscal Year			
	2012	2011	2010	2009
Instruction	\$ 42,714,244	41,480,379	41,092,354	40,272,400
Student services	3,226,515	3,095,442	2,236,875	2,175,608
Instructional staff services	3,038,724	2,514,172	2,369,786	2,356,883
Administration services	6,086,374	5,821,026	5,432,534	4,766,021
Operation and maintenance of plant services	5,088,137	5,179,501	5,165,727	5,144,794
Transportation services	2,506,679	2,095,187	2,477,945	2,373,708
Central and other support services	-	-	-	-
Non-instructional programs	187,193	112,581	97,096	106,490
Capital outlay	5,946,332	11,932,534	25,726,426	7,635,006
AEA flowthrough	2,543,681	2,703,997	2,582,490	2,285,973
Debt service				
Principal	6,327,396	17,676,750	10,729,432	2,683,424
Interest and fiscal charges	3,266,476	3,569,922	3,409,086	2,304,355
Total expenditures	80,931,751	96,181,491	101,319,751	72,104,662
Debt service as a percentage of noncapital expenditures	12.59%	25.24%	7.69%	20.59%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2004-2012 are available for the debt service percentage of non capital expenditures

Source: School District financial records.

2008	2007	2006	2005	2004	2003
37,737,920	33,157,396	29,974,634	27,496,940	25,074,989	23,305,504
2,012,520	1,611,377	1,439,599	1,250,165	1,648,627	1,489,379
2,202,437	1,881,262	1,879,839	1,609,526	2,055,120	1,727,303
4,599,765	3,888,547	3,763,761	3,404,941	3,225,940	2,860,983
4,703,119	4,179,156	4,073,271	3,819,241	3,116,221	2,743,483
2,281,106	2,011,478	1,606,318	1,509,554	1,283,566	1,099,100
-	-	-	-	89,770	214,611
108,086	134,998	123,594	35,199	29,200	31,047
13,889,914	18,135,936	2,097,020	1,997,781	3,144,501	12,168,358
2,103,691	1,851,025	1,675,939	1,522,333	1,452,261	1,485,575
11,462,161	1,990,000	2,065,000	1,965,000	1,875,000	1,775,000
3,075,404	2,730,336	2,561,488	1,876,949	1,792,285	1,485,575
84,176,123	71,571,511	51,260,463	46,487,629	44,787,480	50,385,918
8.85%	9.45%	8.65%	8.76%	9.60%	

LINN-MAR 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)

	Fiscal Year			
	2012	2011	2010	2009
<b>Excess(deficiency) of revenues over(under) expenditures</b>	\$ (533,704)	(17,195,763)	(26,909,006)	165,474
<b>Other Financing Sources (Uses)</b>				
Capital lease proceeds	-	-	314,228	-
Transfers in	6,009,968	5,462,810	4,753,458	2,573,335
Transfers out	(6,009,968)	(5,462,810)	(4,753,458)	(2,573,335)
Sale of equipment	16,521	1,769	7,481	1,119
Sale of real property	-	500	-	19,300
Revenue bond proceeds	-	-	34,400,000	9,632,670
General obligation refunding bonds issued	-	-	6,740,000	-
General obligation bonds issued	-	11,755,000	-	-
General obligation bonds refunded	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>16,521</b>	<b>11,757,269</b>	<b>41,461,709</b>	<b>9,653,089</b>
<b>Net change in fund balance</b>	<b>\$ (517,183)</b>	<b>(5,438,494)</b>	<b>14,552,703</b>	<b>9,818,563</b>

Source: School District financial records.

2008	2007	2006	2005	2004	2003
(16,852,269)	(15,868,954)	(961,726)	(814,330)	(2,661,147)	(9,639,192)
399,706	-	-	-	-	-
1,622,661	9,090	-	42,745	-	-
(1,622,661)	(9,090)	-	(42,745)	-	-
-	215	-	-	-	110
-	-	-	-	-	-
-	-	-	-	-	-
-	6,939,931	14,333,551	10,240,208	-	-
-	17,330,611	9,891,593	-	-	-
-	(16,960,000)	(5,015,000)	-	-	-
399,706	7,310,757	19,210,144	10,240,208	-	110
(16,452,563)	(8,558,197)	18,248,418	9,425,878	(2,661,147)	(9,639,082)

LINN-MAR COMMUNITY SCHOOL DISTRICT

GENERAL FUND EXPENDITURES, BY FUNCTION, AND OTHER FINANCING USES  
Last Ten Fiscal Years

**Expenditures by Function**

Fiscal Year Ended June 30,	Instruction	Support Services	Non- Instructional Programs	Other Expenditures	Total Expenditures	Other Financing Uses
2012	\$ 40,918,907	\$ 19,237,650	\$ -	\$ 2,543,681	\$ 62,700,238	\$ -
2011	39,494,522	17,945,296	-	2,703,997	60,143,815	-
2010	38,890,572	16,428,065	-	2,582,490	57,901,127	-
2009	38,388,366	15,781,493	1,488	2,285,973	56,457,320	(1,041)
2008	35,801,791	14,571,626	55,816	2,103,691	52,532,924	(10,500)
2007	31,615,236	12,687,181	82,196	1,851,025	46,235,638	(9,095)
2006	28,781,564	12,012,746	642	1,675,939	42,470,890	-
2005	26,278,462	10,711,877	-	1,565,078	38,555,417	(42,745)
2004	23,947,892	10,924,257	-	1,452,261	36,324,410	-
2003	22,164,892	9,730,893	-	1,485,575	33,381,360	-

Source: School District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

GENERAL FUND REVENUES, BY SOURCE, AND OTHER FINANCING SOURCES  
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Local Tax	State	Federal	Miscellaneous	Total	Other Financing Sources
2012	\$ 22,532,908	\$ 35,325,267	\$ 3,029,743	\$ 3,756,868	\$ 64,644,786	\$ 16,521
2011	23,106,617	33,471,036	3,752,150	3,505,767	63,835,570	1,769
2010	22,681,230	27,764,454	5,484,986	2,953,300	58,883,970	7,481
2009	21,808,516	31,352,545	2,087,217	3,057,787	58,306,065	1,119
2008	19,259,497	29,651,322	1,256,369	3,026,318	53,193,506	-
2007	17,317,744	25,409,145	1,070,730	2,666,485	46,464,104	-
2006	15,500,786	23,243,767	1,211,616	2,288,251	42,244,420	-
2005	14,544,873	20,984,741	969,553	2,129,131	38,628,298	-
2004	13,325,279	19,462,627	551,008	1,744,644	35,083,558	-
2003	12,690,539	19,208,714	547,626	1,647,414	34,094,293	110

Source: School District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,  
Last Ten Fiscal Years

Assessment Year	Collection Year	Actual Value			Less Exemptions	Total Taxable Value	Total Direct Rate
		Residential Property	Commercial Property	Other Property			
2010	2011-12	2,153,396,178	503,990,676	125,663,342	1,136,730,855	1,646,319,341	18.54161
2009	2010-11	2,073,971,062	500,753,652	125,978,973	1,129,135,324	1,571,568,363	19.73839
2008	2009-10	1,990,858,611	477,986,759	106,310,922	1,095,573,208	1,479,583,084	20.22951
2007	2008-09	1,893,497,108	483,513,198	98,623,115	1,070,565,207	1,405,068,214	20.40133
2006	2007-08	1,730,138,471	450,605,377	100,148,071	949,477,920	1,331,413,999	19.39588
2005	2006-07	1,613,286,865	443,260,340	99,459,863	881,950,290	1,274,056,778	18.81657
2004	2005-06	1,455,510,174	435,531,201	100,395,689	763,516,914	1,227,920,150	17.99931
2003	2004-05	1,352,545,635	414,483,900	104,473,635	705,055,150	1,166,448,020	17.76825
2002	2003-04	1,229,119,939	376,637,198	108,753,411	600,388,873	1,114,121,675	16.89647
2001	2002-03	1,155,102,582	365,888,743	113,517,396	569,209,283	1,065,299,438	16.90663

Source: Linn County Auditor

LINN-MAR COMMUNITY SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS,  
Last Ten Fiscal Years

Fiscal Year	Levy	Collected within the Levy Year		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of the Levy		Amount	Percentage of the Levy
2012	\$ 30,028,665	\$ 29,867,169	99.46%	\$ 168,928	\$ 30,036,097	100.02%
2011	30,261,870	29,992,625	99.11%	235,142	30,227,767	99.89%
2010	29,491,293	29,241,244	99.15%	229,839	29,471,083	99.93%
2009	28,092,272	27,873,797	99.22%	209,446	28,083,242	99.97%
2008	25,428,854	24,703,063	97.15%	77,861	24,780,924	97.45%
2007	23,617,541	23,504,447	99.52%	214,713	23,719,160	100.43%
2006	21,764,907	21,431,989	98.47%	149,056	21,581,045	99.16%
2005	20,475,421	20,403,652	99.65%	-	20,403,652	99.65%
2004	18,490,273	18,495,314	100.03%	116,273	18,611,587	100.66%
2003	17,479,448	17,319,855	99.09%	122,316	17,442,171	99.79%

Source: School District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

PROPERTY TAX RATES PER \$1,000 ASSESSED VALUATION ALL  
DIRECT AND OVERLAPPING GOVERNMENTS  
Last Ten Years

Levy Year	Collection Year	City of Cedar Rapids	City of Marion	City of Robbins
2010	2011-2012			
	County	6.11117	6.11117	6.11117
	Schools	18.54161	18.54161	18.54161
	City	15.21621	13.5098	8.60023
	Miscellaneous	1.29745	1.59012	1.59012
	Total Levy	<u>41.16644</u>	<u>39.7527</u>	<u>34.84313</u>
Ratio of Linn-Mar Community School District to Total		<u>45.04%</u>	<u>46.64%</u>	<u>53.21%</u>
2009	2010-2011			
	County	6.06829	6.06829	6.06829
	Schools	19.73839	19.73839	19.73839
	City	15.21621	13.63603	9.01063
	Miscellaneous	1.26511	1.26511	1.26511
	Total Levy	<u>42.288</u>	<u>40.70782</u>	<u>36.08242</u>
Ratio of Linn-Mar Community School District to Total		<u>46.68%</u>	<u>48.49%</u>	<u>54.70%</u>
2008	2009-2010			
	County	5.95245	5.95245	5.95245
	Schools	20.22951	20.22951	20.22951
	City	15.21621	13.86482	9.28024
	Miscellaneous	1.22581	1.22581	1.22581
	Total Levy	<u>42.62398</u>	<u>41.27259</u>	<u>36.68801</u>
Ratio of Linn-Mar Community School District to Total		<u>47.46%</u>	<u>49.01%</u>	<u>55.14%</u>
2007	2008-2009			
	County	6.14971	6.14971	6.14971
	Schools	20.40133	20.40133	20.40133
	City	15.07076	14.1385	9.1834
	Miscellaneous	1.25457	1.47989	1.47989
	Total Levy	<u>42.87637</u>	<u>42.16943</u>	<u>37.21433</u>
Ratio of Linn-Mar Community School District to Total		<u>47.58%</u>	<u>48.38%</u>	<u>54.82%</u>

Levy Year	Collection Year	City of Cedar Rapids	City of Marion	City of Robbins
2006	2007-2008			
	County	5.88629	5.88629	5.88629
	Schools	19.39588	19.39588	19.39588
	City	14.6161	13.78572	9.33124
	Miscellaneous	1.26327	1.23029	1.23029
	Total Levy	<u>41.16154</u>	<u>40.29818</u>	<u>35.8437</u>
Ratio of Linn-Mar Community School District to Total		<u>47.12%</u>	<u>48.13%</u>	<u>54.11%</u>
2005	2006-2007			
	County	5.69014	5.69014	5.69014
	Schools	18.81657	18.81657	18.81657
	City	14.38608	13.95525	9.32643
	Miscellaneous	1.288	1.23853	1.23853
	Total Levy	<u>40.18079</u>	<u>39.70049</u>	<u>35.07167</u>
Ratio of Linn-Mar Community School District to Total		<u>46.83%</u>	<u>47.40%</u>	<u>53.65%</u>
2004	2005-2006			
	County	5.73231	5.73231	5.73231
	Schools	17.99931	17.99931	17.99931
	City	13.98997	13.98851	8.69792
	Miscellaneous	1.06205	0.97102	0.97102
	Total Levy	<u>38.78364</u>	<u>38.69115</u>	<u>33.40056</u>
Ratio of Linn-Mar Community School District to Total		<u>46.41%</u>	<u>46.52%</u>	<u>53.89%</u>
2003	2004-2005			
	County	5.51347	5.51347	5.51347
	Schools	17.76825	17.76825	17.76825
	City	13.11797	13.65104	8.54268
	Miscellaneous	1.08096	0.98101	0.98101
	Total Levy	<u>37.48065</u>	<u>37.91377</u>	<u>32.80541</u>
Ratio of Linn-Mar Community School District to Total		<u>47.41%</u>	<u>46.86%</u>	<u>54.16%</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

PROPERTY TAX RATES PER \$1,000 ASSESSED VALUATION ALL  
DIRECT AND OVERLAPPING GOVERNMENTS  
Last Ten Years

Levy Year	Collection Year	City of Cedar Rapids	City of Marion	City of Robbins
2002	2003-2004			
	County	5.29322	5.29322	5.29322
	Schools	16.89647	16.89647	16.89647
	City	13.06777	13.46667	8.55126
	Miscellaneous	1.07587	0.97726	0.97726
	Total Levy	<u>36.33333</u>	<u>36.63362</u>	<u>31.71821</u>
Ratio of Linn-Mar Community School District to Total		<u>46.50%</u>	<u>46.12%</u>	<u>53.27%</u>
2001	2002-2003			
	County	5.25419	5.25419	5.25419
	Schools	16.90663	16.90663	16.90663
	City	12.82969	13.25744	8.58425
	Miscellaneous	1.06121	0.9617	0.9617
	Total Levy	<u>36.05172</u>	<u>36.37996</u>	<u>31.70677</u>
Ratio of Linn-Mar Community School District to Total		<u>46.90%</u>	<u>46.47%</u>	<u>53.32%</u>

Source: Linn County Auditor

LINN-MAR COMMUNITY SCHOOL DISTRICT

PROPERTY TAX RATES BY FUND PER \$1,000 ASSESSED VALUATION  
Last Ten Fiscal Years

Fiscal Year Ending June 30,	General	Management	Board Physical Plant and Equipment	Playground	Voted Physical Plant and Equipment	Debt Service	Total
2012	\$ 13.93153	\$ 0.50000	\$ 0.33000	\$ 0.13500	\$ 1.34000	\$ 2.30508	\$ 18.54161
2011	15.11830	1.14668	0.33000	0.13500	0.67000	2.33841	19.73839
2010	15.56715	0.90000	0.33000	0.13500	0.67000	2.62736	20.22951
2009	15.86000	0.65000	0.33000	0.13500	0.67000	2.75633	20.40133
2008	15.07172	0.65068	0.33000	0.03062	0.67000	2.64286	19.39588
2007	13.79463	0.79637	0.33000	0.13500	0.67000	3.09057	18.81657
2006	12.97192	0.91638	0.33000	0.13500	0.67000	2.97601	17.99931
2005	12.71299	0.91309	0.33000	0.03048	0.67000	3.11169	17.76825
2004	12.16085	0.45000	0.33000	0.13500	0.67000	3.15062	16.89647
2003	12.33196	0.30770	0.33000	0.13500	0.67000	3.13197	16.90663

Source: School District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

PRINCIPAL PROPERTY TAX PAYERS,  
CURRENT YEAR AND TEN YEARS AGO

Taxpayer	2010 Taxable Value 1-1-10 Valuation	Percentage of Total Taxable Value Valuation *	2000 Taxable Value 1-1-00 Valuation	Percentage of Total Taxable Value Valuation *
SDG Macerich Properties	\$ 34,374,794	2.09 %	-	- %
Rockwell Collins Inc	31,191,173	1.89	59,350,092	5.91
OPM LC	13,153,169	0.80	8,844,466	0.88
Developers Diversified Realty Corp	11,552,641	0.70	-	-
Collins Square LLC	11,503,077	0.70	10,436,860	1.04
WalMart	10,850,705	0.66	-	-
Timberland Partners	10,784,528	0.66	-	-
Atrium Finance	9,675,466	0.59	-	-
Busse Investmetn Inc	8,686,605	0.53	5,634,170	0.56
Lindale Mall	-	-	30,288,700	3.02
Alliant Energy	-	-	6,627,185	0.66
U.S. West	-	-	5,433,357	0.54
Northland Square Mall	-	-	4,592,610	0.46
Hy-Vee Food Stores	-	-	4,560,062	0.45
Mid American Energy	-	-	2,190,252	0.22
<b>Total</b>	<b>\$ 141,772,158</b>	<b>8.61 %</b>	<b>\$ 137,957,754</b>	<b>13.74 %</b>

\* 2010 Total District Taxable Valuation is \$1,646,319,341  
2000 Total District Taxable Valuation was \$1,004,367,247

Note: The 2010 valuation was reported because the taxes collected during the 2011 fiscal year was based on the 2010 valuation. The 2000 valuation was reported, because the valuation data for 2001 was not available.

Source: Linn County Auditor

LINN-MAR COMMUNITY SCHOOL DISTRICT

RATIO OF BONDED DEBT TO ASSESSED VALUES  
AND BONDED DEBT PER CAPITA  
Last Ten Fiscal Years

Fiscal Year	Assessed Values of Property	General Obligation Bonds	Revenue Bonds	Total Bonds	Ratio of Bonded Debt To Assessed Value	Bonded Debt Per Capita *
2012	\$ 2,783,050,196	\$ 45,365,000	\$ 36,585,000	\$ 81,950,000	2.94 %	\$ 315
2011	2,700,703,687	48,440,000	39,705,000	88,145,000	3.26	341
2010	2,545,408,524	51,215,000	42,725,000	93,940,000	3.69	365
2009	2,441,242,271	53,870,000	9,525,000	63,395,000	2.60	248
2008	2,255,811,533	56,485,000	-	56,485,000	2.50	223
2007	2,152,971,640	67,860,000	-	67,860,000	3.15	272
2006	1,988,451,640	62,425,000	-	62,425,000	3.14	253
2005	1,868,577,010	45,265,000	-	45,265,000	2.42	185
2004	1,711,628,836	37,080,000	-	37,080,000	2.17	153
2003	1,631,747,389	38,955,000	-	38,955,000	2.39	161

Source: District Financial Records, Woods & Poole Economics

\* Notes: Percentage personal Income and Per Capita figures are based upon Cedar Rapids Metropolitan Statistical Area Data from the corresponding calendar year.

LINN-MAR COMMUNITY SCHOOL DISTRICT

OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Revenue Bonds	Capital Leases	Total Primary Government	Ratio Of Bonded Debt To Personal Income *
2012	\$ 45,365,000	\$ 36,585,000	\$ 160,165	\$ 82,110,165	0.85 %
2011	48,440,000	39,705,000	292,561	88,437,561	0.95
2010	51,215,000	42,725,000	419,310	94,359,310	1.03
2009	53,870,000	9,525,000	239,512	63,634,512	0.69
2008	56,485,000	-	-	56,485,000	0.63
2007	67,860,000	-	-	67,860,000	0.79
2006	62,425,000	-	-	62,425,000	0.75
2005	45,265,000	-	-	45,265,000	0.55
2004	37,080,000	-	-	37,080,000	0.46
2003	38,955,000	-	-	38,955,000	0.48

Source: School District financial records.

Notes: (a) See Micellaneous Demographic Statistics on page 90. These ratios are calculated using personal income and population for the prior calendar year.

LINN-MAR COMMUNITY SCHOOL DISTRICT

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2011

	Gross General Obligation Debt Outstanding	Percentage Applicable to Governmental Unit *	Linn-Mar Community School District Share of Debt
Direct:			
Linn-Mar Community School District	45,365,000	100.00%	45,365,000
Overlapping:			
City of Cedar Rapids	239,510,000	11.34%	27,160,434
City of Marion	28,455,000	73.32%	20,863,206
City of Robbins	7,290,000	36.31%	2,646,999
Kirkwood Community College	19,985,000	8.23%	1,644,766
AEA #10- Grant Wood	-	0.00%	-
Linn County	21,240,000	18.01%	3,825,324
Total Overlapping	316,480,000		56,140,729
Total Direct and Overlapping Debt	361,845,000		101,505,729

Source: Linn County Auditor

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the district. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the district. This process recognizes that, when considering the district's ability to issue and repay long-term debt, the entire burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

\* The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

LINN-MAR COMMUNITY SCHOOL DISTRICT

COMPUTATION OF LEGAL DEBT MARGIN  
Last Ten Fiscal Years

	2011-2012		2010-2011		2009-2010		2008-2009
Total Assessed Valuation	\$ 2,783,050,196	\$	2,700,703,687	\$	2,545,408,524	\$	2,441,242,271
Bonded Debit Limit *							
5% of assessed valuation	139,152,510		135,035,184		127,270,426		122,062,114
Bonded Debt at end of fiscal year	82,110,165		88,437,561		94,359,310		63,634,512
Debt Margin at end of fiscal year	\$ 57,042,345	\$	46,597,623	\$	32,911,116	\$	58,427,602
Legal Debt Margin as a Percentage of debt limit	40.99%		34.51%		25.86%		47.87%

\* Code of Iowa Section 296.1

Source: Linn County Auditor  
School District Financial Records

2007-2008	2006-2007	2005-2006	2004-05	2003-04	2002-03
\$ 2,255,811,533	\$ 2,152,971,640	\$ 1,988,451,640	\$ 1,868,577,010	\$ 1,711,628,836	\$ 1,631,747,389
112,790,577	107,648,582	99,422,582	93,428,851	85,581,442	81,587,369
56,485,000	56,485,000	67,860,000	45,265,000	37,080,000	38,955,000
\$ 56,305,577	\$ 51,163,582	\$ 31,562,582	\$ 48,163,851	\$ 48,501,442	\$ 42,632,369
49.92%	47.53%	31.75%	51.55%	56.67%	52.25%

LINN-MAR COMMUNITY SCHOOL DISTRICT  
 MISCELLANEOUS DEMOGRAPHIC STATISTICS  
 Last Ten Years

Calendar Year	Population	Personal Income	Per Capita Income	Cedar Rapids Retail Sales (In Millions)	Marion Retail Sales (In Millions)	Linn-County Unemployment Rate	State Unemployment Rate
2011	259,828	\$ 9,657,823,000	\$ 37,170	\$ 2,862.1	\$ 328.9	6.00 %	5.90 %
2010	258,467	9,280,075,000	35,904	2,645.4	333.3	6.50	6.70
2009	257,530	9,162,172,000	35,577	2,894.8	351.8	5.70	6.00
2008	255,452	9,248,958,000	36,206	2,576.7	315.6	4.00	4.10
2007	252,780	9,001,524,000	35,610	2,444.5	344.5	3.80	3.80
2006	249,790	8,594,374,000	34,406	2,389.9	337.1	3.70	3.70
2005	246,410	8,316,144,000	33,749	2,398.2	287.1	4.70	4.60
2004	244,310	8,249,963,000	33,768	2,391.9	259.1	4.90	4.80
2003	242,550	8,056,076,000	33,214	2,328.2	252.2	4.80	4.50
2002	241,580	8,051,128,000	33,327	2,292.9	253.6	4.40	4.00

Source : Cedar Rapids Chamber of Commerce, Woods & Poole Economics  
 Iowa Department of Employment Services, Iowa Retail Sales & Use Tax Report

Note: The information provided in this chart is collected on a calendar year basis,  
 so data for 2012 is not yet available.

LINN-MAR COMMUNITY SCHOOL DISTRICT

NEW COMMERCIAL AND INDUSTRIAL BUILDING PERMITS  
Last Ten Years

Year	City of Cedar Rapids New Commerical		City of Marion New Commerical	
	# of Permits	Valualtion	# of Permits	Valualtion
2011	20	\$ 43,488,532	11	\$ \$ 2,494,538
2010	22	37,695,793	10	30,148,436
2009	21	19,387,965	6	902,214
2008	26	36,693,287	4	6,200,525
2007	30	58,819,301	10	6,246,039
2006	35	31,775,555	10	10,402,835
2005	52	54,653,299	19	15,823,935
2004	47	16,796,266	9	1,292,890
2003	43	15,849,336	9	1,888,957
2002	41	17,987,403	7	1,198,331

Year	City of Cedar Rapids New Industrial		City of Marion New Industrial	
	# of Permits	Valualtion	# of Permits	Valualtion
2011	7	\$ 1,962,394	-	\$ -
2010	-	-	1	75,000
2009	1	163,900	-	-
2008	12	34,937,383	-	-
2007	23	34,114,203	-	-
2006	2	8,095,188	1	229,680
2005	3	764,800	1	130,000
2004	4	2,989,448	1	91,872
2003	3	170,000	1	114,840
2002	1	225,000	1	1,877,468

Source: City of Cedar Rapids Building Department  
City of Marion

Note: The information provided in this chart is collected on a calendar year basis,  
so data for 2012 in not yet available.

LINN-MAR COMMUNITY SCHOOL DISTRICT

NEW SINGLE AND MULTI FAMILY DWELLING PERMITS  
Last Ten Years

Year	City of Cedar Rapids Single-Family		City of Marion Single-Family	
	# of Permits	Valualtion	# of Permits	Valualtion
2011	212	\$ 20,726,818	128	\$ 14,949,682
2010	332	29,438,833	145	16,677,433
2009	323	29,770,945	143	16,333,694
2008	292	30,247,887	216	26,585,154
2007	298	33,829,577	215	26,142,204
2006	346	37,911,515	211	25,406,593
2005	348	37,783,146	312	36,446,164
2004	338	34,725,819	289	29,467,226
2003	378	37,635,431	253	26,452,966
2002	370	37,741,513	227	23,370,869

Year	City of Cedar Rapids Multi-Family		City of Marion Multi-Family	
	# of Permits	Valualtion	# of Permits	Valualtion
2011	64(n/a)	\$ 7,849,210	23 (n/a)	\$ 5,349,470
2010	33(99).	6,331,267	21(n/a)	3,960,067
2009	73(403)	28,959,453	27(n/a)	6,037,139
2008	41(160)	9,749,758	25(73)	5,933,636
2007	49(254)	14,418,797	38(n/a)	11,562,153
2006	37(134)	9,140,955	37(113)	9,211,430
2005	75(n/a)	24,769,755	44(n/a)	19,879,621
2004	18(108)	33,595,118	14(n/a)	3,245,040
2003	37 (n/a)	7,650,440	39 (n/a)	17,736,558
2002	19 (n/a)	15,644,822	47 (n/a)	17,875,071

Source: City of Cedar Rapids Building Department  
City of Marion

Note: The information provided in this chart is collected on a calendar year basis,  
so data for 2012 in not yet available.

LINN-MAR COMMUNITY SCHOOL DISTRICT

PRINCIPAL EMPLOYERS  
Current Year and Twelve Years Ago

Employer	2012		2000	
	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
State University of IA/Hospital	26,267	49.21 %	21,773	40.79 %
Rockwell-Avionics	9,470	17.74	6,300	11.80
Aegon USA	3,872	7.25	-	-
St. Lukes Hospital	3,184	5.96	2,250	4.21
Mercy Medical Center	2,312	4.33	1,700	3.18
Whirlpool Corporation	2,225	4.17	2,950	5.53
Kirkwood Comm. College	1,944	3.64	-	-
Pearson	1,490	2.79	-	-
Vetrans Health Administration	1,351	2.53	-	-
Mercy Iowa City	1,266	2.37	-	-
Area Schools/AEA	-	-	4,073	7.63
Hy-Vee Stores	-	-	1,950	3.65
Walmart Stores, Inc.	-	-	-	-
IES Utilites	-	-	2,282	4.27
McLeod USA	-	-	1,966	3.68
MCI Communications	-	-	1,600	3.00
Total	53,381	100.00 %	46,844	87.75 %

Source: Cedar Rapids Area Chamber of Commerce

LINN-MAR COMMUNITY SCHOOL DISTRICT

FULL-TIME - EQUIVALENT DISTRICT EMPLOYEES BY TYPE  
Last Ten Fiscal Years

	Fiscal Year				
	2012	2011	2010	2009	2008
<b>Administration</b>					
Superintendent	1	1	1	1	1
Associate Superintendent	1	1	1	1	1
Principals	10	10	10	10	10
Assistant Principals	8	8	6	6	5
Deans	2	2	2	2	2
School Admin. Manager	7	7	5	3	2
Other Administrators	4	4	4	4	4
Supervisors	7	8	7	7	4.5
<b>Instructors</b>					
Regular Program Teachers	363.5	367.33	366.6	362.6	356.92
Special Education Teachers	64	54.27	56	55	54
<b>Student Services</b>					
Guidance Counselors	17	17	17	17	17
Media Specialists	10	10	10	10	9
Curriculum Coordinators	2	2	2	2	2
Other Licensed Staff	6	6	5	5	5
Other Coordinators	8	6	4	4	4
<b>Support Personnel</b>					
Nurse	4	4	4	4	4
Clerical	41.26	43.56	43.5	43.4	40.36
Paraeducators	178.48	144.95	154.9	149	144.27
Custodial & Maintenance	61.5	58	63	63	63.06
Food Service	48.51	51.57	49.82	48.16	48.07
Bus Drivers	28.18	26.9	28.19	27.09	21.53
	<u>872.43</u>	<u>832.58</u>	<u>840.01</u>	<u>824.25</u>	<u>798.71</u>

Source: District Personnel Records

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
1	1	1	1	1
1	1	1	1	1
9	9	9	8	7
5	5	5	5	6
0	0	0	0	0
2	0	0	0	0
3	3	2.5	1	1.5
4	4	4	4	4
327.59	309.8	293.39	284.63	270.04
52	51	48	41	38.5
15	14	12.5	12	11
8	8	8	8	7
2	2	2	2	2
5	5	4.5	2	3.75
3	3	3	4.5	3.5
3.75	3	3	3	2.5
36.15	36.56	36.44	35.56	34.56
133.13	122.77	128.48	123.14	105.4
62.46	58.85	58.97	97.15	55.01
41.59	42.44	37.44	-1	31.63
<u>22.03</u>	<u>22.19</u>	<u>17.18</u>	<u>16.375</u>	<u>14.18</u>
<u>736.7</u>	<u>701.61</u>	<u>675.4</u>	<u>648.35</u>	<u>599.57</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS  
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Insured Property Value	Expenditures For Construction	Bank Deposit *
2012	\$ 148,917,277	\$ 4,760,465	\$ 20,029,573
2011	138,693,867	11,709,850	6,638,429
2010	138,979,461	24,266,307	4,000,518
2009	120,501,828	6,614,785	345,460
2008	119,383,700	11,906,419	1,152,587
2007	87,310,929	2,097,020	412,829
2006	85,868,742	2,097,020	506,350
2005	78,890,063	1,962,487	1,656,331
2004	61,678,981	2,320,801	470,382
2003	58,546,915	11,594,240	791,857

\* School District's General Fund & Management Fund bank deposit at June 30, which doesn't include investments.

Source: Bouslog Insurance, Inc.  
District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

OPERATING COST PER PUPIL

Last Ten Fiscal Years

Fiscal Year	Total Costs *	Average Daily Attendance	Operating Costs Per Pupil
2011-2012	\$ 62,700,238	6,419	\$ 9,768
2010-2011	60,143,815	6,252	9,620
2009-2010	57,901,127	5,963	9,710
2008-2009	56,457,320	5,759	9,803
2007-2008	52,532,924	5,491	9,567
2006-2007	46,235,638	5,299	8,725
2005-2006	42,470,890	5,003	8,489
2004-2005	38,512,612	4,765	8,082
2003-2004	36,324,410	4,702	7,725
2002-2003	33,302,550	4,509	7,386

\* Includes all General Fund Expenditures

Source: School District Financial and attendance reports

LINN-MAR COMMUNITY SCHOOL DISTRICT

SCHOOL BUILDING INFORMATION  
Last Ten Fiscal Years

School	Fiscal Year			
	2003	2004	2005	2006
<b>Elementary</b>				
Bowman Woods				
Square Feet	50,906	50,906	50,906	50,906
Capacity	500	500	500	500
Enrollment	524	514	499	498
Echo Hill				
Square Feet				
Capacity				
Enrollment				
Indian Creek				
Square Feet	49,200	49,200	49,200	49,200
Capacity	450	450	450	450
Enrollment	426	406	427	478
Linn Grove				
Square Feet				
Capacity				
Enrollment				
Novak				
Square Feet	57,300	57,300	57,300	57,300
Capacity	400	400	400	400
Enrollment	487	370	362	366
Westfield				
Square Feet	58,000	58,000	58,000	58,000
Capacity	500	500	500	500
Enrollment	495	405	436	462
Wilkins				
Square Feet	48,800	48,800	48,800	48,800
Capacity	500	500	500	500
Enrollment	434	460	473	462
<b>PreK-8 Building <sup>c</sup></b>				
Oak Ridge				
Square Feet		105,383	105,383	105,383
Capacity		750	750	750
Enrollment		577	643	692
<b>Middle School/Intermediate <sup>a</sup></b>				
Excelsior				
Square Feet	126,700	126,700	126,700	126,700
Capacity	1,100	1,100	1,100	1,100
Enrollment	1,122	884	836	841
Oak Ridge <sup>c</sup>				
Square Feet				
Capacity				
Enrollment				
<b>High School/Junior High <sup>b</sup></b>				
Square Feet	305,000	305,000	305,000	305,000
Capacity	1,800	1,800	1,800	1,800
Enrollment	1,250	1,292	1,399	1,504

**Notes:** Overtime some of the buildings capacity have actually decreased due to the inclusion of additional special programs.

<sup>a</sup> Excelsior Middle School opened back in 1995 as an intermediate school and was added onto 1999 and converted into a middle school.

<sup>b</sup> The high school started out as two separate buildings; the high school and junior high. Overtime they were both added onto and are now one large building.

<sup>c</sup> With the opening of Echo Hill elementary school at the start of the 2008-2009 school year, Oak Ridge school was converted from a PreK-8 school to a middle school.

2007	2008	2009	2010	2011	2012
50,906	50,906	50,906	50,906	50,906	50,906
500	500	500	500	500	500
537	474	437	429	417	436
		78,000	78,000	78,000	78,000
		600	600	600	600
		511	542	458	432
49,200	49,200	49,200	49,200	49,200	49,200
450	450	450	450	450	450
525	366	385	430	452	447
	78,000	78,000	78,000	78,000	78,000
	600	600	600	600	600
	374	379	392	440	460
57,300	57,300	57,300	57,300	57,300	57,300
400	400	400	400	400	400
381	345	357	351	484	485
58,000	58,000	58,000	58,000	58,000	58,000
500	500	500	500	500	500
443	472	427	457	459	446
48,800	48,800	48,800	48,800	48,800	48,800
500	500	500	500	500	500
508	411	442	436	447	458
105,383	105,383				
750	750				
781	925				
126,700	126,700	126,700	126,700	126,700	126,700
1,100	1,100	1,100	1,100	1,100	1,100
823	785	767	738	761	849
		105,383	105,383	105,383	105,383
		750	750	750	750
		599	659	700	670
305,000	305,000	305,000	305,000	305,000	305,000
1,800	1,800	1,800	1,800	1,800	1,800
1,642	1,694	1,761	1,806	1,708	1,776

LINN-MAR COMMUNITY SCHOOL DISTRICT

FINANCIAL SOLVENCY RATIO  
Last Ten Fiscal Years

School Year	Assigned and Unassigned General Fund Balance	Actual Revenues	Financial Solvency Ratio
2011-2012	\$ 10,234,148	\$ 64,661,307	15.83%
2010-2011	8,000,016	63,835,570	12.53%
2009-2010	5,172,928	58,883,970	8.78%
2008-2009	4,663,394	58,306,065	8.00%
2007-2008	2,953,846	53,193,506	5.55%
2006-2007	2,323,216	46,464,104	5.00%
2005-2006	2,112,437	42,244,419	5.00%
2004-2005	2,522,629	38,628,298	6.53%
2003-2004	2,561,145	35,083,588	7.30%
2002-2003	3,801,967	34,094,293	11.15%

\* Financial Solvency Ratio =  $\frac{\text{Unassigned \& Assigned General Fund Balance}}{\text{Actual Revenues}}$

The financial solvency ratio measures movement and distribution of current assets. The financial solvency ratio represents a school district's year end position after payment of all current and outstanding or accrued liabilities.

Ranges utilized are:

**TARGETED SOLVENCY POSITION:**

Financial Solvency Ratio ranging from 5% to 10% of actual revenues. A school district is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term obligations.

**ACCEPTABLE SOLVENCY POSITION:**

Financial Solvency Ratio ranging from 0% to 4.99% of actual revenues. Fund balance is considered adequate for short-term credit purposes as long as other local economic trends, such as property tax collections and enrollment are sound.

**SOLVENCY ALERT:**

A solvency alert exists if the school corporation has a negative solvency ratio up to -3.0% of actual revenues. A negative solvency position in this range warrants prompt management response but could be caused by operating revenue/expenditure fluctuations within one budget year.

**SOLVENCY CONCERN:**

A solvency concern exists if the school corporation has a negative solvency ratio in excess of -3.0% of actual revenues.

Source: School District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY MEMBERSHIP(ADM), AVERAGE DAILY  
ATTENDANCE (ADA) AND RATIO OF ADA TO ADM  
Last Ten Fiscal Years

<u>Fiscal Year Ending June 30,</u>	<u>Average Daily Membership (ADM)</u>	<u>Average Daily Attendance (ADA)</u>	<u>Ratio of ADA to ADM</u>
2012	6,687	6,419	95.99 %
2011	6,534	6,252	95.68
2010	6,308	5,963	94.53
2009	6,069	5,759	94.89
2008	5,814	5,491	94.44
2007	5,602	5,299	94.59
2006	5,266	5,003	95.01
2005	4,975	4,765	95.78
2004	4,912	4,702	95.72
2003	4,708	4,509	95.77

Source: District Enrollment Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

OPEN ENROLLED STUDENTS

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Open Enrollment In</u>	<u>Open Enrollment Out</u>	<u>Net Gain (Loss)</u>
2012	399	543	(144)
2011	358	532	(174)
2010	309	558	(249)
2009	253	589	(336)
2008	214	667	(453)
2007	174	561	(387)
2006	153	543	(390)
2005	158	491	(333)
2004	135	490	(355)
2003	128	470	(342)

Source: School District Certified Enrollment Records

## SINGLE AUDIT SECTION



LINN-MAR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

GRANTOR/PROGRAM	CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 12	93,769
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 12	793,977 *
			<u>887,746</u>
ENVIRONMENTAL PROTECTION AGENCY:			
IOWA DEPARTMENT OF NATURAL RESOURCES			
STATE CLEAN DIESEL GRANT PROGRAM	66.040	FY 12	<u>47,975</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I, PART A CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3715-G	339,592
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 11	<u>11,086</u>
			<u>350,678</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 12	<u>37,108</u>
ADVANCE PLACEMENT PROGRAM	84.330	FY 12	<u>732</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 12	<u>98,420</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 11	34,704
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 12	<u>13,322</u>
			<u>48,026</u>
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	<u>11,384</u>
EDUCATION JOBS FUND	84.410	FY 11	<u>928,112</u>
MISSISSIPPI BEND AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER (IDEA):			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 12	<u>334,451</u>
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 12	<u>4,532</u>
			<u>\$ 2,749,164</u>

\* - Includes \$160,035 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Linn-Mar Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying Independent Auditor's Report

**NOLTE, CORNMAN & JOHNSON, P.C.**  
Certified Public Accountants  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50209-3040  
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Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with Government Auditing Standards

To the Board of Education of  
Linn-Mar Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Linn-Mar Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 26, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Linn-Mar Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Linn-Mar Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Linn-Mar Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sample Community School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of the 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 a material misstatement of the District's financial statements will not be prevented or detected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Linn-Mar Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Linn-Mar Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Linn-Mar Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Linn-Mar Community School District and other parties to whom Linn-Mar Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Linn-Mar Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

November 26, 2012

**NOLTE, CORNMAN & JOHNSON, P.C.**  
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Independent Auditor's Report on Compliance with Requirements That  
Could Have a Direct and Material Effect on Each Major Program and Internal Control  
over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Linn-Mar Community School District

Compliance

We have audited the compliance of Linn-Mar Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Linn-Mar Community School District's major federal programs for the year ended June 30, 2012. Linn-Mar Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Linn-Mar Community School District's management. Our responsibility is to express an opinion on Linn-Mar Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 Linn-Mar Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Linn-Mar Community School District's compliance with those requirements.

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

Internal Control Over Compliance

The management of Linn-Mar Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Linn-Mar Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Linn-Mar Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance 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 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Linn-Mar Community School District and other parties to whom Linn-Mar Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in black ink, reading "Nolte, Cornman & Johnson P.C." with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

November 26, 2012

LINN-MAR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) Unqualified opinions were issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:

Individual Programs:

CFDA 84.367 - Improving Teacher Quality State Grants

CFDA 84.410 - Education Jobs Fund

Clustered Programs:

School Nutrition Cluster

CFDA Number 10.553 - School Breakfast Program

CFDA Number 10.555 - National School Lunch Program

Title I Cluster

CFDA Number 84.010 - Title I Grants to Local Educational Agencies

CFDA Number 84.389 - ARRA - Title I Grants to Local Educational Agencies, Recovery Act

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Linn-Mar Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control financial reporting were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget - District expenditures for the year ended June 30, 2012 exceeded the certified amounts in the support services function.

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

Response - The District acknowledges that the support services function budget was exceeded by \$18,434 or .09%. The District will monitor the budget and amend it before expenditures exceed the budget in the future.

Conclusion - Response accepted.

IV-B-12 Questionable Expenditures - We noted that cash was given to students for the top sellers of the Middle School Activity magazine fundraiser. Giving cash or gift certificates/cards to students as incentives do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will no longer give cash or gift certificates/cards to students as incentives. In addition, the District will urge that all incentives to be handled by the fundraiser organization.

Conclusion - Response accepted.

IV-C-12 Travel Expense - No expenditures 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.

However, we noted during our audit that an employee of the District charged meals to the District credit card and the employee failed to provide documentation to support the reimbursement. According to District Board policy 803.3, employees that seek reimbursement of expenses must attach an itemized receipt to the credit card log otherwise the employee is required to reimburse the District for the expense.

Recommendation - The District should review Board Policy 803.3 with employees to ensure that receipts for all reimbursable expenses are attached for supporting documentation. The District should follow their policy and require reimbursement from employee's who fail to turn in an itemized receipt.

Response - The District will remind all staff on the requirement of getting itemized receipts for all meals. Any staff member not having itemized receipts will not be reimbursed or will be required to reimburse the District for credit card purchases.

Conclusion - Response accepted.

IV-D-12 Business Transactions - No business transactions between the District and District officials or employees were noted.

- IV-E-12 Bond Coverage - Surety bond coverage of district officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.
- Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.
- Response - The District will make sure the minutes are sent to the paper within two weeks of the Board meeting as required by 279.35 of the Code of Iowa. In addition, the District will document when the minutes were submitted.
- Conclusion - Response accepted.
- IV-G-12 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by 1.66.
- Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response - The District's auditor will contact the Iowa Department of Education and Department of Management to resolve this matter. The District has corrected its aid and levy to show the adjustment.
- Conclusion - Response accepted.
- IV-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-12 Deposits and Investments - No instances of non-compliance were noted with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the district's investment policy.
- IV-J-12 Certified Annual Report - The Certified Annual Report was certified timely with the Iowa Department of Education.
- IV-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide 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 statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 7,022,300
Revenues:		
Statewide sales, services and use tax	\$ 6,441,915	
Interest on investments	81,914	
Other	52,508	6,576,337
		<hr/>
Expenditures/transfers out:		
School infrastructure construction	\$ 2,870,370	
Equipment	333,437	
Transfers to other funds:		
Debt Service	5,484,713	8,688,520
		<hr/>
Ending balance		<u><u>\$ 4,910,117</u></u>

For the year ended June 30, 2012 the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	<hr/>	<hr/>
Debt Service	\$ 0.60742	\$ 1,000,000

IV-M-12 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

**Box Tops/Target Donations:** Currently, the District records Box Tops and Target donations in the Student Activity Fund.

Recommendation - Donations given to a school should be expended according to donor request. According to information contained on the website for Box Tops, the donation can be used for items such as books, computers or playground equipment. Since the items listed for purchase with Box Top donations appear instructional in nature, the most logical place to record these donations would be the General Fund.

Currently, donations from Target are recorded in the Student Activity Fund. Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

Response - The District will transfer the Box Tops/Target Donations funds from the Student Activity Fund to the General Fund and have the Board designated how the Target funds should be spent.

Conclusion - Response accepted.

**Scholarship awards:** It appears that the District awards scholarships to students from proceeds generated from activities recorded in the Jazz Band account.

Recommendation - Scholarship awards to students are most appropriately handled through the Private Purpose Trust Fund. The District should determine the amount of scholarships to be awarded to students and receipt the proceeds and record subsequent expenditures in the Private Purpose Trust Fund.

Response - All funds that are supporting scholarships will be either ran through the Linn-Mar Foundation or the District will establish a Private Purpose Trust Fund.

Conclusion - Response accepted.

**Staff meals:** While District policies do outline that certain staff meals meet public purpose requirements, it was noted that several meals were purchased from Student Activity accounts using money from the staff pop account.

Recommendation - These meals would appear to be for curricular purposes and therefor more appropriately handled in the General Fund.

Response - The District will look at moving the HS staff pop fund from the Student Activity Fund to the General Fund.

Conclusion - Response accepted.

LINN-MAR COMMUNITY SCHOOL DISTRICT