

LISBON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Notes to Financial Statements		27-39
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Discrete Component Unit Financial Statements:		
Statement of Assets, Liabilities, and Net Assets - Cash Basis - Component Unit		45
Statement of Support, Revenues and Expenses and Changes in Net Assets - Cash Basis - Component Unit		46
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	49
Capital Projects Funds:		
Combining Balance Sheet	3	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	51
Schedule of Changes in Student Activity Accounts	5	52
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6	53
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 <u>Government Auditing Standards</u>		54-55
Schedule of Findings		56-59

Lisbon Community School District

Officials

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

Lisbon Community School District



NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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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, 2011, 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, 2011, 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 22, 2012 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 four years ended June 30, 2010 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 6, 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.

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,072,149 in fiscal 2010 to \$6,351,624 in fiscal 2011, while General Fund expenditures increased from \$5,651,446 in fiscal 2010 to \$5,769,364 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$899,381 in fiscal 2010 to a balance of \$1,481,641 in fiscal 2011, representing an increase of 64.74%.
- The increase in General Fund revenues was attributable to an increase in state sourced revenues in fiscal 2011 due to increased student enrollment. The increase in expenditures can be attributed to the increase in negotiated salaries and benefits.
- The District's solvency ratio (unassigned/general fund revenues) increased as compared to fiscal 2010. At June 30, 2010 the District's solvency ratio was 12.02% as compared to 19.42% at June 30, 2011.

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 governmental funds.

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

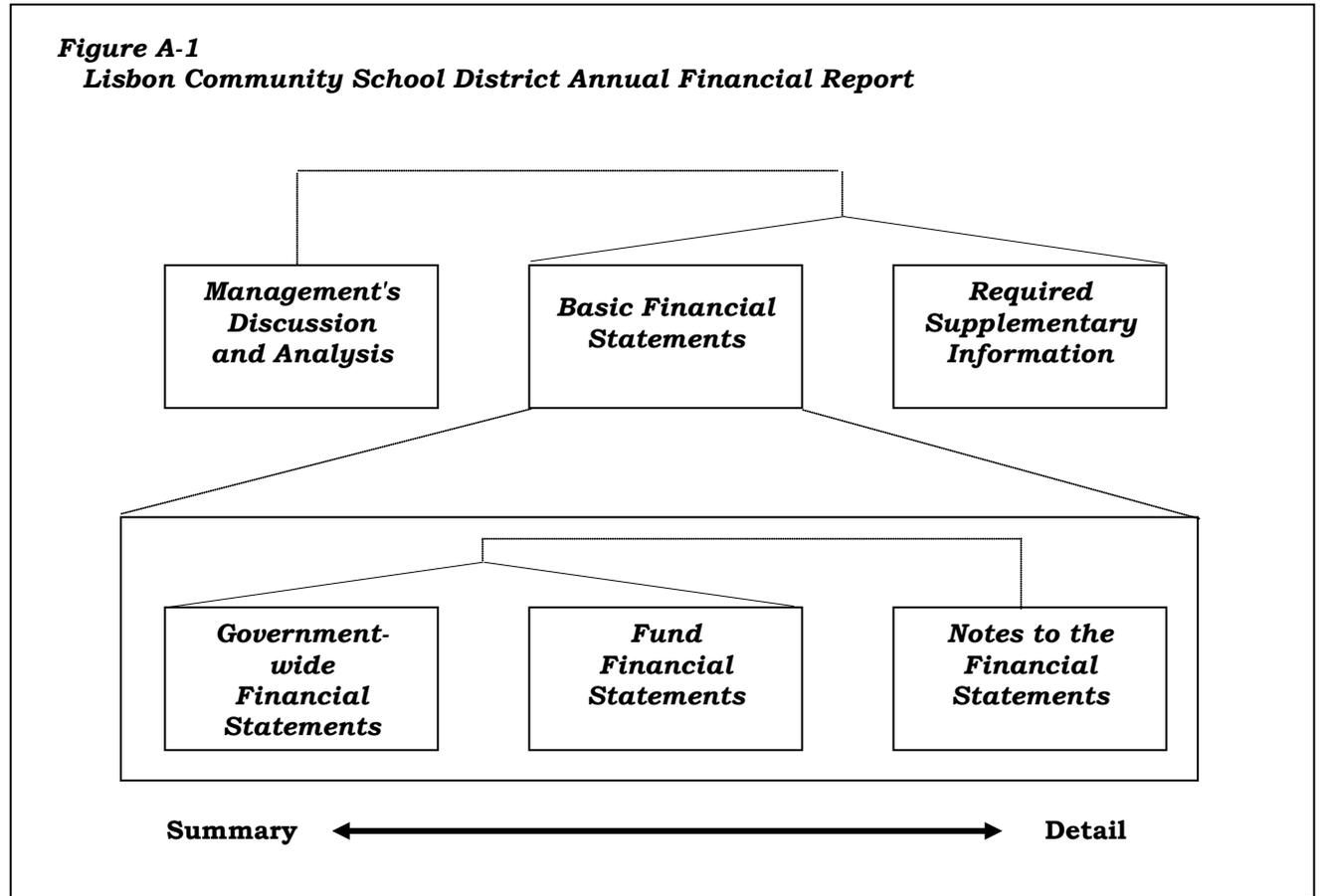


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	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, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 5,729,344	5,009,175	205,272	141,373	5,934,616	5,150,548	15.22%
Capital assets	6,693,124	6,669,270	14,908	16,460	6,708,032	6,685,730	0.33%
Total assets	12,422,468	11,678,445	220,180	157,833	12,642,648	11,836,278	6.81%
Long-term obligations	2,342,933	2,224,745	10,954	10,529	2,353,887	2,235,274	5.31%
Other liabilities	3,085,724	3,013,176	41,965	71,586	3,127,689	3,084,762	1.39%
Total liabilities	5,428,657	5,237,921	52,919	82,115	5,481,576	5,320,036	3.04%
Net assets:							
Invested in capital assets, net of related debt	4,728,124	4,579,270	14,908	16,460	4,743,032	4,595,730	3.21%
Restricted	874,399	965,471	-	-	874,399	965,471	-9.43%
Unrestricted	1,391,288	895,783	152,353	59,258	1,543,641	955,041	61.63%
Total net assets	\$ 6,993,811	6,440,524	167,261	75,718	7,161,072	6,516,242	9.90%

The District's combined net assets increased by \$644,830, or 9.90% 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 decreased approximately \$91,072 or 9.43% over the prior year.

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 \$588,600, or 61.63%. The increase was primarily a result of the increase in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2010-11
	2011	2010	2011	2010	2011	2010	
Revenues:							
Program revenues:							
Charges for services	\$ 599,384	450,084	699,853	688,234	1,299,237	1,138,318	14.14%
Operating grants and contributions and restricted interest	623,084	1,275,945	113,358	95,015	736,442	1,370,960	-46.28%
Capital grants and contributions and restricted interest	81,586	-	-	-	81,586	-	100.00%
General revenues:							
Property tax	2,180,773	2,108,658	-	-	2,180,773	2,108,658	3.42%
Income surtax	235,342	245,553	-	-	235,342	245,553	-4.16%
Statewide sales, services and use tax	561,531	681,086	-	-	561,531	681,086	-17.55%
Unrestricted state grants	3,137,212	2,431,405	-	-	3,137,212	2,431,405	29.03%
Nonspecific program federal grants	167,194	-	-	-	167,194	-	100.00%
Unrestricted investment earnings	12,049	32,830	735	548	12,784	33,378	-61.70%
Other	75,649	89,557	-	-	75,649	89,557	-15.53%
Total revenues	7,673,804	7,315,118	813,946	783,797	8,487,750	8,098,915	4.80%
Program expenses:							
Governmental activities:							
Instructional	4,583,708	4,136,216	-	-	4,583,708	4,136,216	10.82%
Support services	1,903,650	1,644,637	1,717	-	1,905,367	1,644,637	15.85%
Non-instructional programs	-	-	720,686	793,967	720,686	793,967	-9.23%
Other expenses	633,159	651,569	-	-	633,159	651,569	-2.83%
Total expenses	7,120,517	6,432,422	722,403	793,967	7,842,920	7,226,389	8.53%
Change in net assets	553,287	882,696	91,543	(10,170)	644,830	872,526	-26.10%
Net assets beginning of year	6,440,524	5,557,828	75,718	85,888	6,516,242	5,643,716	15.46%
Net assets end of year	\$ 6,993,811	6,440,524	167,261	75,718	7,161,072	6,516,242	9.90%

In fiscal 2011, property tax, income surtax, and statewide sales, services and use tax and unrestricted state grants account for 79.68% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.91% all of the revenue from business type activities.

The District's total revenues were approximately \$8.49 million of which approximately \$7.67 million was for governmental activities and approximately \$0.82 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.80% increase in revenues and an 8.53% increase in expenses. Operating grants and contributions and restricted interest and unrestricted state grants increased \$71,289 and charges for services increased \$160,919 to fund expenditures.

Governmental Activities

Revenues for governmental activities were \$7,673,804 and expenses were \$7,120,517.

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, 2011 as compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 4,583,708	4,136,216	10.82%	3,619,319	2,682,037	34.95%
Support services	1,903,650	1,644,637	15.75%	1,822,064	1,630,222	11.77%
Other expenses	633,159	651,569	-2.83%	375,080	394,134	-4.83%
Totals	\$ 7,120,517	6,432,422	10.70%	5,816,463	4,706,393	23.59%

- The cost financed by users of the District's programs was \$599,384.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$704,670.
- The net cost of governmental activities was financed with \$2,180,773 in property tax, \$235,342 in income surtax, \$561,531 in statewide sales, service and use tax, \$3,137,212 in unrestricted state grants, \$167,194 in nonspecific program federal grants, \$12,049 in interest income and \$75,649 in other revenues.

Business type Activities

Revenues of the District's business type activities were \$813,946 and expenses were \$722,403. 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 \$2,440,507 above last year's ending fund balances of \$1,795,748. 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 expenditures as compared to the previous year resulted in a General Fund balance increase of \$582,260.
- The Capital Projects fund balance increased from a restated balance of \$717,261 at the beginning of the fiscal year 2011 to \$752,516. The beginning balance was restated as a result

of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. The increase was the result of increases in the Statewide Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy Fund.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$94,399 at June 30, 2010 to \$143,425 at June 30, 2011, representing an increase of 51.93%. The School Daycare Fund (LECCEC) net assets increased from a deficit balance of \$18,681 at June 30, 2010 to a positive balance of \$23,836 at June 30, 2011.

BUDGETARY HIGHLIGHTS

The District's revenues were \$43,457 less than budgeted revenues, a variance of 0.51%. 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, 2011, the District had invested \$6,708,032, 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 0.33% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$302,305.

The original cost of the District's capital assets was \$10,546,573. Governmental funds account for \$10,454,353 with the remainder of \$92,220 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$19,713 at June 30, 2010 compared to \$307,912 at June 30, 2011. The increase in the construction in progress category is attributable to architect fees paid for future construction of a new daycare building.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total Change June 30, 2010-11
	Activities		Activities		School District		
	June 30, 2011	2010	2011	2010	2011	2010	
Land	\$ 468,991	468,991	-	-	468,991	468,991	0.00%
Construction in progress	307,912	19,713	-	-	307,912	19,713	1461.97%
Buildings	5,477,309	5,659,426	-	-	5,477,309	5,659,426	-3.22%
Land improvements	382,732	406,929	-	-	382,732	406,929	-5.95%
Machinery and equipment	56,180	114,211	14,908	16,460	71,088	130,671	-45.60%
Total	\$ 6,693,124	6,669,270	14,908	16,460	6,708,032	6,685,730	0.33%

Long-Term Debt

At June 30, 2011, the District had long-term debt outstanding of \$2,353,887 in general obligation bonds, early retirement and compensated absences. This represents an increase of approximately 5.47% 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 \$1,965,000 at June 30, 2011.

The District had outstanding computer lease debt of \$263,175 at June 30, 2011 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding Early Retirement benefits of \$69,425 payable from the Special Revenue, Management Fund at June 30, 2011.

The District had \$6,094 in Compensated Absences payable. The General Fund is responsible for paying \$1,978 while the School Daycare Fund (LECCEC) is responsible for paying \$4,116.

The District also has an OPEB liability of \$50,193 as of June 30, 2011.

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,
	2011	2010	2011	2010	2011	2010	2010-11
General obligation bonds	\$ 1,965,000	2,090,000	-	-	1,965,000	2,090,000	-5.98%
Computer lease	263,175	-	-	-	263,175	-	100.00%
Early retirement	69,425	105,067	-	-	69,425	105,067	-33.92%
Compensated absences	1,978	7,221	4,116	6,986	6,094	14,207	-57.11%
Net OPEB liability	43,355	22,457	6,838	3,543	50,193	22,457	123.51%
Total	\$ 2,342,933	2,224,745	10,954	10,529	2,353,887	2,231,731	5.47%

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, 2011

	Primary Government			Component Unit
	Govern- mental Activities	Business type Activities	Total	Lisbon Community School District Foundation
ASSETS				
Cash and pooled investments	\$ 3,016,784	187,281	3,204,065	225,718
Receivables:				
Property tax:				
Delinquent	28,274	-	28,274	-
Succeeding year	2,243,032	-	2,243,032	-
Income surtax	218,320	-	218,320	-
Accounts	10,136	8,193	18,329	-
Due from other governments	212,798	2,134	214,932	-
Inventories	-	7,664	7,664	-
Capital assets, net of accumulated depreciation	6,693,124	14,908	6,708,032	-
TOTAL ASSETS	12,422,468	220,180	12,642,648	225,718
LIABILITIES				
Deposit payable	54,600	-	54,600	-
Accounts payable	246,176	4,674	250,850	-
Salaries and benefits payable	503,587	37,291	540,878	-
Interest payable	17,198	-	17,198	-
Deferred revenue:				
Succeeding year property tax	2,243,032	-	2,243,032	-
Other	21,131	-	21,131	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	130,000	-	130,000	-
Computer lease payable	127,991	-	127,991	-
Early retirement payable	28,142	-	28,142	-
Compensated absences	1,978	4,116	6,094	-
Portion due after one year:			-	-
General obligation bonds payable	1,835,000	-	1,835,000	-
Computer lease payable	135,184	-	135,184	-
Early retirement payable	41,283	-	41,283	-
Net OPEB liability	43,355	6,838	50,193	-
TOTAL LIABILITIES	5,428,657	52,919	5,481,576	-
NET ASSETS				
Invested in capital assets, net of related debt	4,728,124	14,908	4,743,032	-
Restricted for:				
Scholarships	-	-	-	51,539
Categorical funding	248,133	-	248,133	-
Debt service	4,251	-	4,251	-
Management levy purposes	61,668	-	61,668	-
Student activities	71,006	-	71,006	-
School infrastructure	411,475	-	411,475	-
Physical plant and equipment	77,866	-	77,866	-
Unrestricted	1,391,288	152,353	1,543,641	174,179
TOTAL NET ASSETS	\$ 6,993,811	167,261	7,161,072	225,718

SEE NOTES TO FINANCIAL STATEMENTS.

**LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital 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	\$ 3,405,783	305,122	98,373	-	(3,002,288)	-	(3,002,288)	-
Special	648,730	48,250	67,418	-	(533,062)	-	(533,062)	-
Other	529,195	246,012	199,214	-	(83,969)	-	(83,969)	-
	<u>4,583,708</u>	<u>599,384</u>	<u>365,005</u>	<u>-</u>	<u>(3,619,319)</u>	<u>-</u>	<u>(3,619,319)</u>	<u>-</u>
Support services:								
Student	126,346	-	-	-	(126,346)	-	(126,346)	-
Instructional staff	314,689	-	-	-	(314,689)	-	(314,689)	-
Administration	585,357	-	-	-	(585,357)	-	(585,357)	-
Operation and maintenance of plant	640,981	-	-	81,586	(559,395)	-	(559,395)	-
Transportation	236,277	-	-	-	(236,277)	-	(236,277)	-
	<u>1,903,650</u>	<u>-</u>	<u>-</u>	<u>81,586</u>	<u>(1,822,064)</u>	<u>-</u>	<u>(1,822,064)</u>	<u>-</u>
Other expenditures:								
Long-term debt interest and fiscal charges	110,396	-	-	-	(110,396)	-	(110,396)	-
AEA flowthrough	258,079	-	258,079	-	-	-	-	-
Depreciation(unallocated)*	264,684	-	-	-	(264,684)	-	(264,684)	-
	<u>633,159</u>	<u>-</u>	<u>258,079</u>	<u>-</u>	<u>(375,080)</u>	<u>-</u>	<u>(375,080)</u>	<u>-</u>
Total governmental activities	<u>7,120,517</u>	<u>599,384</u>	<u>623,084</u>	<u>81,586</u>	<u>(5,816,463)</u>	<u>-</u>	<u>(5,816,463)</u>	<u>-</u>
Business Type activities:								
Support services:								
Operation and maintenance of plant	1,717	-	-	-	-	(1,717)	(1,717)	-
Non-instructional programs:								
Nutrition services	307,757	264,868	93,112	-	-	50,223	50,223	-
Daycare	412,929	434,985	20,246	-	-	42,302	42,302	-
Total non-instructional programs:	<u>720,686</u>	<u>699,853</u>	<u>113,358</u>	<u>-</u>	<u>-</u>	<u>92,525</u>	<u>92,525</u>	<u>-</u>
Total business type activities	<u>722,403</u>	<u>699,853</u>	<u>113,358</u>	<u>-</u>	<u>-</u>	<u>90,808</u>	<u>90,808</u>	<u>-</u>
Total primary government	<u>\$ 7,842,920</u>	<u>1,299,237</u>	<u>736,442</u>	<u>81,586</u>	<u>(5,816,463)</u>	<u>90,808</u>	<u>(5,725,655)</u>	<u>-</u>
Total component unit	<u>\$ 18,510</u>	<u>-</u>	<u>15,995</u>					<u>(2,515)</u>
General Revenues:								
Property tax levied for:								
General purposes					\$ 1,915,945	-	1,915,945	-
Debt service					146,057	-	146,057	-
Capital outlay					118,771	-	118,771	-
Income surtax					235,342	-	235,342	-
Statewide sales, services and use tax					561,531	-	561,531	-
Unrestricted state grants					3,137,212	-	3,137,212	-
Nonspecific program federal grants					167,194	-	167,194	-
Unrestricted investment earnings					12,049	735	12,784	3,145
Unrealized gain on investments					-	-	-	32,440
Realized gain on investments					-	-	-	524
Other					75,649	-	75,649	-
Total general revenues					<u>6,369,750</u>	<u>735</u>	<u>6,370,485</u>	<u>36,109</u>
Changes in net assets					553,287	91,543	644,830	33,594
Net assets beginning of year					6,440,524	75,718	6,516,242	192,124
Net assets end of year					<u>\$ 6,993,811</u>	<u>167,261</u>	<u>7,161,072</u>	<u>225,718</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 2,135,121	679,014	200,658	3,014,793
Receivables:				
Property tax:				
Delinquent	22,804	1,550	3,920	28,274
Succeeding year	1,757,450	123,579	362,003	2,243,032
Income surtax	218,320	-	-	218,320
Accounts	1,317	-	8,819	10,136
Due from other governments	79,123	133,675	-	212,798
TOTAL ASSETS	\$ 4,214,135	937,818	575,400	5,727,353
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deposit payable	\$ -	54,600	-	54,600
Accounts payable	232,006	7,123	7,047	246,176
Salaries and benefits payable	503,587	-	-	503,587
Deferred revenue:				
Succeeding year property tax	1,757,450	123,579	362,003	2,243,032
Income surtax	218,320	-	-	218,320
Other	21,131	-	-	21,131
Total liabilities	2,732,494	185,302	369,050	3,286,846
Fund balances:				
Restricted for:				
Categorical funding	248,133	-	-	248,133
Debt service	-	-	4,251	4,251
Management levy purposes	-	-	131,093	131,093
Student activities	-	-	71,006	71,006
School infrastructure	-	674,650	-	674,650
Physical plant and equipment	-	77,866	-	77,866
Assigned	9,658	-	-	9,658
Unassigned	1,223,850	-	-	1,223,850
Total fund balances	1,481,641	752,516	206,350	2,440,507
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,214,135	937,818	575,400	5,727,353

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20)	\$	2,440,507
 Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		6,693,124
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		1,991
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		218,320
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		(17,198)
Long-term liabilities, including bonds payable, computer lease 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>(2,342,933)</u>
Net assets of governmental activities(page 18)	\$	<u>6,993,811</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, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,986,891	680,302	304,082	2,971,275
Tuition	327,475	-	-	327,475
Other	109,768	85,028	246,397	441,193
State sources	3,617,450	-	-	3,617,450
Federal sources	310,040	-	-	310,040
Total revenues	<u>6,351,624</u>	<u>765,330</u>	<u>550,479</u>	<u>7,667,433</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,010,258	384,355	35,642	3,430,255
Special	646,388	-	-	646,388
Other	286,381	-	242,245	528,626
	<u>3,943,027</u>	<u>384,355</u>	<u>277,887</u>	<u>4,605,269</u>
Support services:				
Student	125,921	-	-	125,921
Instructional staff	180,691	-	-	180,691
Administration	540,632	-	11,353	551,985
Operation and maintenance of plant	520,085	-	82,752	602,837
Transportation	200,929	17,454	5,416	223,799
	<u>1,568,258</u>	<u>17,454</u>	<u>99,521</u>	<u>1,685,233</u>
Other expenditures:				
Facilities acquisitions	-	504,840	-	504,840
Long-term debt:				
Principal	-	-	246,180	246,180
Interest and fiscal charges	-	-	107,428	107,428
AEA flowthrough	258,079	-	-	258,079
	<u>258,079</u>	<u>504,840</u>	<u>353,608</u>	<u>1,116,527</u>
Total expenditures	<u>5,769,364</u>	<u>906,649</u>	<u>731,016</u>	<u>7,407,029</u>
Excess(Deficiency) of revenues over(under) expenditures	<u>582,260</u>	<u>(141,319)</u>	<u>(180,537)</u>	<u>260,404</u>
Other financing sources(uses):				
Transfer in	-	-	207,781	207,781
Transfer out	-	(207,781)	-	(207,781)
Lease proceeds	-	384,355	-	384,355
Total other financing sources(uses)	<u>-</u>	<u>176,574</u>	<u>207,781</u>	<u>384,355</u>
Net change in fund balances	582,260	35,255	27,244	644,759
Fund balance beginning of year, as restated	<u>899,381</u>	<u>717,261</u>	<u>179,106</u>	<u>1,795,748</u>
Fund balance end of year	<u>\$ 1,481,641</u>	<u>752,516</u>	<u>206,350</u>	<u>2,440,507</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, 2011

Net change in fund balances - total governmental funds(page 22)		\$ 644,759
 Amounts reported for governmental activities in the statement of activities are different because:		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital expenditures in the current year, are as follows:		
Capital expenditures	\$ 322,743	
Depreciation expense	<u>(298,889)</u>	23,854
 Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		
		(541)
 Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. 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. Current year issues exceeded repayments, as follows:		
Issued	\$ (384,355)	
Repaid	<u>246,180</u>	(138,175)
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		6,371
 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.		
		(2,968)
 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	\$ 35,642	
Compensated absences	5,243	
Other postemployment benefits	<u>(20,898)</u>	<u>19,987</u>
 Changes in net assets of governmental activities(page 19)		 <u>\$ 553,287</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business Type Activities:			Governmental
	Enterprise Funds			Activities:
	School Nutrition	LECCEC (Daycare)	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash and pooled investments	\$ 122,010	65,271	187,281	1,991
Accounts receivable	8,193	-	8,193	-
Due from other funds	3,030	-	3,030	-
Due from other governments	-	2,134	2,134	-
Inventories	5,101	2,563	7,664	-
Total current assets	138,334	69,968	208,302	1,991
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	14,908	-	14,908	-
Total non-current assets	14,908	-	14,908	-
TOTAL ASSETS	153,242	69,968	223,210	1,991
LIABILITIES				
Current liabilities:				
Due to other funds	-	3,030	3,030	-
Accounts payable	1,909	2,765	4,674	-
Salaries and benefits payable	7,295	29,996	37,291	-
Total current liabilities	9,204	35,791	44,995	-
Long-term liabilities:				
Compensated absences	-	4,116	4,116	-
Net OPEB liability	613	6,225	6,838	-
Total long-term liabilities	613	10,341	10,954	-
TOTAL LIABILITIES	9,817	46,132	55,949	-
NET ASSETS				
Invested in capital assets	14,908	-	14,908	-
Unrestricted	128,517	23,836	152,353	1,991
TOTAL NET ASSETS	\$ 143,425	23,836	167,261	1,991

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, 2011

	Business Type Activites:			Governmental
	Enterprise Funds			Activities:
	School Nutrition	LECCEC (DayCare)	Total Enterprise	Internal Service Fund
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 264,868	434,985	699,853	-
Miscellaneous	-	-	-	7,679
TOTAL OPERATING REVENUES	<u>264,868</u>	<u>434,985</u>	<u>699,853</u>	<u>7,679</u>
OPERATING EXPENSES:				
Support services:				
Operation and maintenance of plant:				
Services	1,717	-	1,717	-
Total support services	<u>1,717</u>	<u>-</u>	<u>1,717</u>	<u>-</u>
Non-instructional programs:				
Food service operations:				
Salaries	81,588	-	81,588	-
Benefits	17,797	-	17,797	-
Services	2,387	-	2,387	-
Supplies	202,569	-	202,569	-
Depreciation	3,416	-	3,416	-
	<u>307,757</u>	<u>-</u>	<u>307,757</u>	<u>-</u>
Community service operations:				
Salaries	-	265,923	265,923	-
Benefits	-	81,133	81,133	-
Supplies	-	65,873	65,873	-
	<u>-</u>	<u>412,929</u>	<u>412,929</u>	<u>-</u>
Other enterprise operations:				
Benefits	-	-	-	8,225
Total non-instructional programs:	<u>307,757</u>	<u>412,929</u>	<u>720,686</u>	<u>8,225</u>
TOTAL OPERATING EXPENSES	<u>309,474</u>	<u>412,929</u>	<u>722,403</u>	<u>8,225</u>
OPERATING INCOME(LOSS)	<u>(44,606)</u>	<u>22,056</u>	<u>(22,550)</u>	<u>(546)</u>
NON-OPERATING REVENUES:				
State sources	2,497	-	2,497	-
Federal sources	90,615	20,246	110,861	-
Interest on investments	520	215	735	5
TOTAL NON-OPERATING REVENUES	<u>93,632</u>	<u>20,461</u>	<u>114,093</u>	<u>5</u>
Net income(loss)	49,026	42,517	91,543	(541)
Net assets beginning of year	<u>94,399</u>	<u>(18,681)</u>	<u>75,718</u>	<u>2,532</u>
Net assets end of year	<u>\$ 143,425</u>	<u>23,836</u>	<u>167,261</u>	<u>1,991</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	Business Type Activities:			Governmental
	Enterprise Funds			Activities:
	School Nutrition	LECCEC (DayCare)	Total Enterprise	Internal Service Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 251,470	-	251,470	-
Cash received from daycare services	-	432,115	432,115	-
Cash received from miscellaneous	-	-	-	7,679
Cash payments to employees for services	(97,946)	(349,204)	(447,150)	(8,225)
Cash payments to suppliers for goods or services	(199,471)	(79,993)	(279,464)	-
Net cash provided by(used in) operating activities	(45,947)	2,918	(43,029)	(546)
Cash flows from non-capital financing activities:				
Increase in interfund borrowings	(3,030)	-	(3,030)	-
State grants received	2,497	-	2,497	-
Federal grants received	77,681	18,112	95,793	-
Net cash provided by non-capital financing activities	77,148	18,112	95,260	-
Cash flows from capital and related financing activities:				
Purchase of capital assets	(1,864)	-	(1,864)	-
Cash flows from investing activities:				
Interest on investments	520	215	735	5
Increase in interfund lending	-	3,030	3,030	-
Net cash provided by investing activities	520	3,245	3,765	5
Net increase(decrease) in cash and cash equivalents	29,857	24,275	54,132	(541)
Cash and cash equivalents at beginning of year	92,153	40,996	133,149	2,532
Cash and cash equivalents at end of year	\$ 122,010	65,271	187,281	1,991
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (44,606)	22,056	(22,550)	(546)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	12,934	-	12,934	-
Depreciation	3,416	-	3,416	-
Decrease in inventories	560	-	560	-
Increase in accounts receivable	(8,193)	-	(8,193)	-
Decrease in accounts payable	(6,292)	(14,120)	(20,412)	-
(Decrease)Increase in salaries and benefits payable	1,144	(5,148)	(4,004)	-
Decrease in compensated absences payable	-	(2,870)	(2,870)	-
Decrease in unearned revenue	(5,205)	-	(5,205)	-
Increase in other postemployment benefits	295	3,000	3,295	-
Net cash provided by(used in) operating activities	\$ (45,947)	2,918	(43,029)	(546)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$12,934.

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(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. Combining schedules are also included for the Capital Project Fund accounts.

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.

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

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

Assigned - Amounts the Board intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

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, 2011 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, 2011, the District had no investments.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	
	Statewide Sales,	
	Services and Use Tax	<u>\$ 207,781</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 and for the principal and interest payments on the computer lease.

(4) Due From and Due to Other Funds

The details of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nutrition	Daycare(LECCEC)	<u>\$ 3,030</u>

The Daycare Fund is repaying the Nutrition Fund for supplies purchased from the Nutrition Fund for the Daycare Fund.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 468,991	-	-	468,991
Construction in progress	19,713	288,199	-	307,912
Total capital assets not being depreciated	<u>488,704</u>	<u>288,199</u>	<u>-</u>	<u>776,903</u>
Capital assets being depreciated:				
Buildings	8,506,632	-	-	8,506,632
Land improvements	483,938	-	-	483,938
Machinery and equipment	690,339	34,544	38,003	686,880
Total capital assets being depreciated	<u>9,680,909</u>	<u>34,544</u>	<u>38,003</u>	<u>9,677,450</u>
Less accumulated depreciation for:				
Buildings	2,847,206	182,117	-	3,029,323
Land improvements	77,009	24,197	-	101,206
Machinery and equipment	576,128	92,575	38,003	630,700
Total accumulated depreciation	<u>3,500,343</u>	<u>298,889</u>	<u>38,003</u>	<u>3,761,229</u>
Total capital assets being depreciated, net	<u>6,180,566</u>	<u>(264,345)</u>	<u>-</u>	<u>5,916,221</u>
Governmental activities capital assets, net	<u>\$ 6,669,270</u>	<u>23,854</u>	<u>-</u>	<u>6,693,124</u>
Business type activities:				
Machinery and equipment	\$ 90,356	1,864	-	92,220
Less accumulated depreciation	73,896	3,416	-	77,312
Business-type activities capital assets, net	<u>\$ 16,460</u>	<u>(1,552)</u>	<u>-</u>	<u>14,908</u>

Governmental activities:	
Support service:	
Operation and maintenance of plant	\$ 4,608
Transportation	29,597
	<u>34,205</u>
Unallocated depreciation	264,684
	<u>264,684</u>
Total governmental activities depreciation expense	\$ 298,889
	<u>298,889</u>
Business type activities:	
Food services	\$ 3,416
	<u>3,416</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 2,090,000	-	125,000	1,965,000	130,000
Computer Lease	-	384,355	121,180	263,175	127,991
Early Retirement	105,067	-	35,642	69,425	28,142
Compensated Absences	7,221	1,978	7,221	1,978	1,978
Net OPEB Liability	22,457	20,898	-	43,355	-
Total	<u>\$ 2,224,745</u>	<u>407,231</u>	<u>289,043</u>	<u>2,342,933</u>	<u>288,111</u>
	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business Type Activities:					
Compensated Absences	\$ 6,989	4,116	6,989	4,116	4,116
Net OPEB Liability	3,543	3,295	-	6,838	-
Total	<u>\$ 10,532</u>	<u>7,411</u>	<u>6,989</u>	<u>10,954</u>	<u>4,116</u>

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonds indebtedness are as follows:

Year Ending June 30,	Bond issue dated May 1, 2003			
	Interest Rates	Principal	Interest	Total
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	4.00	150,000	59,002	209,002
2017-2021	4.00-4.20	865,000	198,113	1,063,113
2022-2023	4.30-4.35	400,000	26,220	426,220
Total		<u>\$ 1,965,000</u>	<u>575,345</u>	<u>2,540,345</u>

Computer Lease

On April 1, 2011, the District entered into a lease agreement with Apple for the purchase of computers for the District's one-to-one initiative. Annual principal and interest payments will be made from the Capital Projects: Statewide, Sales, Services and Use Tax Fund as follows:

Year Ending June 30,	Computer Lease dated April 1, 2011		
	Principal	Interest	Total
2012	\$ 127,991	14,790	142,781
2013	135,184	7,597	142,781
Total	\$ 263,175	22,387	285,562

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, 2011, totaled \$35,642.

(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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$236,482, \$229,563 and \$208,150 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

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, 2011, 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	1,170
Adjustment to annual required contribution	(977)
Annual OPEB cost	<u>52,193</u>
Contributions made	<u>(28,000)</u>
Increase in net OPEB obligation	24,193
Net OPEB obligation - beginning of year	<u>26,000</u>
Net OPEB obligation - end of year	<u>\$ 50,193</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, 2011.

For the year ended, June 30, 2011, the District contributed \$28,000 to the medical plan. Plan members eligible for benefits contributed \$21,000, or 42.86% 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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 52,000	50.00%	\$ 26,000
2011	52,193	53.65%	\$ 50,193

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, 2011, 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 \$2.729 million, and the ratio of the UAAL to the covered payroll was 12.7%. As of June 30, 2011, 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 \$258,079 for the year ended June 30, 2011 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, 2011, architect costs of \$307,912 had been incurred on construction contracts associated with the construction of a new daycare building. The construction contract had not been awarded as of June 30, 2011.

(11) Categorical Funding

The District's ending restricted fund balance for state categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Talented and gifted	\$ 9,480
Four-year-old preschool state aid	155,133
Teacher salary supplement	46,582
Market factor	2,215
Model core curriculum	17,759
Professional development	12,636
Market factor incentives	4,328
Total	<u>\$ 248,133</u>

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 665,459	51,802
Changes in fund type classification per implementation of GASB Statement No. 54	51,802	(51,802)
Balances July 1, 2010, as restated	<u>\$ 717,261</u>	<u>-</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, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,739,943	700,588	4,440,531	4,307,557	4,307,557	132,974
State sources	3,617,450	2,497	3,619,947	3,946,311	3,946,311	(326,364)
Federal sources	310,040	110,861	420,901	270,968	270,968	149,933
Total revenues	<u>7,667,433</u>	<u>813,946</u>	<u>8,481,379</u>	<u>8,524,836</u>	<u>8,524,836</u>	<u>(43,457)</u>
Expenditures/Expenses:						
Instruction	4,605,269	-	4,605,269	5,201,236	5,201,236	595,967
Support services	1,685,233	1,717	1,686,950	2,024,699	2,024,699	337,749
Non-instructional programs	-	720,686	720,686	861,760	861,760	141,074
Other expenditures	1,116,527	-	1,116,527	2,094,465	2,094,465	977,938
Total expenditures/expenses	<u>7,407,029</u>	<u>722,403</u>	<u>8,129,432</u>	<u>10,182,160</u>	<u>10,182,160</u>	<u>2,052,728</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	260,404	91,543	351,947	(1,657,324)	(1,657,324)	2,009,271
Other financing sources	384,355	-	384,355	-	-	384,355
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	644,759	91,543	736,302	(1,657,324)	(1,657,324)	2,393,626
Balance beginning of year	1,795,748	75,718	1,871,466	1,940,685	1,940,685	(69,219)
Balance end of year	<u>\$ 2,440,507</u>	<u>167,261</u>	<u>2,607,768</u>	<u>283,361</u>	<u>283,361</u>	<u>2,324,407</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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%
2011	July 1, 2009	\$ -	\$ 346	\$ 346	0.0%	\$ 2,729	12.7%

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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
DISCRETE COMPONENT UNIT
JUNE 30, 2011

	Lisbon Community School District Foundation
Assets	
Cash	\$ 31,665
Certificates of deposit	5,000
Investments	189,053
Total Assets	\$ 225,718
Total Liabilities	\$ -
Net Assets	
Restricted net assets	51,539
Unrestricted net assets	174,179
Total Net Assets	\$ 225,718

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND
CHANGES IN NET ASSETS - CASH BASIS
DISCRETE COMPONENT UNIT
YEAR ENDED JUNE 30, 2011

	Lisbon Community School District Foundation		
	Unrestricted	Restricted	Total
	Funds	Funds	
Support and Revenue:			
Interest	\$ 156	993	1,149
Dividends	1,996	-	1,996
Donations	15,995	-	15,995
Long term capital gain distribution	-	-	-
Short term capital gain distribution	-	-	-
Unrealized gain on investments	24,932	7,508	32,440
Realized gain(loss) on investments	(217)	741	524
Total support and revenue	<u>42,862</u>	<u>9,242</u>	<u>52,104</u>
Expenses:			
Administration	644	510	1,154
Investment management	-	86	86
Scholarships	15,875	-	15,875
Other	1,395	-	1,395
Total expenses	<u>17,914</u>	<u>596</u>	<u>18,510</u>
Excess of support and revenue over expenses	24,948	8,646	33,594
Other financing sources(uses)	6,969	(6,969)	-
Change in net assets before other financing sources(uses)	31,917	1,677	33,594
Net assets beginning of year	<u>142,262</u>	<u>49,862</u>	<u>192,124</u>
Net assets end of year	<u>\$ 174,179</u>	<u>51,539</u>	<u>225,718</u>

OTHER SUPPLEMENTARY INFORMATION

LISBON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue				Total
	Management Levy	Student Activity	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
ASSETS					
Cash and pooled investments	\$ 129,079	69,234	198,313	2,345	200,658
Receivables:					
Property tax:					
Delinquent	2,014	-	2,014	1,906	3,920
Succeeding year	150,500	-	150,500	211,503	362,003
Accounts	-	8,819	8,819	-	8,819
TOTAL ASSETS	\$ 281,593	78,053	359,646	215,754	575,400
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	-	7,047	7,047	-	7,047
Deferred revenue:					
Succeeding year property tax	150,500	-	150,500	211,503	362,003
Total liabilities	150,500	7,047	157,547	211,503	369,050
Fund balances:					
Restricted for:					
Debt service	-	-	-	4,251	4,251
Management levy purposes	131,093	-	131,093	-	131,093
Student activities	-	71,006	71,006	-	71,006
Total fund balances	131,093	71,006	202,099	4,251	206,350
TOTAL LIABILITIES AND FUND BALANCES	\$ 281,593	78,053	359,646	215,754	575,400

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, 2011

	Special Revenue			Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total Special Revenue Funds		
REVENUES:					
Local sources:					
Local tax	\$ 158,025	-	158,025	146,057	304,082
Other	8,121	238,145	246,266	131	246,397
TOTAL REVENUES	166,146	238,145	404,291	146,188	550,479
EXPENDITURES:					
Current:					
Instruction:					
Regular	35,642	-	35,642	-	35,642
Other	-	242,245	242,245	-	242,245
Support services:					
Administration services	11,353	-	11,353	-	11,353
Operation and maintenance of plant	82,752	-	82,752	-	82,752
Transportation	5,416	-	5,416	-	5,416
Other expenditures:					
Long-term debt:					
Principal	-	-	-	246,180	246,180
Interest and fiscal charges	-	-	-	107,428	107,428
Total expenditures	135,163	242,245	377,408	353,608	731,016
Deficiency of revenues under expenditures	30,983	(4,100)	26,883	(207,420)	(180,537)
Other financing sources:					
Transfers in	-	-	-	207,781	207,781
Net change in fund balance	30,983	(4,100)	26,883	361	27,244
Fund balance beginning of year, as restated	100,110	75,106	175,216	3,890	179,106
Fund balance end of year	\$ 131,093	71,006	202,099	4,251	206,350

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 595,575	83,439	679,014
Receivables:			
Property tax:			
Delinquent	-	1,550	1,550
Succeeding year	-	123,579	123,579
Due from other governments	133,675	-	133,675
TOTAL ASSETS	\$ 729,250	208,568	937,818
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deposit payable	\$ 54,600	-	54,600
Accounts payable	-	7,123	7,123
Deferred revenue:			
Succeeding year property tax	-	123,579	123,579
Total liabilities	54,600	130,702	185,302
Fund balances:			
Restricted for:			
School infrastructure	674,650	-	674,650
Physical plant and equipment	-	77,866	77,866
Total fund balances	674,650	77,866	752,516
TOTAL LIABILITIES AND FUND BALANCES	\$ 729,250	208,568	937,818

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 561,531	118,771	680,302
Other	84,739	289	85,028
Total revenues	646,270	119,060	765,330
Expenditures:			
Current:			
Instruction:			
Regular	384,355	-	384,355
Support services:			
Transportation	-	17,454	17,454
Other expenditures:			
Facilities acquisitions	429,298	75,542	504,840
Total expenditures	813,653	92,996	906,649
Excess(deficiency)of revenues over(under) expenditures	(167,383)	26,064	(141,319)
Other financing sources(uses):			
Transfer out	(207,781)	-	(207,781)
Lease proceeds	384,355	-	384,355
Total other financing sources(uses)	176,574	-	176,574
Net change in fund balances	9,191	26,064	35,255
Fund balance beginning of year, as restated	665,459	51,802	717,261
Fund balance end of year	\$ 674,650	77,866	752,516

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Special Account	\$ 6,246	23,802	14,035	16,013
Cheerleaders	3,578	2,173	2,025	3,726
Boy's Basketball	8,172	13,558	16,943	4,787
Boy's Football	-	20,930	19,601	1,329
Boy's Baseball	-	9,893	9,893	-
Boy's Track	-	1,503	1,503	-
Boy's Golf	-	1,238	1,238	-
Boy's Wrestling	2,692	17,866	15,769	4,789
Girl's Basketball	6,630	5,141	6,982	4,789
Girl's Volleyball	5,932	4,816	6,063	4,685
Girl's Softball	9	7,709	7,718	-
Girl's Track	-	118	118	-
Girl's Golf	-	734	734	-
Athletics	12,552	7,540	15,303	4,789
National Honor Society	-	448	448	-
Speech	-	1,917	1,917	-
Annual	3,313	8,225	5,254	6,284
Student Council	949	10,833	10,771	1,011
SADD	438	-	-	438
Prom	3,158	7,182	5,890	4,450
Concessions	4,928	29,288	34,216	-
Dance	-	1,183	1,183	-
Drama	1,380	2,687	2,527	1,540
Ski Trip	540	3,645	3,515	670
Band Trip	5,172	42,458	44,794	2,836
Spanish Club	1,398	1,127	592	1,933
Fine Arts	4,720	11,004	12,412	3,312
Band Uniform Replacement	3,299	1,127	801	3,625
Total	\$ 75,106	238,145	242,245	71,006

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 EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 2,971,275	3,035,297	2,720,969	2,527,246	2,013,324	2,027,871	1,727,809	1,667,356
Tuition	327,475	237,095	273,011	270,870	330,755	284,428	363,834	245,725
Other	441,193	338,147	363,247	445,410	239,370	141,164	177,524	204,924
State sources	3,617,450	3,246,764	3,576,893	3,477,880	2,935,605	2,912,899	2,671,854	2,486,211
Federal sources	310,040	457,815	147,540	100,189	88,893	104,597	314,394	931,592
Total	\$ 7,667,433	7,315,118	7,081,660	6,821,595	5,607,947	5,470,959	5,255,415	5,535,808
Expenditures:								
Instruction:								
Regular	\$ 3,430,255	3,085,242	3,035,145	2,972,303	2,550,944	2,420,522	2,426,716	2,289,496
Special	646,388	541,597	699,861	654,870	673,032	394,806	506,763	470,526
Other	528,626	470,692	418,279	393,591	267,208	319,316	233,475	203,778
Support services:								
Student	125,921	120,292	112,795	101,531	93,398	73,875	74,412	60,311
Instructional staff	180,691	204,964	226,579	191,723	186,819	140,236	157,538	149,933
Administration	551,985	609,167	627,982	590,211	599,422	581,296	606,773	653,110
Operation and maintenance								
of plant	602,837	501,126	555,349	445,782	578,955	536,650	531,125	452,985
Transportation	223,799	279,528	197,320	187,178	144,258	276,250	237,485	119,240
Other expenditures:								
Facilities acquisitions	504,840	623,246	646,414	212,958	140,142	94,285	363,399	3,479,845
Long Term Debt:								
Principal	246,180	120,000	115,000	134,970	128,900	105,000	156,567	150,681
Interest and fiscal charges	107,428	89,977	93,715	98,382	102,896	104,114	110,410	116,405
AEA flow-through	258,079	257,435	226,561	213,345	191,995	186,036	171,760	168,244
Total	\$ 7,407,029	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.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of 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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 22, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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, 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 I of the accompanying Schedule of Findings as item I-A-11 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 deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-11 through I-D-11 to be significant deficiencies.

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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 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. 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.



NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2012

LISBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 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.

I-B-11 Receipting Procedures - We noted that when sponsors turn in fundraised money, it does not always have supporting documentation and the sponsor is not always receiving a receipt from the office.

Recommendation - The District should review its procedures and make sure that sponsors are providing the office with the supporting documentation for the money turned in and also the office should provide the sponsor with a receipt.

Response - The District will require sponsors to turn in supporting documentation with money that is turned in, and the sponsor will be issued a receipt.

Conclusion - Response accepted.

I-C-11 Title I Application - We noted that the District filed its Title I final report claiming it spent its entire allocation when it had not.

Recommendation - The District should contact the Department of Education to amend its Title I budget and review its procedures so in the future the Title I reports are filed using actual expenditures from the general ledger.

Response - The District has amended its Title I final report with the Dept. of Education and will ensure that future reports are double checked for accuracy prior to submittal.

Conclusion - Response accepted.

I-D-11 Board Minutes - We noted that the official board minutes were not signed by the Board Secretary. We also noted that the District's internal controls require the Board President to sign the official minutes.

Recommendation - The District should review its procedures and have both the Board President and the Board Secretary sign all official minutes. This is best done at the meeting when they are approved.

Response - The Board President and Board Secretary will sign all official board minutes.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.

II-B-11 Questionable Disbursements - We noted during our audit that the District purchased gift cards out of the Special Revenue, Student Activity Fund. We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund. The gift cards and clothing for coaches do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979. We also noted that the District gives meal money for trips or tournaments. The District's policy is for the coach or sponsor to bring receipts back supporting the amount spent. However, we noted that the receipts were did not always reconcile to the amount that was claimed to be spent.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

The District should review the procedures in place. The District should not purchase gift cards.

The District should review its procedures in place with regard to meal money for trips or tournaments to make sure that its own policies are being followed.

Response - Gift cards and coaching shirts will no longer be purchased with District money. The District has reviewed procedures with regard to meal money for tournament trips to ensure that the necessary documentation is turned in as support for payments.

Conclusion - Response accepted.

II-C-11 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.

II-D-11 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Laurie Maher, Business Manager Husband owns Lisbon Electric	Purchased services	\$ 21,585

In accordance with Attorney’s General Opinion dated November 9, 1976, the above transactions with the Business Manager’s Spouse do not appear to represent a conflict of interest.

- II-E-11 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.
- II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-11 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-I-11 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.
- II-J-11 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.
- II-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, following information includes the amounts the District reports for the statewide sales, services and use tax revenue in the District’s CAR including adjustments identified during the fiscal year 2011 audit.

Beginning Balance		\$	665,459
Statewide sales, services and use tax revenue	\$	561,531	
Other revenue		84,739	646,270
			<u>1,311,729</u>
Expenditures/Transfers out:			
School infrastructure:			
Land	\$	360	
Equipment		85,013	
School infrastructure construction		343,925	
Expenditures/Transfers out:			
Transfers to other funds			
General obligation debt		207,781	637,079
			<u>637,079</u>
Ending balance			<u>\$ 674,650</u>

For the year ended June 30, 2011 the District reduced the following levies as a result of the moneys received under Chapter 423E and 423F of the Code of Iowa:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 0.54831	\$ 65,000