

LISBON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS

JUNE 30, 2005

LISBON COMMUNITY SCHOOL DISTRICT
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LISBON COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2005

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September, 2004 Election)		
Ann Opatz	Board President	2004
Dean Mallie	Board Member	2004
Dave Prasil	Board Member	2005
Jeff Bohr	Board Member	2005
Scott Morningstar	Board Member	2006
(After September, 2004 Election)		
Scott Morningstar	Board President	2006
Dave Prasil	Board Member	2005
Jeff Bohr	Board Member	2005
Andrew Sullivan	Board Member	2007
Doren Montgomery	Board Member	2007
School Officials		
Robert Torrence	Superintendent	2005
Gene Lawson	District Secretary	2005
C. Joseph Holland	Attorney	2005

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
Lisbon Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Lisbon Community School District, Lisbon, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Lisbon Community School District as of June 30, 2005, 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, I have also issued my report dated September 27, 2005 on my consideration of Lisbon Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lisbon Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the one year ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the two years ended June 30, 2003 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Kay L. Chapman, CPA PC
September 27, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lisbon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,223,098 in fiscal 2004 to \$4,497,252 in fiscal 2005, while General Fund expenditures increased from \$4,389,318 in fiscal 2004 to \$4,665,293 in fiscal 2005. The District's General Fund balance decreased from \$365,323 in fiscal 2004 to \$174,771 in fiscal 2005, a 52% decrease.
- The increase in General Fund revenues was attributable to an increase of state foundation revenue and an increase in miscellaneous revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and open enrollment tuition out expenditures. The General Fund balance decreased is because the open enrollment tuition out and negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2004 and was continued into fiscal 2005. As a result, the District funded a portion of the current year General Fund open enrollment tuition out, as well as salaries and benefits from the carryover fund balance.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Lisbon Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lisbon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lisbon Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

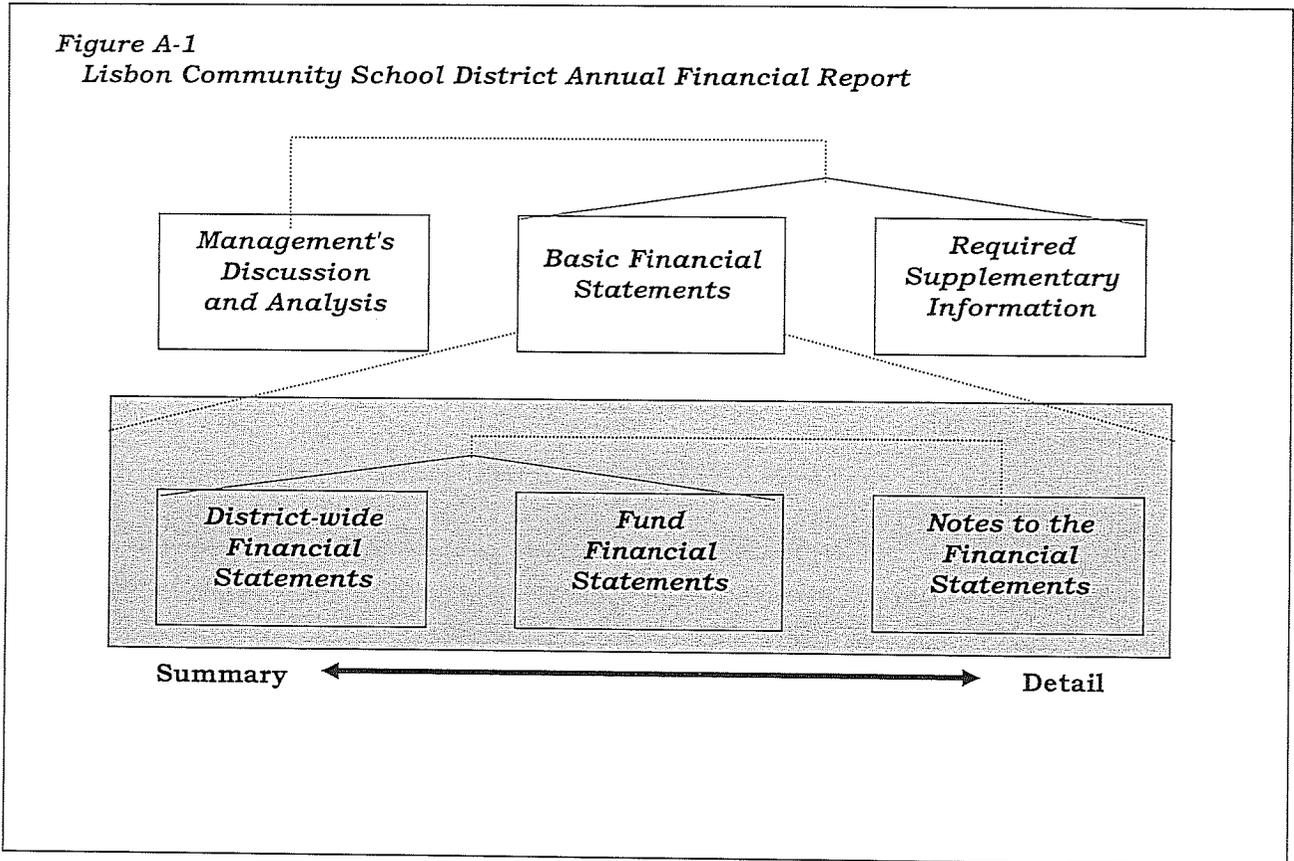


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial 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 financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into three categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.
- *Component unit:* This includes the activities of the Lisbon Community School District Foundation. The District receives significant financial benefits from the Foundation although they are legally separate entities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *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 financial 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. The District currently has two Enterprise Funds, the School Nutrition Fund and Daycare Fund. Internal

Service Funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one Internal Service Fund, the employee benefit, self-funded dental plan fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds consist of Agency Funds.

- Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
Current and other assets	\$ 3,466,620	\$ 3,832,090	\$ 32,024	\$ 89,798	\$ 3,498,644	\$ 3,921,888	-10.79%
Capital assets	<u>6,534,137</u>	<u>6,328,276</u>	<u>32,868</u>	<u>26,440</u>	<u>6,567,005</u>	<u>6,354,716</u>	3.34%
Total assets	<u>10,000,757</u>	<u>10,160,366</u>	<u>64,892</u>	<u>116,238</u>	<u>10,065,649</u>	<u>10,276,604</u>	-2.05%
Long-term obligations	2,645,000	2,801,567	-	-	2,645,000	2,801,567	0.00%
Other liabilities	<u>3,085,176</u>	<u>3,149,919</u>	<u>34,185</u>	<u>25,557</u>	<u>3,119,361</u>	<u>3,175,476</u>	-1.77%
Total liabilities	<u>5,730,176</u>	<u>5,951,486</u>	<u>34,185</u>	<u>25,557</u>	<u>5,764,361</u>	<u>5,977,043</u>	-3.56%
Net assets							
Invested in capital assets, net of related debt	3,889,138	3,526,709	32,868	26,440	3,922,006	3,553,149	10.38%
Restricted	253,644	330,323	-	-	253,644	330,323	-23.21%
Unrestricted	<u>127,799</u>	<u>351,848</u>	<u>(2,161)</u>	<u>64,241</u>	<u>125,638</u>	<u>416,089</u>	-69.81%
Total net assets	<u>\$ 4,270,581</u>	<u>\$ 4,208,880</u>	<u>\$ 30,707</u>	<u>\$ 90,681</u>	<u>\$ 4,301,288</u>	<u>\$ 4,299,561</u>	0.04%

The District's combined net assets increased by approximately .04%, or \$1,727, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$76,679, or 23.21% from the prior year. The decrease was primarily a result of the unspent Capital Project Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$290,451, or approximately 70%.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

	Governmental Activities		Business Type Activities		Total District	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for service and sales	\$ 415,337	\$ 396,494	\$ 559,091	\$ 534,541	\$ 974,428	\$ 931,035
Operating grants, contributions and restricted interest	515,556	399,296	69,583	70,940	585,139	470,236
Capital grants, contributions and restricted interest	215,521	850,000	-	-	215,521	850,000
General revenues						
Property and other taxes	1,523,152	1,668,431	-	-	1,523,152	1,668,431
Unrestricted state grants	2,541,407	2,167,432	-	-	2,541,407	2,167,432
Unrestricted investment earnings	27,040	34,921	389	665	27,429	35,586
Contributions and donations	12,623	-	-	-	12,623	-
Other	4,780	20,034	-	-	4,780	20,034
Loss on disposal of materials	(5,251)	-	-	-	(5,251)	-
Total revenues	<u>5,250,165</u>	<u>5,536,608</u>	<u>629,063</u>	<u>606,146</u>	<u>5,879,228</u>	<u>6,142,754</u>
Program expenses						
Governmental activities						
Instruction	3,200,745	2,988,633	-	-	3,200,745	2,988,633
Support services	1,573,697	1,451,058	-	-	1,573,697	1,451,058
Non-instructional programs	-	-	689,036	655,236	689,036	655,236
Other expenses	414,022	431,799	-	-	414,022	431,799
Total expenses	<u>5,188,464</u>	<u>4,871,490</u>	<u>689,036</u>	<u>655,236</u>	<u>5,877,500</u>	<u>5,526,726</u>
Change in net assets	<u>\$ 61,701</u>	<u>\$ 665,118</u>	<u>\$ (59,973)</u>	<u>\$ (49,090)</u>	<u>\$ 1,728</u>	<u>\$ 616,028</u>

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 81% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,250,165 and expenses were \$5,188,464. In a difficult budget year, the District was able to balance the budget by receiving a federal grant.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

Total and Net Cost of Governmental Activities		
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 3,200,745	\$ 2,442,285
Support services	1,573,697	1,573,024
Non-instructional programs	-	-
Other expenses	<u>414,022</u>	<u>26,741</u>
Total expenses	<u>\$ 5,188,464</u>	<u>\$ 4,042,050</u>

- The cost financed by users of the District's programs was \$415,337.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$731,077.
- The net cost of governmental activities was financed with \$1,523,152 in property and sales taxes and \$2,541,407 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$629,063 and expenses were \$689,036. The District's business type activities include the School Nutrition Fund and Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$395,064, well below last year's ending fund balances of \$694,072. However, the primary reason for the decrease in combined fund balances in fiscal 2005 is due to an increase in open enrollment out of the district in fiscal 2005.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Reduction during the year in state entitlements resulted in a decrease in revenues. The District's increase in General Fund expenditures required the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$365,323 to \$174,771, due in part to the negotiated salary and benefits settlement, open enrollment tuition out and existing expenditure commitments of the District.
- The Capital Projects Fund balance decreased due to the construction of a new elementary wing and remodeling of the vacated areas after the sale of \$2,840,000 in general obligation bonds during fiscal 2004. The District ended fiscal 2004 with a balance of \$130,286 as a result of the unexpended bond proceeds. Fiscal 2005 ended with a balance of \$82,949, consisting primarily of Local Option Sales and Service Tax.

Proprietary Fund Highlights

Enterprise Fund net assets decreased from \$90,680 at June 30, 2004 to \$30,707 at June 30, 2005, representing a decrease of approximately 66%. For fiscal 2005, the decrease was due to increase of supply cost, as well as salaries and benefits that were higher than anticipated.

BUDGETARY HIGHLIGHTS

Over the course of the year, Lisbon Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the general fund activity.

The District's receipts were \$604,402 less than budgeted receipts, a variance of 10%. The most significant variance resulted from the District receiving less in state federal aid than originally anticipated.

Total expenditures were \$975,892 less than budgeted, due primarily to the District's budget for the General and Capital Project Funds. It is the District's practice to amend the budget expenditures at to the maximum authorized spending authority for the General Fund to comply with statutory requirements. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$6,567,006, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 3% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$178,097.

The original cost of the District's capital assets was \$9,052,209. Governmental funds account for \$8,962,024, with the remainder of \$90,185 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$3,863,228 at June 30, 2005, compared to \$3,551,916 reported at June 30, 2004. This significant increase resulted from construction activity financed by the issuance of voter approved general obligation bonds and construction grant totaling \$3,840,000 in fiscal 2004 for construction of a new elementary wing and remodeling vacated areas.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2004-2005</u>
Land	\$ 150,000	\$ 150,000	\$ -	\$ -	\$ 150,000	\$ 150,000	0.00%
Construction in progress	3,863,228	3,551,916	-	-	3,863,228	3,551,916	8.76%
Buildings and improvements	2,289,990	2,420,846	-	-	2,289,990	2,420,846	-5.41%
Improvements, other than buildings	38,444	41,161	-	-	38,444	41,161	-6.60%
Furniture and equipment	<u>192,476</u>	<u>164,353</u>	<u>32,868</u>	<u>26,440</u>	<u>225,344</u>	<u>190,793</u>	18.11%
Totals	<u>\$6,534,138</u>	<u>\$6,328,276</u>	<u>\$32,868</u>	<u>\$26,440</u>	<u>\$6,567,006</u>	<u>\$6,354,716</u>	3.34%

Long-Term Debt

At June 30, 2005, the District had \$2,645,000 in general obligation debt outstanding. This represents a decrease of approximately 6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total		Total
	School District	School District	
	<u>2005</u>	<u>2004</u>	<u>2004-2005</u>
General obligation bonds	\$ 2,645,000	\$ 2,745,000	-3.64%
Capital loan notes	-	35,000	-100.00%
Note payable	-	<u>21,567</u>	-100.00%
Total	<u>\$ 2,645,000</u>	<u>\$ 2,801,567</u>	-5.59%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Although the District has experienced increased certified enrollment for the past years, the District expects a decrease in enrollment attending the District due to an increase in open enrollment out of the District.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal 2005 at a cost of \$75,000. To pay for the bus, the District will use a combination of resources from the Physical Plant and Equipment Levy Fund and issuance of a note payable.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gene D. Lawson, District Secretary/Treasurer and Business Manager, Lisbon Community School District, 235 West School Street. PO Box 839, Lisbon, IA 52253-0839.

Basic Financial Statements

LISBON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

Exhibit A

	Primary Government			Component Unit
	Governmental		Total	
	Activities	Business Type Activities		
ASSETS				
Cash and cash equivalents				
ISCAP	\$ 612,824	\$ -	\$ 612,824	\$ -
Other	934,432	12,488	946,920	189,540
Receivables				
Property tax				
Delinquent	22,340	-	22,340	-
Succeeding year	1,623,414	-	1,623,414	-
Interest receivable	9	-	9	-
Accounts receivable	-	1,032	1,032	-
Due from other governments	273,601	4,221	277,822	-
Inventories	-	14,283	14,283	-
Capital assets, net of accumulated depreciation	6,534,137	32,868	6,567,005	-
Total assets	<u>10,000,757</u>	<u>64,892</u>	<u>10,065,649</u>	<u>189,540</u>
LIABILITIES				
Accounts payable	314,015	5,143	319,158	-
Salaries and benefits payable	359,614	29,042	388,656	-
Health claims payable	5,000	-	5,000	-
Construction contracts payable	147,655	-	147,655	-
Accrued interest payable	17,286	-	17,286	-

See notes to financial statements and Independent Auditor's Report.

LISBON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

Exhibit A

	Primary Government		Component Unit
	Governmental Activities	Business Type Activities	
LIABILITIES (continued)			
ISCAP warrants payable	\$ 610,000	\$ -	\$ 610,000
ISCAP unamortized premium	8,192	-	8,192
Deferred revenue - succeeding year property tax	1,623,414	-	1,623,414
Long-term liabilities			
Portion due within one year			
Bonds payable	105,000	-	105,000
Portion due after one year			
Bonds payable	2,540,000	-	2,540,000
Total liabilities	<u>5,730,176</u>	<u>34,185</u>	<u>5,764,361</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,889,138	32,868	3,922,006
Restricted for			
Talented and gifted program	33,497	-	33,497
Management levy	60,236	-	60,236
Physical plant and equipment levy	23,733	-	23,733
Other special revenue purposes	53,229	-	53,229
Capital projects	82,949	-	82,949
Unrestricted	127,799	(2,161)	125,638
Total net assets	<u>\$ 4,270,581</u>	<u>\$ 30,707</u>	<u>\$ 4,301,288</u>

See notes to financial statements and Independent Auditor's Report.

LISBON COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2005

Exhibit B

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total	
Functions/Programs								
Primary Government								
Governmental activities								
Instruction								
Regular instruction	\$ 2,460,507	\$ 311,397	\$ 161,918	\$ -	\$ (1,987,192)	\$ -	\$ (1,987,192)	\$ -
Special instruction	506,763	103,715	81,177	-	(321,871)	-	(321,871)	-
Other instruction	233,475	-	100,253	-	(133,222)	-	(133,222)	-
	<u>3,200,745</u>	<u>415,112</u>	<u>343,348</u>	<u>-</u>	<u>(2,442,285)</u>	<u>-</u>	<u>(2,442,285)</u>	<u>-</u>
Support services								
Student services	74,412	-	-	-	(74,412)	-	(74,412)	-
Instructional staff services	157,538	-	-	-	(157,538)	-	(157,538)	-
Administration services	608,237	-	-	-	(608,237)	-	(608,237)	-
Operation and maintenance of plant services	536,112	225	-	-	(535,887)	-	(535,887)	-
Transportation services	197,398	-	448	-	(196,950)	-	(196,950)	-
	<u>1,573,697</u>	<u>225</u>	<u>448</u>	<u>-</u>	<u>(1,573,024)</u>	<u>-</u>	<u>(1,573,024)</u>	<u>-</u>
Non-instructional programs	-	-	-	-	-	-	-	-
Other expenditures								
Facilities acquisition	30,133	-	-	215,521	185,388	-	185,388	-
Long-term debt interest	105,807	-	-	-	(105,807)	-	(105,807)	-
AEA flowthrough	171,760	-	-	-	(171,760)	-	(171,760)	-
Depreciation (unallocated)*	106,322	-	171,760	-	65,438	-	65,438	-
	<u>414,022</u>	<u>-</u>	<u>171,760</u>	<u>215,521</u>	<u>(26,741)</u>	<u>-</u>	<u>(26,741)</u>	<u>-</u>
Total governmental activities	<u>5,188,464</u>	<u>415,337</u>	<u>515,556</u>	<u>215,521</u>	<u>(4,042,050)</u>	<u>-</u>	<u>(4,042,050)</u>	<u>-</u>

See notes to financial statements and Independent Auditor's Report.

LISBON COMMUNITY SCHOOL DISTRICT
 Statement of Activities
 For the Year Ended June 30, 2005

Exhibit B

Functions/Programs (continued) Primary Government (continued) Business type activities	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government			Total
					Governmental Activities	Business Type Activities		
Non-instructional programs								
Food service operations	\$ 305,867	\$ 216,908	\$ 63,403	\$ -	\$ (25,556)	\$ (25,556)	\$ -	
Daycare operations	383,169	342,183	6,180	-	(34,806)	(34,806)	-	
Total business type activities	689,036	559,091	69,583	-	(60,362)	(60,362)	-	
Total primary government	\$ 5,877,500	\$ 974,428	\$ 585,139	\$ 215,521	\$ (60,362)	\$ (4,102,412)	\$ -	
Component Unit								
Foundation	\$ 23,008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (23,008)	
General Revenues								
Property tax levied for								
General purposes		1,154,121				1,154,121	-	
Debt service		208,956				208,956	-	
Capital outlay		95,875				95,875	-	
Sales tax for capital projects		64,200				64,200	-	
Unrestricted state grants		2,541,407				2,541,407	-	
Contributions and donations		12,623				12,623	83,384	
Unrestricted investment earnings		27,040			389	27,429	939	
Loss on disposal of capital assets		(5,251)				(5,251)	-	
Other		4,780				4,780	-	
Total general revenues		4,103,751			389	4,104,140	84,323	
Change in net assets		61,701			(59,973)	1,728	61,315	
Net assets, beginning of year		4,208,880			90,680	4,299,560	128,225	
Net assets, end of year		\$ 4,270,581			\$ 30,707	\$ 4,301,288	\$ 189,540	

* This amount excludes the depreciation that is included in the direct expenses of the various programs. See notes to financial statements and Independent Auditor's Report.

LISBON COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2005

Exhibit C

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and pooled investments				
ISCAP	\$ 612,824	\$ -	\$ -	\$ 612,824
Other	714,653	1,315	209,798	925,766
Receivables				
Property tax				
Delinquent	16,325	-	6,015	22,340
Succeeding year	1,229,102	-	394,312	1,623,414
Accrued interest	-	-	9	9
Due from other governments	44,312	229,289	-	273,601
Total assets	<u>\$ 2,617,216</u>	<u>\$ 230,604</u>	<u>\$ 610,134</u>	<u>\$ 3,457,954</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 235,537	\$ -	\$ 78,478	\$ 314,015
Salaries and benefits payable	359,614	-	-	359,614
Construction contracts payable	-	147,655	-	147,655
ISCAP warrants payable	610,000	-	-	610,000
ISCAP unamortized premium	8,192	-	-	8,192
Deferred revenue				
Succeeding year property tax	1,229,102	-	394,312	1,623,414
Total liabilities	<u>2,442,445</u>	<u>147,655</u>	<u>472,790</u>	<u>3,062,890</u>
Fund balances				
Reserved for				
Talented and gifted program	33,497	-	-	33,497
Unreserved, undesignated				
Special revenue funds	-	-	137,198	137,198
Other governmental funds	141,274	82,949	146	224,369
Total fund balances	<u>174,771</u>	<u>82,949</u>	<u>137,344</u>	<u>395,064</u>
Total liabilities and fund balances	<u>\$ 2,617,216</u>	<u>\$ 230,604</u>	<u>\$ 610,134</u>	<u>\$ 3,457,954</u>

See notes to financial statements and Independent Auditor's Report.

LISBON COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2005

Exhibit D

Total fund balances of governmental funds	\$ 395,064
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,534,138
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.	(17,286)
The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets.	3,665
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,645,000)</u>
Net assets of governmental activities	<u>\$ 4,270,581</u>

See notes to financial statements and Independent Auditor's Report.

LISBON COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$ 1,284,855	\$ 64,200	\$ 378,754	\$ 1,727,809
Tuition	363,834	-	-	363,834
Other	78,102	499	98,923	177,524
State sources	2,671,588	-	266	2,671,854
Federal sources	98,873	215,521	-	314,394
Total revenues	<u>4,497,252</u>	<u>280,220</u>	<u>477,943</u>	<u>5,255,415</u>
Expenditures				
Current				
Instruction				
Regular instruction	2,426,716	-	-	2,426,716
Special instruction	506,763	-	-	506,763
Other instruction	143,467	-	90,008	233,475
	<u>3,076,946</u>	<u>-</u>	<u>90,008</u>	<u>3,166,954</u>
Support services				
Student services	74,412	-	-	74,412
Instructional staff services	157,538	-	-	157,538
Administration services	558,788	-	47,985	606,773
Operation and maintenance of plant services	467,929	-	63,196	531,125
Transportation services	157,920	-	79,565	237,485
	<u>1,416,587</u>	<u>-</u>	<u>190,746</u>	<u>1,607,333</u>
Other expenditures				
Facilities acquisition	-	327,557	35,842	363,399
Long-term debt				
Principal	-	-	156,567	156,567
Interest and fiscal charges	-	-	110,410	110,410
AEA flowthrough	171,760	-	-	171,760
	<u>171,760</u>	<u>327,557</u>	<u>302,819</u>	<u>802,136</u>
Total expenditures	<u>4,665,293</u>	<u>327,557</u>	<u>583,573</u>	<u>5,576,423</u>

See notes to financial statements and Independent Auditor's Report.

LISBON COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Deficiency of revenues under expenditures	\$ (168,041)	\$ (47,337)	\$ (105,630)	\$ (321,008)
Other financing sources (uses)				
Sale of real property	-	-	22,000	22,000
Interfund operating transfers in (out)	<u>(22,511)</u>	-	<u>22,511</u>	-
Total other financing sources (uses)	<u>(22,511)</u>	-	<u>44,511</u>	<u>22,000</u>
Net change in fund balances	(190,552)	(47,337)	(61,119)	(299,008)
Fund balance, beginning of year	<u>365,323</u>	<u>130,286</u>	<u>198,463</u>	<u>694,072</u>
Fund balance, end of year	<u>\$ 174,771</u>	<u>\$ 82,949</u>	<u>\$ 137,344</u>	<u>\$ 395,064</u>

See notes to financial statements and Independent Auditor's Report.

LISBON COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances-
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2005

Exhibit F

Net change in fund balances - total governmental funds \$ (299,008)

Amounts reported for governmental activities in the statement of activities
 are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, 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 and depreciation expense in the year are as follows:

Capital outlays	\$ 408,070	
Loss on disposal of asset	(27,251)	
Depreciation expense	<u>(174,957)</u>	205,862

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (6,323)

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. 156,567

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. 4,603

Change in net assets of governmental activities \$ 61,701

See notes to financial statements and Independent Auditor's Report.

LISBON COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2005

Exhibit G

	Business Type Activities			Governmental Activity
	Nonmajor			Internal Service
	LECCEC	School Nutrition	Total Enterprise	
ASSETS				
Cash and pooled investments	\$ -	\$ 35,287	\$ 35,287	\$ 8,666
Accounts receivable	1,032	-	1,032	-
Due from other governments	583	3,638	4,221	-
Inventories	-	14,283	14,283	-
Capital assets, net of accumulated depreciation	-	32,868	32,868	-
Total assets	1,615	86,076	87,691	8,666
LIABILITIES				
Accounts payable	3,853	1,290	5,143	-
Health claims payable and incurred	-	-	-	5,000
Salaries and benefits payable	23,836	5,206	29,042	-
Negative bank balance	22,799	-	22,799	-
Total liabilities	50,488	6,496	56,984	5,000
NET ASSETS				
Invested in capital assets, net of related debt	-	32,868	32,868	-
Unrestricted	(48,873)	46,712	(2,161)	3,666
Total net assets	\$ (48,873)	\$ 79,580	\$ 30,707	\$ 3,666

See notes to financial statements and Independent Auditor's Report.

LISBON COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

Exhibit H

	Business Type Activities			Governmental Activity
	Nonmajor	School	Total	Internal
	<u>LECCEC</u>	<u>Nutrition</u>	<u>Enterprise</u>	<u>Service</u>
Operating revenue				
Local sources				
Charges for service	\$ 342,183	\$ 216,908	\$ 559,091	\$ -
Employee contributions	-	-	-	19,037
Total operating revenue	<u>342,183</u>	<u>216,908</u>	<u>559,091</u>	<u>19,037</u>
Operating expenses				
Non-instructional programs				
Salaries	235,701	62,171	297,872	-
Benefits	72,161	23,375	95,536	-
Purchased services	-	2,012	2,012	25,360
Supplies	73,003	210,877	283,880	-
Equipment repairs	2,265	3,599	5,864	-
Miscellaneous	39	693	732	-
Depreciation	-	3,140	3,140	-
Total operating expenses	<u>383,169</u>	<u>305,867</u>	<u>689,036</u>	<u>25,360</u>
Operating loss	<u>(40,986)</u>	<u>(88,959)</u>	<u>(129,945)</u>	<u>(6,323)</u>
Non-operating revenues				
Interest income	103	286	389	-
State sources	-	2,878	2,878	-
Federal sources	6,180	60,525	66,705	-
Total non-operating revenues	<u>6,283</u>	<u>63,689</u>	<u>69,972</u>	<u>-</u>
Change in net assets	(34,703)	(25,270)	(59,973)	(6,323)
Net assets, beginning of year	<u>(14,170)</u>	<u>104,850</u>	<u>90,680</u>	<u>9,989</u>
Net assets, end of year	<u>\$ (48,873)</u>	<u>\$ 79,580</u>	<u>\$ 30,707</u>	<u>\$ 3,666</u>

See notes to financial statements and Independent Auditor's Report.

LISBON COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

Exhibit I

	Business Type Activities			Governmental Activity
	Nonmajor		Total	Internal
	<u>LECCEC</u>	<u>Nutrition</u>		
Cash flows from operating activities				
Cash received from sale of lunches and breakfasts	\$ -	\$ 219,846	\$ 219,846	\$ -
Cash received from sale of services	350,337	-	350,337	-
Cash received from miscellaneous operating activities	-	-	-	19,037
Cash payments to employees for services	(303,947)	(81,183)	(385,130)	-
Cash payments to suppliers for goods and services	<u>(52,497)</u>	<u>(208,388)</u>	<u>(260,885)</u>	<u>(25,360)</u>
Net cash used in operating activities	<u>(6,107)</u>	<u>(69,725)</u>	<u>(75,832)</u>	<u>(6,323)</u>
Cash flows from non-capital financing activities				
State grants received	-	2,878	2,878	-
Federal grants received	<u>5,597</u>	<u>44,279</u>	<u>49,876</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>5,597</u>	<u>47,157</u>	<u>52,754</u>	<u>-</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	<u>-</u>	<u>(9,568)</u>	<u>(9,568)</u>	<u>-</u>
Cash flows from investing activities				
Interest on investments	<u>103</u>	<u>286</u>	<u>389</u>	<u>-</u>
Net decrease in cash and cash equivalents	(407)	(31,850)	(32,257)	(6,323)
Cash and cash equivalents, beginning of year	<u>407</u>	<u>67,137</u>	<u>67,544</u>	<u>14,989</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 35,287</u>	<u>\$ 35,287</u>	<u>\$ 8,666</u>

Reconciliation of operating loss to net cash used in operating activities

Operating loss	\$ (40,986)	\$ (88,959)	\$(129,945)	\$ (6,323)
Adjustments to reconcile operating loss to net cash used in operating activities				
Commodities used	-	12,608	12,608	-
Depreciation	-	3,140	3,140	-
Decrease in accounts receivable	8,154	2,938	11,092	-
(Increase) in inventories	-	(4,153)	(4,153)	-
Increase in due to other fund	22,799	-	22,799	-
Increase in accounts payable	11	338	349	-
Increase (decrease) in salaries and benefits payable	<u>3,915</u>	<u>4,363</u>	<u>8,278</u>	<u>-</u>
Net cash used in operating activities	<u>\$ (6,107)</u>	<u>\$ (69,725)</u>	<u>\$ (75,832)</u>	<u>\$ (6,323)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2005, the District received \$12,608 of federal commodities.

See notes to financial statements and Independent Auditor's Report.

LISBON COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2005

Exhibit J

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 20,761
Liabilities	
Due to others	<u>20,761</u>
Net assets	<u>\$ -</u>

See notes to financial statements and Independent Auditor's Report.

LISBON COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

Note 1. Summary of Significant Accounting Policies

The Lisbon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Lisbon, Iowa, and the agricultural territories in Linn, Cedar, Jones and Johnson Counties. 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, Lisbon 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.

These financial statements present the Lisbon Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit

The Lisbon Community School District Foundation was created to raise money through contributions and fundraisers to benefit the District. The Foundation is a separate legal entity with its own accounting records and board of trustees. The trustees are elected for 3-year terms from nominations submitted by the Board of Education of the District. The Foundation does not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation is accounted for as a Governmental Fund in these financial statements.

Jointly Governed Organizations

The District does not participate in any jointly governed organizations for which the District is financially accountable or that the nature and significance of the relationship with the District are such that exclusion would cause the District's financial statements to be misleading.

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. For the most part, the effect of interfund activity has been removed from these statements. 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 service.

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 asset 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 imposed by management which 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 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 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 revenues 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 expenditures, including instructional, support and other costs.

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

The District reports the following major proprietary fund:

The Enterprise, Daycare Fund is used to account for the District's daycare operations.

Additionally, the District reports two nonmajor proprietary funds. The Enterprise, School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is utilized to account for the self-funded employee dental insurance program.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt and claims and judgments 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 the 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.

The proprietary funds of the District applies 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is 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 non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is 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.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. 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 District is required to certify its budget in April 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 property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, 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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$5,000
Buildings	\$5,000
Improvements other than buildings	\$5,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	10-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - 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.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted nor did the District exceed its General Fund unspent authorized budget.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 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 or other evidences 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.

At June 30, 2005, the District had no investments.

Investment 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.

Note 3. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Physical Plant and Equipment Levy	Debt Service	3,199

The Debt Service Fund had a negative reconciled bank balance at June 30, 2005. This fund shares a bank account with other funds; therefore, the negative bank balance is reported as due to and due from other funds in the financial statements.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 22,511
Debt Service	Physical Plant and Equipment Levy	<u>37,100</u>
		<u>\$ 59,611</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2004-05A	6/30/04	6/30/05	\$ 122	\$ -	\$ -	\$ -	\$ -
2005-06A	6/30/05	6/30/06	<u>612,702</u>	<u>-</u>	<u>610,000</u>	<u>-</u>	<u>8,192</u>
			<u>\$ 612,824</u>	<u>\$ -</u>	<u>\$ 610,000</u>	<u>\$ -</u>	<u>\$ 8,192</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In additions, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity for the year ended June 30, 2005.

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-05A	3.000%	2.4630%
2004-05B	3.500%	2.2800%
2005-06A	3.500%	3.9030%

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 150,000	\$ -	\$ -	\$ 150,000
Construction in progress	<u>3,551,916</u>	<u>311,312</u>	<u>-</u>	<u>3,863,228</u>
Total capital assets, not being depreciated	<u>3,701,916</u>	<u>311,312</u>	<u>-</u>	<u>4,013,228</u>
Capital assets being depreciated:				
Buildings and improvements	4,334,112	-	(68,123)	4,265,989
Improvements other than buildings	54,326	-	-	54,326
Furniture and equipment	<u>570,713</u>	<u>96,758</u>	<u>(38,990)</u>	<u>628,481</u>
Total capital assets being depreciated	<u>4,959,151</u>	<u>96,758</u>	<u>(107,113)</u>	<u>4,948,796</u>
Less accumulated depreciation for:				
Buildings and improvements	1,913,266	103,605	(40,872)	1,975,999
Improvements other than buildings	13,165	2,717	-	15,882
Furniture and equipment	<u>406,360</u>	<u>68,635</u>	<u>(38,990)</u>	<u>436,005</u>
Total accumulated depreciation	<u>2,332,791</u>	<u>174,957</u>	<u>(79,862)</u>	<u>2,427,886</u>
Total capital assets being depreciated, net	<u>2,626,360</u>	<u>(78,199)</u>	<u>(27,251)</u>	<u>2,520,910</u>
Governmental activities capital assets, net	<u>\$ 6,328,276</u>	<u>\$233,113</u>	<u>\$ (27,251)</u>	<u>\$6,534,138</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 80,617	\$ 9,568	\$ -	\$ 90,185
Less accumulated depreciation	<u>54,177</u>	<u>3,140</u>	<u>-</u>	<u>57,317</u>
Business type activities capital assets, net	<u>\$ 26,440</u>	<u>\$ 6,428</u>	<u>\$ -</u>	<u>\$ 32,868</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction		
Regular		\$ 27,468
Support services		
Administration		1,464
Operation and maintenance of plant		4,987
Transportation		34,717
Unallocated depreciation		<u>106,321</u>
Total governmental activities depreciation expense		<u>\$ 174,957</u>

Business type activities

Food services		<u>\$ 3,140</u>
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Note 7. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 2,745,000	\$ -	\$(100,000)	\$ 2,645,000	\$ 105,000
Capital loan notes	35,000	-	(35,000)	-	-
Notes payable	<u>21,567</u>	-	<u>(21,567)</u>	-	-
Totals	<u>\$ 2,801,567</u>	<u>\$ -</u>	<u>\$(156,567)</u>	<u>\$ 2,645,000</u>	<u>\$ 105,000</u>

Capital Loan Notes

On March 1, 1995, the District issued \$265,000 of capital loan notes to be repaid over 10 years (callable after 5 years) from proceeds of a voted 67 cent levy. The notes had a balance of \$35,000 at June 30, 2004, which was repaid, with interest of 6 percent, during the year ended June 30, 2005.

Notes Payable

On May 20, 2002, after public hearing, the District approved borrowing an amount not to exceed \$75,000 to assist in the financing of a school bus purchase. On September 17, 2003 the District borrowed \$42,248 to be used to partially finance the purchase of a school bus costing \$66,249. The notes had a balance of \$21,567 as of June 30, 2004, which was repaid during the year ended June 30, 2005.

Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of May 1, 2003			
	Interest Rates	Interest	Principal	Total
2006	3.250	\$ 103,715	\$ 105,000	\$ 208,715
2007	3.250	100,303	105,000	205,303
2008	3.250	96,890	110,000	206,890
2009	3.250	93,315	115,000	208,315
2010	3.500	89,577	120,000	209,577
2011	3.500	85,378	125,000	210,378
2012	4.000	81,002	130,000	211,002
2013	4.000	75,803	135,000	210,803
2014	4.000	70,402	140,000	210,402
2015	4.000	64,803	145,000	209,803
2016	4.000	59,002	150,000	209,002
2017	4.000	53,003	160,000	213,003
2018	4.000	46,602	165,000	211,602
2019	4.100	40,003	170,000	210,003
2020	4.200	33,032	180,000	213,032
2021	4.300	25,473	190,000	215,473
2022	4.300	17,302	195,000	212,302
2023	4.350	8,918	205,000	213,918
Totals		<u>\$ 1,144,523</u>	<u>\$ 2,645,000</u>	<u>\$ 3,789,523</u>

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$153,917, \$150,182 and \$144,336 respectively, equal to the required contributions for each year.

Note 9. Risk Management

The District has a self-funded dental plan for its employees. Settled claims have not exceeded the coverage in any of the past three calendar plan years.

Payments are made to the plan based on estimates of amounts needed to pay prior and current claims and to establish a reserve for catastrophic losses. That reserve was \$5,000 at June 30, 2005, the last date for which information is available. The incurred but not recorded and unpaid claims liability of \$5,000 reported in the plan at June 30, 2005, is based on the requirements of GASB Statement Number 10, which requires that a liability for claims be reported.

The change in the incurred but not reported and unpaid claims liability for the year ended June 30, 2005 is as follows:

Balance, beginning of year	\$ 5,000
Incurred claims and claim adjustments	25,360
Payment of claims	<u>(25,360)</u>
Balance, end of year	<u>\$ 5,000</u>

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. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. 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 \$171,760 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Related Party Transactions

The District had business transactions between the District and a board member, totaling \$51,425 during the year ended June 30, 2005.

Note 12. Construction and Other Commitments

During the year ended June 30, 2004, the District received a \$1 million federal grant for a construction project to remodel and add onto the existing building. The District also issued \$2,840,000 of general obligation bonds on May 1, 2003 to finance this project. The land was purchased in 1975 & 1995 and construction of the building was started during the year ended June 30, 2004. The project will be completed in the fall of 2005. The District has entered into contracts totaling \$3,524,453 for this project. As of June 30, 2005, costs of \$3,376,798 had been paid against the project. Additional costs and retainage of \$147,655 have been incurred but not paid as of June 30, 2005 and have been recorded as accounts payable in the financial statements.

Note 13. Pending Litigation

At June 30, 2005, the District was involved in a case of pending litigation. The outcome is unknown as of the date of the audit report and it is difficult to estimate the potential damages involved. Therefore, no liability for potential payments has been recorded.

Required Supplementary Information

LISBON COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis)
 All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 For the Year Ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Actual Variance
						Original	Final	
Receipts								
Local sources	\$ 2,189,388	\$ 580,041	\$ 2,769,429	\$ (19,037)	\$ 2,750,392	\$ 2,561,251	\$ 2,951,322	\$ (200,930)
State sources	2,671,343	2,878	2,674,221	-	2,674,221	2,703,382	2,703,382	(29,161)
Federal sources	165,313	49,876	215,189	-	215,189	589,500	589,500	(374,311)
Total receipts	<u>5,026,044</u>	<u>632,795</u>	<u>5,658,839</u>	<u>(19,037)</u>	<u>5,639,802</u>	<u>5,854,133</u>	<u>6,244,204</u>	<u>(604,402)</u>
Disbursements								
Instruction	3,081,018	-	3,081,018	-	3,081,018	2,942,600	3,122,500	41,482
Support services	1,522,544	-	1,522,544	-	1,522,544	1,407,200	1,562,371	39,827
Non-instructional programs	-	671,375	671,375	(25,360)	646,015	670,000	725,000	78,985
Other expenditures	1,134,233	-	1,134,233	-	1,134,233	1,972,630	1,972,630	838,397
Total disbursements	<u>5,737,795</u>	<u>671,375</u>	<u>6,409,170</u>	<u>(25,360)</u>	<u>6,383,810</u>	<u>6,992,430</u>	<u>7,382,501</u>	<u>998,691</u>
Deficiency of receipts under disbursements	<u>(711,751)</u>	<u>(38,580)</u>	<u>(750,331)</u>	<u>6,323</u>	<u>(744,008)</u>	<u>(1,138,297)</u>	<u>(1,138,297)</u>	<u>394,289</u>
Other financing sources, net	<u>22,000</u>	<u>-</u>	<u>22,000</u>	<u>-</u>	<u>22,000</u>	<u>100</u>	<u>100</u>	<u>21,900</u>
Deficiency of receipts and other financing sources under disbursements	<u>(689,751)</u>	<u>(38,580)</u>	<u>(728,331)</u>	<u>6,323</u>	<u>(722,008)</u>	<u>(1,138,197)</u>	<u>(1,138,197)</u>	<u>416,189</u>
Balance, beginning of year	<u>1,615,517</u>	<u>82,533</u>	<u>1,698,050</u>	<u>(14,989)</u>	<u>1,683,061</u>	<u>2,189,686</u>	<u>2,189,686</u>	<u>(506,625)</u>
Balance, end of year	<u>\$ 925,766</u>	<u>\$ 43,953</u>	<u>\$ 969,719</u>	<u>\$ (8,666)</u>	<u>\$ 961,053</u>	<u>\$ 1,051,489</u>	<u>\$ 1,051,489</u>	<u>\$ (90,436)</u>

See accompanying Independent Auditor's Report.

LISBON COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 For the Year Ended June 30, 2005

	Governmental Funds		
	Cash	Accrual	Modified
	<u>Basis</u>	<u>Adjustments</u>	<u>Basis</u>
Revenues	\$ 5,026,044	\$ 229,371	\$ 5,255,415
Expenditures	<u>5,737,795</u>	<u>(161,372)</u>	<u>5,576,423</u>
Net	(711,751)	390,743	(321,008)
Other financing sources	22,000	-	22,000
Beginning fund balances	<u>1,615,517</u>	<u>(921,445)</u>	<u>694,072</u>
Ending fund balances	<u>\$ 925,766</u>	<u>\$ (530,702)</u>	<u>\$ 395,064</u>

	Proprietary Funds		
	Cash	Accrual	Accrual
	<u>Basis</u>	<u>Adjustments</u>	<u>Basis</u>
Revenues	\$ 632,795	\$ (3,732)	\$ 629,063
Expenditures	<u>671,375</u>	<u>17,661</u>	<u>689,036</u>
Net	(38,580)	(21,393)	(59,973)
Beginning fund balances	<u>82,533</u>	<u>8,147</u>	<u>90,680</u>
Ending fund balances	<u>\$ 43,953</u>	<u>\$ (13,246)</u>	<u>\$ 30,707</u>

See accompanying Independent Auditor's Report.

LISBON COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental 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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash 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 functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$390,071.

During the year ended June 30, 2005, District disbursements did not exceed the amounts budgeted; nor did General Fund disbursements exceed the unspent authorized budget.

Other Supplementary Information

LISBON COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

Schedule 1

	Special Revenue				
	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	Debt <u>Service</u>	<u>Total</u>
ASSETS					
Cash and pooled investments	\$ 62,143	\$ 53,220	\$ 94,435	\$ -	\$ 209,798
Receivables					
Property tax					
Current year delinquent	1,135	-	1,535	3,345	6,015
Succeeding year	85,000	-	98,597	210,715	394,312
Accrued interest	-	9	-	-	9
Due from other funds	-	-	3,199	-	3,199
Total assets	<u>\$ 148,278</u>	<u>\$ 53,229</u>	<u>\$ 197,766</u>	<u>\$ 214,060</u>	<u>\$ 613,333</u>
 LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 3,042	\$ -	\$ 75,436	\$ -	\$ 78,478
Due to other funds	-	-	-	3,199	3,199
Deferred revenue					
Succeeding year property tax	85,000	-	98,597	210,715	394,312
Total liabilities	88,042	-	174,033	213,914	475,989
Fund Equity					
Unreserved fund balances	60,236	53,229	23,733	146	137,344
Total liabilities and fund equity	<u>\$ 148,278</u>	<u>\$ 53,229</u>	<u>\$ 197,766</u>	<u>\$ 214,060</u>	<u>\$ 613,333</u>

See accompanying Independent Auditor's Report.

LISBON COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

Schedule 2

Revenues	Special Revenue				Total
	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	Debt <u>Service</u>	
Local sources					
Local taxes	\$ 74,135	\$ -	\$ 95,808	\$ 208,811	\$ 378,754
Other	432	90,655	7,706	130	98,923
State sources	<u>54</u>	<u>-</u>	<u>67</u>	<u>145</u>	<u>266</u>
Total revenues	<u>74,621</u>	<u>90,655</u>	<u>103,581</u>	<u>209,086</u>	<u>477,943</u>
Expenditures					
Current					
Instruction					
Other instruction	-	90,008	-	-	90,008
Support services					
Administration services	47,985	-	-	-	47,985
Operation and maintenance of plant services	9,658	-	53,538	-	63,196
Transportation services	6,261	-	73,304	-	79,565
Other expenditures					
Facilities acquisition	-	-	35,842	-	35,842
Long-term debt					
Principal	-	-	-	156,567	156,567
Interest and fiscal charges	-	-	-	110,410	110,410
Total expenditures	<u>63,904</u>	<u>90,008</u>	<u>162,684</u>	<u>266,977</u>	<u>583,573</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,717</u>	<u>647</u>	<u>(59,103)</u>	<u>(57,891)</u>	<u>(105,630)</u>
Other financing sources (uses)					
Sale of real property	-	-	22,000	-	22,000
Intefund operating transfers	-	-	(37,100)	59,611	22,511
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(15,100)</u>	<u>59,611</u>	<u>44,511</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures & other financing (uses)	10,717	647	(74,203)	1,720	(61,119)
Fund balances, beginning of year	<u>49,519</u>	<u>52,582</u>	<u>97,936</u>	<u>(1,574)</u>	<u>198,463</u>
Fund balances, end of year	<u>\$ 60,236</u>	<u>\$ 53,229</u>	<u>\$ 23,733</u>	<u>\$ 146</u>	<u>\$ 137,344</u>

See accompanying Independent Auditor's Report.

LISBON COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2005

Schedule 3

	Balance, Beginning of Year	<u>Additions</u>	<u>Deductions</u>	Balance, End of Year
Assets				
Cash	<u>\$ 35,979</u>	<u>\$ 92,671</u>	<u>\$ 107,889</u>	<u>\$ 20,761</u>
Liabilities				
Due to others	<u>\$ 35,979</u>	<u>\$ 92,671</u>	<u>\$ 107,889</u>	<u>\$ 20,761</u>

See accompanying Independent Auditor's Report.

LISBON COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2005

Schedule 4

<u>Account</u>	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
High School Athletics					
Boys basketball	\$ 7,343	\$ 5,519	\$ 2,866	\$ (1,564)	\$ 8,432
Bys football	14,281	10,641	8,383	(3,040)	13,499
Boys baseball	(2,728)	901	6,063	2,728	(5,162)
Boys track	(1,179)	1,277	2,109	1,178	(833)
Boys golf	(313)	43	607	313	(564)
Boys wrestling	928	3,092	2,176	(197)	1,647
Girls basketball	7,871	5,068	2,639	(1,675)	8,625
Girls volleyball	4,162	2,766	1,482	(886)	4,560
Girls softball	(3,084)	2,077	3,469	3,084	(1,392)
Girls golf	(259)	-	322	259	(322)
Athletics	11,547	15,379	12,297	(2,458)	12,171
Middle School Athletics					
Boys basketball	(422)	-	570	422	(570)
Boys football	(516)	-	373	516	(373)
Boys track	(20)	-	57	20	(57)
Boys wrestling	(75)	-	233	75	(233)
Girls basketball	(742)	-	506	742	(506)
Girls volleyball	(461)	-	376	460	(377)
Girls softball	-	-	612	-	(612)
Girls track	(20)	-	92	20	(92)
SADD	438	-	-	-	438
Peer counselors	1,032	-	-	-	1,032
National Honor Society	230	140	303	-	67
Speech	(474)	-	-	474	-
Ski trip	247	654	626	-	275
Spanish club	1,758	5,519	3,840	-	3,437
High school student council	268	672	441	-	499
Cheerleaders	1,380	4,198	4,729	-	849
Junior high student council	3,952	12,444	13,016	-	3,380
Class of 2004	599	-	-	-	599
Class of 2005	1,144	931	1,941	-	134
Class of 2006	-	4,480	4,052	-	428
Annual	1,305	6,614	7,161	-	758
Special	4,327	8,240	8,667	(471)	3,429
Recycling	63	-	-	-	63
Totals	<u>\$ 52,582</u>	<u>\$ 90,655</u>	<u>\$ 90,008</u>	<u>\$ -</u>	<u>\$ 53,229</u>

See accompanying Independent Auditor's Report.

LISBON COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types
For the Last Four Years

Schedule 5

	Modified Accrual Basis			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues				
Local sources				
Local tax	\$ 1,727,809	\$ 1,667,356	\$ 1,445,064	\$ 1,400,546
Tuition	363,834	245,725	246,554	255,975
Other	177,524	204,924	185,726	171,993
State sources	2,671,854	2,486,211	2,543,102	2,562,653
Federal sources	<u>314,394</u>	<u>931,592</u>	<u>146,795</u>	<u>113,725</u>
 Total revenues	 <u>\$ 5,255,415</u>	 <u>\$ 5,535,808</u>	 <u>\$ 4,567,241</u>	 <u>\$ 4,504,892</u>
 Expenditures				
Instruction				
Regular instruction	2,426,716	2,289,496	2,100,020	2,064,677
Special instruction	506,763	470,526	577,189	538,714
Other instruction	233,475	203,778	207,764	217,967
Support services				
Student services	74,412	60,311	84,307	110,707
Instructional staff services	157,538	149,933	152,428	133,073
Administration services	606,773	653,110	617,842	614,819
Operation and maintenance of plant services	531,125	452,985	424,458	343,675
Transportation services	237,485	119,240	113,129	107,519
Other expenditures				
Facilities acquisition	363,399	3,479,845	324,649	-
Long-term debt				
Principal	156,567	150,681	30,000	40,000
Interest and other charges	110,410	116,405	5,905	7,630
AEA flowthrough	<u>171,760</u>	<u>168,244</u>	<u>178,558</u>	<u>179,001</u>
 Total expenditures	 <u>\$ 5,576,423</u>	 <u>\$ 8,314,554</u>	 <u>\$ 4,816,249</u>	 <u>\$ 4,357,782</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

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
Lisbon Community School District

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lisbon Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated September 27, 2005. I conducted my 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

In planning and performing my audit, I considered Lisbon Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item (A) Segregation of Duties, is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lisbon Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Lisbon Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Lisbon Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC
September 27, 2005

LISBON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2005

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITIONS

(A) Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

LISBON COMMUNITY SCHOOL DISTRICT
 Schedule of Findings
 For the Year Ended June 30, 2005

Part II. Other Findings Related to Statutory Reporting:

1. Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
2. Certified Budget - Disbursements for the year ended June 30, 2005 did not exceed the amended amounts budgeted.
3. Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
4. 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.
5. Business Transactions - Business transactions between the District and District officials are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Scott Morningstar, board president owner of Lisbon Insurance Agency	School insurance coverage	\$ 51,425

In accordance with an Attorney General's Opinion dated November 9, 1976, the transactions with Board Member Morningstar does not appear to represent a conflict of interest with Chapter 729.7A of the Code of Iowa.

Recommendation - The District should consult legal counsel to determine the disposition of this matter.

Response - The Board Member has been the District's insurance agent for several years. We are aware the payment to the company exceeds the \$2,500 limit allowed by the Code of Iowa. However, the commission earned is below that limit. We also have consulted with our attorney on this matter.

Conclusion - Response accepted.

6. 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.

LISBON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2005

7. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
8. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The fiscal Certified Annual Report was not filed with the Department of Education timely, but I noted no significant deficiencies in the amounts reported. The non-fiscal sections of the CAR were filed by the due date; however, the amounts reported were not correct on the Capital Asset Detail schedule.

Recommendation - The District should ensure that all sections of the Certified Annual Report are filed with the Department of Education in a timely manner and contain correct information in future years

Response - The fiscal sections of the CAR were filed after the due date due to the account conversion required by the Iowa Department of Education and time requirements of the construction project. We will file the CAR with the Department of Education timely and with correct information in future years.

Conclusion - Response accepted.

11. Financial Condition - The District had an unreserved, undesignated deficit in the Enterprise-LECCEC Fund of \$48,873 at June 30, 2005.

Recommendation - The District should continue to monitor this account and investigate alternatives to eliminate this deficit.

Response - We will review the situation and implement changes, as needed.

Conclusion - Response accepted.

LISBON COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2005

This audit was performed by

Kay Chapman, CPA
Christina Chamberlin, staff accountant