

LISBON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

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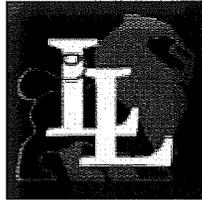
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Lisbon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Eric Krob	President	2011
Andrew Sullivan	Vice President	2011
Connie Sproston	Board Member	2011
Doren Montgomery	Board Member	2009
David Prasil	Board Member	2009
Board of Education (After September 2009 Election)		
Eric Krob	President	2011
Andrew Sullivan	Vice President	2011
Connie Sproston	Board Member	2011
Allan Mallie	Board Member	2013
David Prasil	Board Member	2013
School Officials		
Brad Laures	Superintendent	2010
Laurie Maher	Business Manager/ Board Secretary	2010
Ahlers & Cooney, P.C.	Attorney	2010

Lisbon Community School District



NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Lisbon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lisbon Community School District, Lisbon Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Lisbon Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2011 on our consideration of the Lisbon Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of Funding Progress for the Retiree Health Plan, and the combining statements for the discretely presented component units on pages 7 through 15 and 42 through 46 are not required parts of

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the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lisbon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2009 and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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 our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2011

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,938,853 in fiscal 2009 to \$6,072,149 in fiscal 2010, while General Fund expenditures decreased from \$5,780,207 in fiscal 2009 to \$5,651,446 in fiscal 2010. This resulted in an increase in the District's General Fund balance from \$478,678 in fiscal 2009 to a balance of \$899,381 in fiscal 2010, representing an increase of 87.89%.
- The increase in General Fund revenues was attributable to an increase in federal source revenues in fiscal 2010 due to funds received from the American Reinvestment and Recovery Act. The decrease in fund expenditures can be attributed to a conscious effort by the District to control expenditures in light of the 10% across the board cut enacted by the state.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased as compared to fiscal 2009. At June 30, 2009 the District's solvency ratio was 5.67% as compared to 12.02% at June 30, 2010. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.

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 custodial for the benefit of those outside of the School District.

Notes to the 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

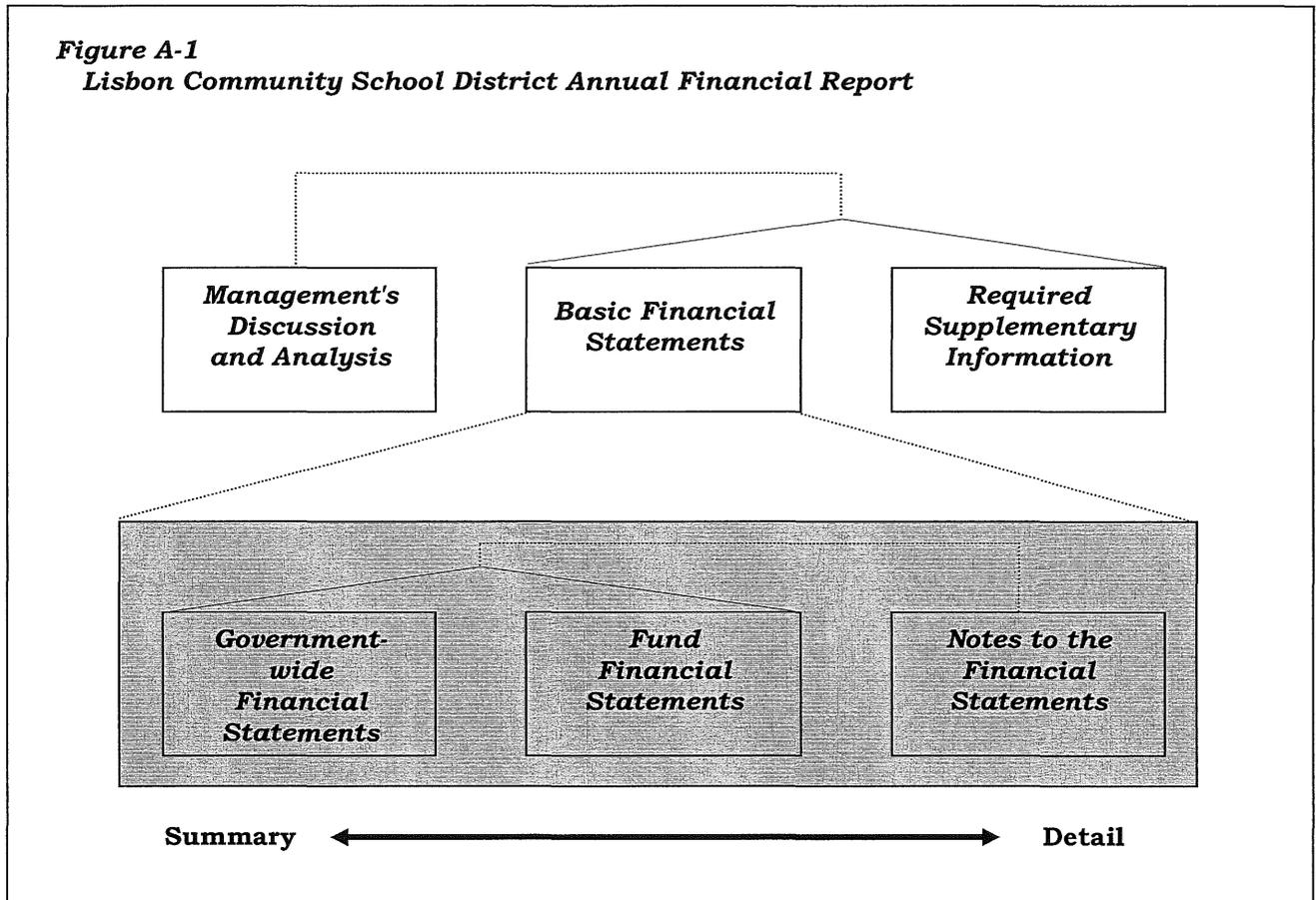


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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 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 and LECCEC are 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 two 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, Capital Projects, and Debt Service Fund.

The required financial statements for the 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 LECCEC Fund. Currently, the District has one Internal Service Fund which contains revenues and expenditures related to employees' flex spending program.

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

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

The required financial statements for fiduciary funds include 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, 2010 compared to June 30, 2009.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 5,009,175	5,801,857	141,373	133,893	5,150,548	5,935,750	-13.23%
Capital assets	6,669,270	6,282,109	16,460	25,171	6,685,730	6,307,280	6.00%
Total assets	11,678,445	12,083,966	157,833	159,064	11,836,278	12,243,030	-3.32%
Long-term obligations	2,224,745	2,308,492	10,529	5,490	2,235,274	2,313,982	-3.40%
Other liabilities	3,013,176	4,217,646	71,586	67,686	3,084,762	4,285,332	-28.02%
Total liabilities	5,237,921	6,526,138	82,115	73,176	5,320,036	6,599,314	-19.39%
Net assets:							
Invested in capital assets, net of related debt	4,579,270	4,072,109	16,460	25,171	4,595,730	4,097,280	12.17%
Restricted	965,471	956,958	0	0	965,471	956,958	0.89%
Unrestricted	895,783	528,761	59,258	60,717	955,041	589,478	62.01%
Total net assets	\$ 6,440,524	5,557,828	75,718	85,888	6,516,242	5,643,716	15.46%

The District's combined net assets increased by \$872,526, or 15.46% over the prior year. The largest portion of the District's net assets is 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 increased approximately \$8,513 or 0.89% over the prior year. The increase in restricted net assets can be attributed to the increase in carryover balances in state categorical funding received from the state.

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 – increased approximately \$365,563, or 62.01%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 450,084	484,846	688,234	586,083	1,138,318	1,070,929	6.29%
Operating grants and contributions and restricted interest	1,275,945	932,919	95,015	90,248	1,370,960	1,023,167	33.99%
General revenues:							
Property tax	2,108,658	1,896,015	0	0	2,108,658	1,896,015	11.22%
Income surtax	245,553	247,239	0	0	245,553	247,239	-0.68%
Statewide sales, services and use tax	681,086	581,967	0	0	681,086	581,967	17.03%
Unrestricted state grants	2,431,405	2,813,536	0	0	2,431,405	2,813,536	-13.58%
Other	122,387	129,390	548	567	122,935	129,957	-5.40%
Total revenues	7,315,118	7,085,912	783,797	676,898	8,098,915	7,762,810	4.33%
Program expenses:							
Governmental activities:							
Instructional	4,136,216	4,188,985	0	0	4,136,216	4,188,985	-1.26%
Support services	1,644,637	1,743,578	0	1,770	1,644,637	1,745,348	-5.77%
Non-instructional programs	0	0	793,967	708,792	793,967	708,792	12.02%
Other expenses	651,569	697,470	0	0	651,569	697,470	-6.58%
Total expenses	6,432,422	6,630,033	793,967	710,562	7,226,389	7,340,595	-1.56%
Change in net assets	882,696	455,879	(10,170)	(33,664)	872,526	422,215	106.65%
Net assets beginning of year	5,557,828	5,101,949	85,888	119,552	5,643,716	5,221,501	8.09%
Net assets end of year	\$ 6,440,524	5,557,828	75,718	85,888	6,516,242	5,643,716	15.46%

In fiscal 2010, local tax (property tax, income surtax, and statewide sales and services tax) and unrestricted state grants account for 74.73% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.93% all of the revenue from business type activities.

The District's total revenues were approximately \$8.10 million of which approximately \$7.32 million was for governmental activities and approximately \$0.78 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.33% increase in revenues and a 1.56% decrease in expenses. Operating grants and contributions and restricted interest increased \$347,793 and charges for services increased \$67,389 to fund expenditures.

Governmental Activities

Revenues for governmental activities were \$7,315,118 and expenses were \$6,432,422.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses for the year ended June 30, 2010 as compared to the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 4,136,216	4,188,985	-1.26%	2,682,037	2,997,781	-10.53%
Support services	1,644,637	1,743,578	-5.67%	1,630,222	1,743,578	-6.50%
Other expenses	651,569	697,470	-6.58%	394,134	470,909	-16.30%
Totals	\$ 6,432,422	6,630,033	-2.98%	4,706,393	5,212,268	-9.71%

- The cost financed by users of the District's programs was \$450,084.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,275,945.
- The net cost of governmental activities was financed with \$2,108,658 in property tax, \$245,553 in income surtax, \$681,086 in statewide sales, service and use tax, \$2,431,405 in unrestricted state grants, and \$32,830 in interest income.

Business type Activities

Revenues of the District's business type activities were \$783,797 and expenses were \$793,967. The District's business type activities include the School Nutrition Fund and the LECCEC Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the 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 combined fund balance of \$1,795,748 above last year's ending fund balances of \$1,383,896. The main reason for the increase in overall fund balances can be attributed to the increase in fund balance for the General Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increases in federal grant revenues caused the increase in revenues. The increase in revenues coupled with the reduction in fund expenditures as compared to the previous year resulted in a General Fund balance increase of \$420,703.
- The Capital Projects fund balance decreased from \$682,157 in fiscal 2009 to \$665,459 in fiscal 2010 due to completion of projects being completed within the District.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$85,346 at June 30, 2009 to \$94,399 at June 30, 2010, representing an increase of approximately 10.61%. The School Daycare Fund (LECCEC) net assets decreased from \$542 at June 30, 2009 to a deficit balance of \$18,681 at June 30, 2010.

BUDGETARY HIGHLIGHTS

The District's revenues were \$465,493 less than budgeted revenues, a variance of 5.44%. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$6,685,730, 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 amount represents a net increase of 6.00% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$254,629.

The original cost of the District's capital assets was \$10,259,969. Governmental funds account for \$10,169,613 with the remainder of \$90,356 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land category. The District's land totaled \$150,000 at June 30, 2009 compared to \$468,991 at June 30, 2010. The increase in the land category is attributable to the purchase of land near the school for future construction of a new daycare building.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 468,991	150,000	0	0	468,991	150,000	212.66%
Construction in progress	19,713	79,419	0	0	19,713	79,419	-75.18%
Buildings	5,659,426	5,576,125	0	0	5,659,426	5,576,125	1.49%
Land improvements	406,929	431,126	0	0	406,929	431,126	-5.61%
Machinery and equipment	114,211	45,439	16,460	25,171	130,671	70,610	85.06%
Total	\$ 6,669,270	6,282,109	16,460	25,171	6,685,730	6,307,280	6.00%

Long-Term Debt

At June 30, 2009, the District had long-term debt outstanding of \$2,235,274 in general obligation bonds, early retirement and compensated absences. This represents a decrease of approximately 3.40% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding General Obligation Bonds of \$2,090,000 at June 30, 2010.

The District had outstanding Early Retirement benefits of \$105,067 payable from the Special Revenue, Management Fund at June 30, 2010.

The District had \$14,207 in Compensated Absences payable. The General Fund is responsible for paying \$7,221 while the School Daycare Fund (LECCEC) is responsible for paying \$6,986.

The District also has an OPEB liability of \$26,000 as of June 30, 2010.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
General obligation bonds	\$ 2,090,000	2,210,000	0	0	2,090,000	2,210,000	-5.43%
Early retirement	105,067	90,000	0	0	105,067	90,000	16.74%
Compensated absences	7,221	8,492	6,986	5,490	14,207	13,982	1.61%
Net OPEB liability	22,457	0	3,543	0	26,000	0	100.00%
Total	\$ 2,224,745	2,308,492	10,529	5,490	2,235,274	2,313,982	-3.40%

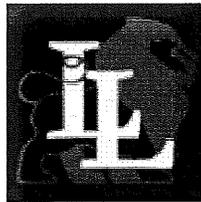
ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- The LECCEC daycare facility as well as the state funded 4-year old preschool program are definite assets to drawing more students to the District and increasing revenues. With their continued growth, enrollment will increase which in turn will help to maintain the health of the District.

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 Laurie Maher, Business Manager/Board Secretary, Lisbon Community School District, 235 West School Street, Lisbon, Iowa, 52253-0839.

Lisbon Community School District



BASIC FINANCIAL STATEMENTS

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government			Component Unit
	Govern- mental Activities	Business type Activities	Total	Lisbon Community School District Foundation
ASSETS				
Cash and pooled investments	\$ 2,355,264	133,149	2,488,413	192,124
Receivables:				
Property tax:				
Delinquent	30,571	0	30,571	0
Succeeding year	2,173,758	0	2,173,758	0
Income surtax	211,949	0	211,949	0
Accounts	48,656	0	48,656	0
Due from other governments	188,977	0	188,977	0
Inventories	0	8,224	8,224	0
Capital assets, net of accumulated depreciation	6,669,270	16,460	6,685,730	0
TOTAL ASSETS	11,678,445	157,833	11,836,278	192,124
LIABILITIES				
Accounts payable	279,772	25,086	304,858	0
Salaries and benefits payable	493,195	41,295	534,490	0
Interest payable	14,230	0	14,230	0
Deferred revenue:				
Succeeding year property tax	2,173,758	0	2,173,758	0
Other	52,221	0	52,221	0
Unearned revenue	0	5,205	5,205	0
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	125,000	0	125,000	0
Early retirement payable	35,642	0	35,642	0
Compensated absences	7,221	6,986	14,207	0
Portion due after one year:				
General obligation bonds payable	1,965,000	0	1,965,000	0
Early retirement payable	69,425	0	69,425	0
Net OPEB liability	22,457	3,543	26,000	0
TOTAL LIABILITIES	5,237,921	82,115	5,320,036	0
NET ASSETS				
Invested in capital assets, net of related debt	4,579,270	16,460	4,595,730	0
Restricted for:				
Scholarships	0	0	0	49,862
Categorical funding	169,214	0	169,214	0
Physical plant and equipment levy	51,802	0	51,802	0
Capital projects	665,459	0	665,459	0
Debt service	3,890	0	3,890	0
Other special revenue purposes	75,106	0	75,106	0
Unrestricted	895,783	59,258	955,041	142,262
TOTAL NET ASSETS	\$ 6,440,524	75,718	6,516,242	192,124

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Primary Government		Component Unit	
				Govern- mental Activities	Business Type Activities	Total	Lisbon Community School District Foundation
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,120,778	242,248	791,948	(2,086,582)	0	(2,086,582)	0
Special	544,130	16,711	118,800	(408,619)	0	(408,619)	0
Other	471,308	191,125	93,347	(186,836)	0	(186,836)	0
	<u>4,136,216</u>	<u>450,084</u>	<u>1,004,095</u>	<u>(2,682,037)</u>	<u>0</u>	<u>(2,682,037)</u>	<u>0</u>
Support services:							
Student	120,763	0	7,983	(112,780)	0	(112,780)	0
Instructional staff	205,563	0	6,432	(199,131)	0	(199,131)	0
Administration	607,008	0	0	(607,008)	0	(607,008)	0
Operation and maintenance of plant	506,535	0	0	(506,535)	0	(506,535)	0
Transportation	204,768	0	0	(204,768)	0	(204,768)	0
	<u>1,644,637</u>	<u>0</u>	<u>14,415</u>	<u>(1,630,222)</u>	<u>0</u>	<u>(1,630,222)</u>	<u>0</u>
Other expenditures:							
Facilities acquisitions	91,261	0	0	(91,261)	0	(91,261)	0
Long-term debt interest and fiscal charges	89,277	0	0	(89,277)	0	(89,277)	0
AEA flowthrough	257,435	0	257,435	0	0	0	0
Depreciation(unallocated)*	213,596	0	0	(213,596)	0	(213,596)	0
	<u>651,569</u>	<u>0</u>	<u>257,435</u>	<u>(394,134)</u>	<u>0</u>	<u>(394,134)</u>	<u>0</u>
Total governmental activities	6,432,422	450,084	1,275,945	(4,706,393)	0	(4,706,393)	0
Business Type activities:							
Non-instructional programs:							
Nutrition services	331,095	260,153	79,597	0	8,655	8,655	0
Daycare	462,872	428,081	15,418	0	(19,373)	(19,373)	0
Total non-instructional programs:	<u>793,967</u>	<u>688,234</u>	<u>95,015</u>	<u>0</u>	<u>(10,718)</u>	<u>(10,718)</u>	<u>0</u>
Total business type activities	793,967	688,234	95,015	0	(10,718)	(10,718)	0
Total primary government	\$ 7,226,389	1,138,318	1,370,960	(4,706,393)	(10,718)	(4,717,111)	0
Total component unit	\$ 19,985	0	10,340				(9,645)
General Revenues:							
Property tax levied for:							
General purposes				\$ 1,850,310	0	1,850,310	0
Debt service				144,816	0	144,816	0
Capital outlay				113,532	0	113,532	0
Income surtax				245,553	0	245,553	0
Statewide sales, services and use tax				681,086	0	681,086	0
Unrestricted state grants				2,431,405	0	2,431,405	0
Unrestricted investment earnings				32,830	548	33,378	2,085
Unrealized gain on investments				0	0	0	22,198
Realized gain on investments				0	0	0	(6,394)
Other				89,557	0	89,557	4,080
Total general revenues				<u>5,589,089</u>	<u>548</u>	<u>5,589,637</u>	<u>21,969</u>
Changes in net assets				882,696	(10,170)	872,526	12,324
Net assets beginning of year				<u>5,557,828</u>	<u>85,888</u>	<u>5,643,716</u>	<u>179,800</u>
Net assets end of year				<u>\$ 6,440,524</u>	<u>75,718</u>	<u>6,516,242</u>	<u>192,124</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Capital Projects	Other Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 1,537,564	573,948	241,220	2,352,732
Receivables:				
Property tax				
Delinquent	25,193	0	5,378	30,571
Succeeding year	1,754,435	0	419,323	2,173,758
Income surtax	211,949	0	0	211,949
Accounts	32,862	0	15,794	48,656
Due from other governments	73,380	115,597	0	188,977
TOTAL ASSETS	\$ 3,635,383	689,545	681,715	5,006,643
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 224,718	24,086	30,968	279,772
Salaries and benefits payable	492,679	0	516	493,195
Deferred revenue:				
Succeeding year property tax	1,754,435	0	419,323	2,173,758
Income surtax	211,949	0	0	211,949
Other	52,221	0	0	52,221
Total liabilities	2,736,002	24,086	450,807	3,210,895
Fund balances:				
Reserved for:				
Categorical funding	169,214	0	0	169,214
Debt service	0	0	3,890	3,890
Unreserved	730,167	665,459	227,018	1,622,644
Total fund balances	899,381	665,459	230,908	1,795,748
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,635,383	689,545	681,715	5,006,643

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances of governmental funds(page 20)	\$	1,795,748
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		6,669,270
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		2,532
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		211,949
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the		(14,230)
Long-term liabilities, including bonds payable, early retirement, compensated absences and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(2,224,745)</u>
Net assets of governmental activities(page 18)	\$	<u><u>6,440,524</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Other Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,988,983	681,086	365,228	3,035,297
Tuition	237,095	0	0	237,095
Other	141,492	6,854	189,801	338,147
State sources	3,246,764	0	0	3,246,764
Federal sources	457,815	0	0	457,815
Total revenues	<u>6,072,149</u>	<u>687,940</u>	<u>555,029</u>	<u>7,315,118</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,047,742	0	37,500	3,085,242
Special	541,597	0	0	541,597
Other	272,953	0	197,739	470,692
	<u>3,862,292</u>	<u>0</u>	<u>235,239</u>	<u>4,097,531</u>
Support services:				
Student	120,292	0	0	120,292
Instructional staff	204,964	0	0	204,964
Administration	559,527	0	49,640	609,167
Operation and maintenance of plant	470,319	0	30,807	501,126
Transportation	176,617	97,477	5,434	279,528
	<u>1,531,719</u>	<u>97,477</u>	<u>85,881</u>	<u>1,715,077</u>
Other expenditures:				
Facilities acquisitions	0	542,161	81,085	623,246
Long-term debt:				
Principal	0	0	120,000	120,000
Interest and fiscal charges	0	0	89,977	89,977
AEA flowthrough	257,435	0	0	257,435
	<u>257,435</u>	<u>542,161</u>	<u>291,062</u>	<u>1,090,658</u>
Total expenditures	<u>5,651,446</u>	<u>639,638</u>	<u>612,182</u>	<u>6,903,266</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>420,703</u>	<u>48,302</u>	<u>(57,153)</u>	<u>411,852</u>
Other financing sources (uses):				
Transfer in	0	0	65,000	65,000
Transfer out	0	(65,000)	0	(65,000)
Total other financing sources (uses)	<u>0</u>	<u>(65,000)</u>	<u>65,000</u>	<u>0</u>
Net change in fund balances	420,703	(16,698)	7,847	411,852
Fund balance beginning of year	<u>478,678</u>	<u>682,157</u>	<u>223,061</u>	<u>1,383,896</u>
Fund balance end of year	<u>\$ 899,381</u>	<u>665,459</u>	<u>230,908</u>	<u>1,795,748</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (page 22) \$ 411,852

**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 are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital expenditures in the current year, as follows:

Capital expenditures	\$ 638,062	
Depreciation expense	(250,901)	387,161

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (764)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 120,000

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. 700

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement	\$ (15,067)	
Compensated absences	1,271	
Other postemployment benefits	(22,457)	(36,253)

Changes in net assets of governmental activities (page 19) \$ 882,696

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business Type Activities: Enterprise Funds			Governmental Activities:
	School Nutrition	LECCEC (Daycare)	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash and pooled investments	\$ 92,153	40,996	133,149	2,532
Inventories	5,661	2,563	8,224	0
Total current assets	<u>97,814</u>	<u>43,559</u>	<u>141,373</u>	<u>2,532</u>
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	16,460	0	16,460	0
Total non-current assets	<u>16,460</u>	<u>0</u>	<u>16,460</u>	<u>0</u>
TOTAL ASSETS	<u>114,274</u>	<u>43,559</u>	<u>157,833</u>	<u>2,532</u>
LIABILITIES				
Current liabilities:				
Accounts payable	8,201	16,885	25,086	0
Salaries and benefits payable	6,151	35,144	41,295	0
Unearned revenue	5,205	0	5,205	0
Total current liabilities	<u>19,557</u>	<u>52,029</u>	<u>71,586</u>	<u>0</u>
Long-term liabilities:				
Compensated absences	0	6,986	6,986	0
Net OPEB liability	318	3,225	3,543	0
Total long-term liabilities	<u>318</u>	<u>10,211</u>	<u>10,529</u>	<u>0</u>
TOTAL LIABILITIES	<u>19,875</u>	<u>62,240</u>	<u>82,115</u>	<u>0</u>
NET ASSETS				
Invested in capital assets	16,460	0	16,460	0
Unrestricted	77,939	(18,681)	59,258	2,532
TOTAL NET ASSETS	<u>\$ 94,399</u>	<u>(18,681)</u>	<u>75,718</u>	<u>2,532</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business Type Activites: Enterprise Funds			Governmental Activities:
	School Nutrition	LECCEC (DayCare)	Total Enterprise	Internal Service Fund
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 260,153	428,081	688,234	0
Miscellaneous	0	0	0	13,500
TOTAL OPERATING REVENUES	260,153	428,081	688,234	13,500
OPERATING EXPENSES:				
Non-instructional programs:				
Food service operations:				
Salaries	80,878	0	80,878	0
Benefits	16,508	0	16,508	0
Services	5,497	0	5,497	0
Supplies	217,001	0	217,001	0
Depreciation	3,728	0	3,728	0
	323,612	0	323,612	0
Community service operations:				
Salaries	0	286,516	286,516	0
Benefits	0	95,204	95,204	0
Supplies	0	81,152	81,152	0
	0	462,872	462,872	0
Other enterprise operations:				
Benefits	0	0	0	14,279
Total non-instructional programs:	323,612	462,872	786,484	14,279
TOTAL OPERATING EXPENSES	323,612	462,872	786,484	14,279
OPERATING LOSS	(63,459)	(34,791)	(98,250)	(779)
NON-OPERATING REVENUES (EXPENSES):				
Loss on disposal	(7,483)	0	(7,483)	0
State sources	2,337	0	2,337	0
Federal sources	77,260	15,418	92,678	0
Interest on investments	398	150	548	15
TOTAL NON-OPERATING REVENUES (EXPENSES)	72,512	15,568	88,080	15
Net income(loss)	9,053	(19,223)	(10,170)	(764)
Net assets beginning of year	85,346	542	85,888	3,296
Net assets end of year	\$ 94,399	(18,681)	75,718	2,532

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	Business Type Activities: Enterprise Funds			Governmental Activities:
	School Nutrition	LECCEC (DayCare)	Total Enterprise	Internal Service Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 270,966	0	270,966	0
Cash received from daycare services	0	430,753	430,753	0
Cash received from miscellaneous	0	0	0	13,500
Cash payments to employees for services	(96,809)	(379,067)	(475,876)	(14,279)
Cash payments to suppliers for goods or services	(211,729)	(80,795)	(292,524)	0
Net cash used in operating activities	(37,572)	(29,109)	(66,681)	(779)
Cash flows from non-capital financing activities:				
Interfund borrowings (repayments)	213	(213)	0	0
State grants received	2,337	0	2,337	0
Federal grants received	62,826	15,418	78,244	0
Net cash provided by non-capital financing activities	65,376	15,205	80,581	0
Cash flows from capital and related financing activities:				
Purchase of capital assets	(2,500)	0	(2,500)	0
Cash flows from investing activities:				
Interest on investments	398	150	548	15
Net increase(decrease) in cash and cash equivalents	25,702	(13,754)	11,948	(764)
Cash and cash equivalents at beginning of year	66,451	54,750	121,201	3,296
Cash and cash equivalents at end of year	\$ 92,153	40,996	133,149	2,532
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (63,459)	(34,791)	(98,250)	(779)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	14,434	0	14,434	0
Depreciation	3,728	0	3,728	0
Increase in inventories	(1,705)	(611)	(2,316)	0
Decrease in accounts receivable	5,608	1,176	6,784	0
Increase(Decrease) in accounts payable	(1,960)	968	(992)	0
(Decrease)Increase in salaries and benefits payable	259	(572)	(313)	0
Increase in compensated absences payable	0	1,496	1,496	0
Increase in unearned revenue	5,205	0	5,205	0
Increase in other postemployment benefits	318	3,225	3,543	0
Net cash used in operating activities	\$ (37,572)	(29,109)	(66,681)	(779)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$14,434.

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(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 pre-kindergarten through twelve. The geographic area served includes the City of Lisbon, Iowa, and the predominate agricultural territory 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 support.

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

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

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

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

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

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following major proprietary fund:

The Enterprise, Daycare Fund is used to account for child care services provided by the District.

The District also reports two non-major proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service Fund is used to account for the employee flex spending plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the 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, claims and judgments, and compensated absences are recognized as expenditures only when

payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's 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 nonoperating 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 Balances

The following accounting policies are followed in preparing the financial statements:

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 the governmental funds are 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 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 year 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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, machinery, and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Years of Useful Life
Buildings	10-50 years
Land improvements	20 years
Intangibles	2 + years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is 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 represent 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 unspent grant proceeds as well as property tax receivables and other 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.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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 Balances - 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 Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits in bank at June 30, 2010 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. As of the year ended June 30, 2010, the District had no investments.

(3) Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 65,000</u>

The Capital Projects Fund transferred to the Debt Service Fund to pay a portion of principal and interest owed on the District's general obligation bond indebtedness.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School 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. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the 2009-10A warrants was 2.50% The interest

rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. The District had no ISCAP activity during the year ended June 30, 2010.

During the year ended June 30, 2010, the District paid \$17,686 of interest on the ISCAP warrants.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 150,000	318,991	0	468,991
Construction in progress	79,419	212,994	272,700	19,713
Total capital assets not being depreciated	229,419	531,985	272,700	488,704
Capital assets being depreciated:				
Buildings	8,233,932	272,700	0	8,506,632
Land improvements	483,938	0	0	483,938
Machinery and equipment	648,844	106,077	64,582	690,339
Total capital assets being depreciated	9,366,714	378,777	64,582	9,680,909
Less accumulated depreciation for:				
Buildings	2,657,807	189,399	0	2,847,206
Land improvements	52,812	24,197	0	77,009
Machinery and equipment	603,405	37,305	64,582	576,128
Total accumulated depreciation	3,314,024	250,901	64,582	3,500,343
Total capital assets being depreciated, net	6,052,690	127,876	0	6,180,566
Governmental activities capital assets, net	\$ 6,282,109	659,861	272,700	6,669,270
Business type activities:				
Machinery and equipment	\$ 95,339	2,500	7,483	90,356
Less accumulated depreciation	70,168	3,728	0	73,896
Business-type activities capital assets, net	\$ 25,171	(1,228)	7,483	16,460

Governmental activities:	
Support service:	
Administration	\$ 3,326
Operation and maintenance of plant	6,858
Transportation	27,121
	<u>37,305</u>
Unallocated depreciation	213,596
	<u>250,901</u>
Total governmental activities depreciation expense	<u>\$ 250,901</u>
Business type activities:	
Food services	<u>\$ 3,728</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 2,210,000	0	120,000	2,090,000	125,000
Early Retirement	90,000	52,567	37,500	105,067	35,642
Compensated Absences	8,492	7,221	8,492	7,221	7,221
Net OPEB Liability	0	22,457	0	22,457	0
Total	<u>\$ 2,308,492</u>	<u>82,245</u>	<u>165,992</u>	<u>2,224,745</u>	<u>167,863</u>
Business Type Activities:					
Compensated Absences	\$ 5,490	6,986	5,490	6,986	6,986
Net OPEB Liability	0	3,543	0	3,543	0
Total	<u>\$ 5,490</u>	<u>10,529</u>	<u>5,490</u>	<u>10,529</u>	<u>6,986</u>

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonds indebtedness are as follows:

Year Ending June 30,	Bond issue dated May 1, 2003				
	Interest Rates	Principal	Interest	Total	
2011	3.50	% \$ 125,000	85,378	210,378	
2012	4.00	130,000	81,002	211,002	
2013	4.00	135,000	75,803	210,803	
2014	4.00	140,000	70,402	210,402	
2015	4.00	145,000	64,803	209,803	
2016-2020	4.00-4.20	825,000	231,642	1,056,642	
2021-2023	4.30-4.35	590,000	51,693	641,693	
Total		<u>\$ 2,090,000</u>	<u>660,723</u>	<u>2,750,723</u>	

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and have completed fifteen years of continuous service to the District. The maximum number of eligible employees that can participate in the District's early retirement plan in any year is two which are determined on a seniority basis. Employees must complete an application which is required to be approved by the Board of Education. Early retirement benefits are equal to four equal payments of \$7,500 over four consecutive years. Eligible employees can participate in the District's health insurance policy but must pay the cost. The cost of early retirement benefits paid during the year ended June 30, 2010, totaled \$37,500.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$229,563, \$208,150 and \$175,817 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 88 active and 4 retired members in the plan. Employees must be age 59 or older at retirement and have fifteen or more years of continuous service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Principal. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - the contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 52,000
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>52,000</u>
Contributions made	<u>(26,000)</u>
Increase in net OPEB obligation	26,000
Net OPEB obligation - beginning of year	<u>0</u>
Net OPEB obligation - end of year	<u><u>\$ 26,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2010.

For the year ended, June 30, 2010, the District contributed \$26,000 to the medical plan. Plan members eligible for benefits contributed \$20,000, or 43.48% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 52,000	50.00%	\$ 26,000

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$346,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$346,000. The covered payroll (annual payroll of active employees covered by the plan) was \$2.674 million, and the ratio of the UAAL to the covered payroll was 12.9%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual

results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement assumptions were developed on the average retirement age of pension eligible retirees over the past five years. This valuation assumes a retirement age of 63 for all future retirees.

Projected claim costs of the medical plan are shown in the chart below for retirees less than age 65.

Deductible Plan 200	Deductible Plan 500	Deductible Plan 1000
\$951.11	\$893.05	\$736.75

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) 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 \$257,435 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitment

As of June 30, 2010, architect costs of \$19,713 had been incurred on construction contracts associated with the construction of a new daycare building. When construction is completed, the final cost of the project will be added to the District's capital asset listing.

(11) Deficit Fund Balance/Net Assets

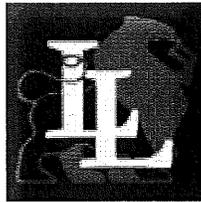
At June 30, 2010, the District's Daycare Fund(LECCEC) had deficit unrestricted net assets of \$18,681.

(12) Categorical Funding

The District's ending balances for state categorical funding by project as of the year ended June 30, 2010 are as follows:

<u>Project</u>	<u>Amount</u>
Talented and gifted	\$ 13,496
Four-year-old preschool state aid	89,322
Teacher salary supplement	31,712
Market factor	2,215
Model core curriculum	13,226
Professional development	14,915
Market factor incentives	4,328
Total	<u>\$ 169,214</u>

Lisbon Community School District



REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,610,539	688,782	4,299,321	4,198,554	4,198,554	100,767
State sources	3,246,764	2,337	3,249,101	3,941,854	3,941,854	(692,753)
Federal sources	457,815	92,678	550,493	424,000	424,000	126,493
Total revenues	<u>7,315,118</u>	<u>783,797</u>	<u>8,098,915</u>	<u>8,564,408</u>	<u>8,564,408</u>	<u>(465,493)</u>
Expenditures/Expenses:						
Instruction	4,097,531	0	4,097,531	5,513,222	5,513,222	1,415,691
Support services	1,715,077	0	1,715,077	2,268,381	2,268,381	553,304
Non-instructional programs	0	786,484	786,484	878,118	878,118	91,634
Other expenditures	1,090,658	0	1,090,658	1,272,317	1,272,317	181,659
Total expenditures/expenses	<u>6,903,266</u>	<u>786,484</u>	<u>7,689,750</u>	<u>9,932,038</u>	<u>9,932,038</u>	<u>2,242,288</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	411,852	(2,687)	409,165	(1,367,630)	(1,367,630)	1,776,795
Other financing uses	0	(7,483)	(7,483)	0	0	(7,483)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	411,852	(10,170)	401,682	(1,367,630)	(1,367,630)	1,769,312
Balance beginning of year	1,383,896	85,888	1,469,784	1,514,817	1,514,817	(45,033)
Balance end of year	<u>\$ 1,795,748</u>	<u>75,718</u>	<u>1,871,466</u>	<u>147,187</u>	<u>147,187</u>	<u>1,724,279</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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.

LISBON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN

(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$ -	\$ 346	\$ 346	0.0%	\$ 2,674	12.9%

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

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
DISCRETE COMPONENT UNIT
JUNE 30, 2010

	Lisbon Community School District Foundation
Assets	
Cash	\$ 30,390
Certificates of deposit	5,000
Investments	156,734
	192,124
Total Assets	\$ 192,124
Total Liabilities	\$ 0
Net Assets	
Restricted net assets	49,862
Unrestricted net assets	142,262
Total Net Assets	\$ 192,124

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND
CHANGES IN NET ASSETS - CASH BASIS
DISCRETE COMPONENT UNIT
YEAR ENDED JUNE 30, 2010

	Lisbon Community School District Foundation		
	Unrestricted	Restricted	Total
	Funds	Funds	
Support and Revenue:			
Interest	\$ 113	647	760
Dividends	1,325	0	1,325
Donations	10,340	0	10,340
Unrealized gain on investments	13,116	9,082	22,198
Realized loss on investments	(2,483)	(3,911)	(6,394)
Other	4,080	0	4,080
Total support and revenue	<u>26,491</u>	<u>5,818</u>	<u>32,309</u>
Expenses:			
Administration	570	482	1,052
Investment management	0	150	150
Scholarships	18,433	0	18,433
Other	350	0	350
Total expenses	<u>19,353</u>	<u>632</u>	<u>19,985</u>
Change in net assets before other financing sources(uses)	7,138	5,186	12,324
Other financing sources(uses)	5,563	(5,563)	0
Excess(Deficiency) of support and revenue over(under) expenses	12,701	(377)	12,324
Net assets beginning of year	<u>129,561</u>	<u>50,239</u>	<u>179,800</u>
Net assets end of year	<u>\$ 142,262</u>	<u>49,862</u>	<u>192,124</u>

OTHER SUPPLEMENTARY INFORMATION

LISBON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical	Total		Other
			Plant & Equipment Levy	Special Revenue Funds	Debt Service	Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 99,358	85,855	54,266	239,479	1,741	241,220
Receivables:						
Property tax:						
Delinquent	1,544	0	1,685	3,229	2,149	5,378
Succeeding year	155,000	0	118,545	273,545	145,778	419,323
Accounts	0	15,794	0	15,794	0	15,794
TOTAL ASSETS	\$ 255,902	101,649	174,496	532,047	149,668	681,715
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 792	26,027	4,149	30,968	0	30,968
Salaries and benefits payable	0	516	0	516	0	516
Deferred revenue:						
Succeeding year property tax	155,000	0	118,545	273,545	145,778	419,323
Total liabilities	155,792	26,543	122,694	305,029	145,778	450,807
Fund balances:						
Reserved for debt service	0	0	0	0	3,890	3,890
Unreserved	100,110	75,106	51,802	227,018	0	227,018
Total fund balances	100,110	75,106	51,802	227,018	3,890	230,908
TOTAL LIABILITIES AND FUND BALANCES	\$ 255,902	101,649	174,496	532,047	149,668	681,715

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 106,880	0	113,532	220,412	144,816	365,228
Other	8,450	180,606	460	189,516	285	189,801
TOTAL REVENUES	115,330	180,606	113,992	409,928	145,101	555,029
EXPENDITURES:						
Current:						
Instruction:						
Regular	37,500	0	0	37,500	0	37,500
Other	0	197,739	0	197,739	0	197,739
Support services:						
Administration	49,640	0	0	49,640	0	49,640
Operation and maintenance of plant	30,807	0	0	30,807	0	30,807
Transportation	5,434	0	0	5,434	0	5,434
Other expenditures:						
Facilities acquisition	0	0	81,085	81,085	0	81,085
Long-term debt:						
Principal	0	0	0	0	120,000	120,000
Interest and fiscal charges	0	0	0	0	89,977	89,977
TOTAL EXPENDITURES	123,381	197,739	81,085	402,205	209,977	612,182
Excess(deficiency) of revenues over(under) expenditures	(8,051)	(17,133)	32,907	7,723	(64,876)	(57,153)
Other financing sources:						
Transfer in	0	0	0	0	65,000	65,000
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(8,051)	(17,133)	32,907	7,723	124	7,847
Fund balance beginning of year	108,161	92,239	18,895	219,295	3,766	223,061
Fund balance end of year	\$ 100,110	75,106	51,802	227,018	3,890	230,908

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Miscellaneous Accounts				
Special Account	\$ 2,841	16,565	13,160	6,246
Recycling	21	0	21	0
Junior High Accouts				
Boy's Basketball	0	211	211	0
Boy's Baseball	0	810	810	0
Girl's Basketball	0	48	48	0
Girl's Softball	0	680	680	0
Student Council	0	8,435	8,435	0
High School Accounts				
Cheerleaders	2,428	3,933	2,783	3,578
Boy's Basketball	14,052	5,947	11,827	8,172
Boy's Football	14,654	11,325	25,979	0
Boy's Baseball	866	8,818	9,684	0
Boy's Track	0	3,319	3,319	0
Boy's Golf	0	522	522	0
Boy's Wrestling	2,048	7,503	6,859	2,692
Girl's Basketball	8,550	6,036	7,956	6,630
Girl's Volleyball	4,949	4,888	3,905	5,932
Girl's Softball	4,117	6,066	10,174	9
Athletics	10,395	15,711	13,554	12,552
National Honor Society	0	0	0	0
Speech	0	0	0	0
Annual	0	9,129	5,816	3,313
Student Council	1,552	6,594	7,197	949
SADD	438	0	0	438
Prom	2,796	4,724	4,362	3,158
Concessions	8,392	30,062	33,526	4,928
Dance	0	560	560	0
Drama	0	3,616	2,236	1,380
Ski Trip	540	3,526	3,526	540
Band Trip	4,568	6,899	6,295	5,172
Spanish Club	1,398	0	0	1,398
Fine Arts	4,831	13,647	13,758	4,720
Band Uniform Replacement	2,803	1,032	536	3,299
Total	\$ 92,239	180,606	197,739	75,106

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 SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 3,035,297	2,720,969	2,527,246	2,013,324	2,027,871	1,727,809	1,667,356
Tuition	237,095	273,011	270,870	330,755	284,428	363,834	245,725
Other	338,147	363,247	445,410	239,370	141,164	177,524	204,924
State sources	3,246,764	3,576,893	3,477,880	2,935,605	2,912,899	2,671,854	2,486,211
Federal sources	457,815	147,540	100,189	88,893	104,597	314,394	931,592
Total	\$ 7,315,118	7,081,660	6,821,595	5,607,947	5,470,959	5,255,415	5,535,808
Expenditures:							
Instruction:							
Regular	\$ 3,085,242	3,035,145	2,972,303	2,550,944	2,420,522	2,426,716	2,289,496
Special	541,597	699,861	654,870	673,032	394,806	506,763	470,526
Other	470,692	418,279	393,591	267,208	319,316	233,475	203,778
Support services:							
Student	120,292	112,795	101,531	93,398	73,875	74,412	60,311
Instructional staff	204,964	226,579	191,723	186,819	140,236	157,538	149,933
Administration	609,167	627,982	590,211	599,422	581,296	606,773	653,110
Operation and maintenance of plant	501,126	555,349	445,782	578,955	536,650	531,125	452,985
Transportation	279,528	197,320	187,178	144,258	276,250	237,485	119,240
Other expenditures:							
Facilities acquisitions	623,246	646,414	212,958	140,142	94,285	363,399	3,479,845
Long Term Debt:							
Principal	120,000	115,000	134,970	128,900	105,000	156,567	150,681
Interest	89,977	93,715	98,382	102,896	104,114	110,410	116,405
AEA flow-through	257,435	226,561	213,345	191,995	186,036	171,760	168,244
Total	\$ 6,903,266	6,955,000	6,196,844	5,657,969	5,232,386	5,576,423	8,314,554

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	\$ 5,615
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	71,506 *
SPECIAL MILK PROGRAM FOR CHILDREN	10.555	FY 10	139
			<u>77,260</u>
CHILD AND ADULT CARE FOOD PROGRAM	10.558	FY 10	<u>15,418</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3744-G	31,929
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	3,530
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	3,530
			<u>38,989</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>1,324</u>
IMPROVING TEACHER QUALITY STATE GRANTS(TITLE IIA)	84.367	FY 10	<u>20,098</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 09	901
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 10	3,848
			<u>4,749</u>
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>300,521</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 10	32,826
SPECIAL EDUCATION GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 09	17,952
SPECIAL EDUCATION GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	35,904
			<u>86,682</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>5,452</u>
TOTAL			<u>\$ 550,493</u>

* - Includes \$14,434 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Lisbon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lisbon Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 14, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lisbon Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Lisbon Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lisbon Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-10 to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lisbon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson P.C.", with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2011

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Lisbon Community School District:

Compliance

We have audited the compliance of Lisbon Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Lisbon Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Lisbon Community School District's management. Our responsibility is to express an opinion on Lisbon Community School District's compliance based on our audit.

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

In our opinion, Lisbon Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Lisbon Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Lisbon Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lisbon Community School District's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

Lisbon Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's response and, accordingly, we express no opinion on them.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2011

LISBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was the following:
 - CFDA Number 84.391 - State Fiscal Stabilization Fund (SFSF)
Education State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Lisbon Community School District did not qualify as a low-risk auditee.

LISBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, bank reconciliations, posting of cash receipts to the cash receipts journal, and payroll and payroll records are all done by the same person.

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

Response - The District will review the policy and structure for possible adjustments in duties.

Conclusion - Response accepted.

II-B-10 Payroll Procedures - Although the District is requiring non-certified staff employees who are coaches to keep timesheets to be in compliance with Department of Labor requirements for wage per hour contracts, we noted during our audit that the District is not requiring non-employees of the District that coach to keep timesheets of hours worked.

Recommendation - The District needs to keep track of the hours worked for non-certified coaches as well as non-employees of the District that coach to be in compliance with the Department of Labor requirements on wage per hour contracts. This needs to be completed to determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - The District will make adjustments to comply with the recommendation.

Conclusion - Response accepted.

OTHER MATTERS:

II-C-10 Intangible Asset Policy - Although the District implemented Governmental Accounting Standards Board Statement No. 51 with regard to intangible assets, the District does not have a policy addressing capitalization of intangible assets.

Recommendation - The District's Board of Directors should adopt an intangible asset policy addressing the capitalization of intangible assets.

Response - The Board will adopt an intangible asset policy addressing the capitalization of intangible assets.

Conclusion - Response accepted.

LISBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.394: State Fiscal Stabilization Fund (SFSF) Education State Grants,
Recovery Act
Federal Award Year: 2010
Department of Education
Passed through the Iowa Department of Education

III-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, bank reconciliations, posting of cash receipts to the cash receipts journal, and payroll and payroll records are all done by the same person.

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

Response - The District will review the policy and structure for possible adjustments in duties.

Conclusion - Response accepted.

LISBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-10 Questionable Disbursements - We noted during our audit that the construction contract for gym improvements with Tricon Construction was overpaid by \$1,585.55.

Recommendation - The District needs to contact Tricon Construction and request a refund for the overpayment.

Response - The District contacted Tricon Construction and has received the reimbursement for the overpayment of \$1,585.55.

Conclusion - Response accepted.

IV-C-10 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.

IV-D-10 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within the time period required, however, we are unable to control the publishing dates.

Conclusion - Response accepted.

IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-10 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	0
Statewide sales, services and use tax revenue	\$	681,086	
Interest earned		6,854	687,940
		<u> </u>	<u> </u>
Total sources available			687,940
Expenditures/Transfers out:			
School infrastructure:			
Land	\$	318,991	
Buildings		203,312	
Equipment		100,637	
Debt service for school infrastructure:			
General obligation debt		65,000	687,940
		<u> </u>	<u> </u>
Ending balance			\$ 0

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010, the District reduced the following levies:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 0.57188	\$ 65,000
Physical plant and equipment levy	0.67000	76,152
Total	<u>\$ 1.24188</u>	<u>\$ 141,152</u>

IV-M-10 Financial Condition - At June 30, 2010, the District's Daycare Fund(LECCEC) had deficit unrestricted net assets of \$18,681.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - The District is exploring ways to eliminate the deficit in the LECCEC Fund.

Conclusion - Response accepted.

IV-N-10 Physical Plant and Equipment Levy Expenditures - We noted during our audit that the District is currently making purchases from the Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund which do not appear to be in compliance with Chapter 423 and 298 of the Code of Iowa. The District had expenditures for carpet cleaning for \$900. Expenditures for routine maintenance would be more appropriate from the General Fund.

Recommendation - The District should review Chapter 423 and Chapter 298 of the Code of Iowa for allowability of expenditures from the PPEL Fund.

Response - At the Auditor's request, the District made a corrective transfer from the General Fund to the PPEL Fund for \$900.

Conclusion - Response accepted.