

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

JUNE 30, 2012

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Lisbon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Andrew Sullivan	President	2011
Connie Sproston	Vice President	2011
Eric Krob	Board Member	2011
Allan Mallie	Board Member	2013
David Prasil	Board Member	2013
(After September 2011 Election)		
Andrew Sullivan	President	2015
Allan Mallie	Vice President	2013
Eric Krob	Board Member	2015
Mark Smith	Board Member	2015
David Prasil	Board Member	2013
School Officials		
Brad Laures	Superintendent	2012
Laurie Maher	Business Manager/ Board Secretary	2012
Ahlers & Cooney, P.C.	Attorney	2012

Lisbon Community School District



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Certified Public Accountants
(A Professional Corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lisbon Community School District, Lisbon Iowa, as of and for the year ended June 30, 2012, 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, 2012, 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 February 26, 2013 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.

U.S. generally accepted accounting principles require 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 be presented to supplement the basic financial statements. Such

information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming 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 five years ended June 30, 2011 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. The supplemental information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

February 26, 2013

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,351,624 in fiscal 2011 to \$6,574,114 in fiscal 2012, while General Fund expenditures increased from \$5,769,364 in fiscal 2011 to \$6,114,919 in fiscal 2012. This resulted in an increase in the District's General Fund balance from \$1,481,641 in fiscal 2011 to a balance of \$1,940,836 in fiscal 2012, representing an increase of 30.99%.
- The increase in General Fund revenues was attributable to increases in local and state source revenues in fiscal 2012. 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 2011. At June 30, 2011 the District's solvency ratio was 19.27% as compared to 25.51% at June 30, 2012.

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.

Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Federal Awards provides details of various federal programs benefiting the District.

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

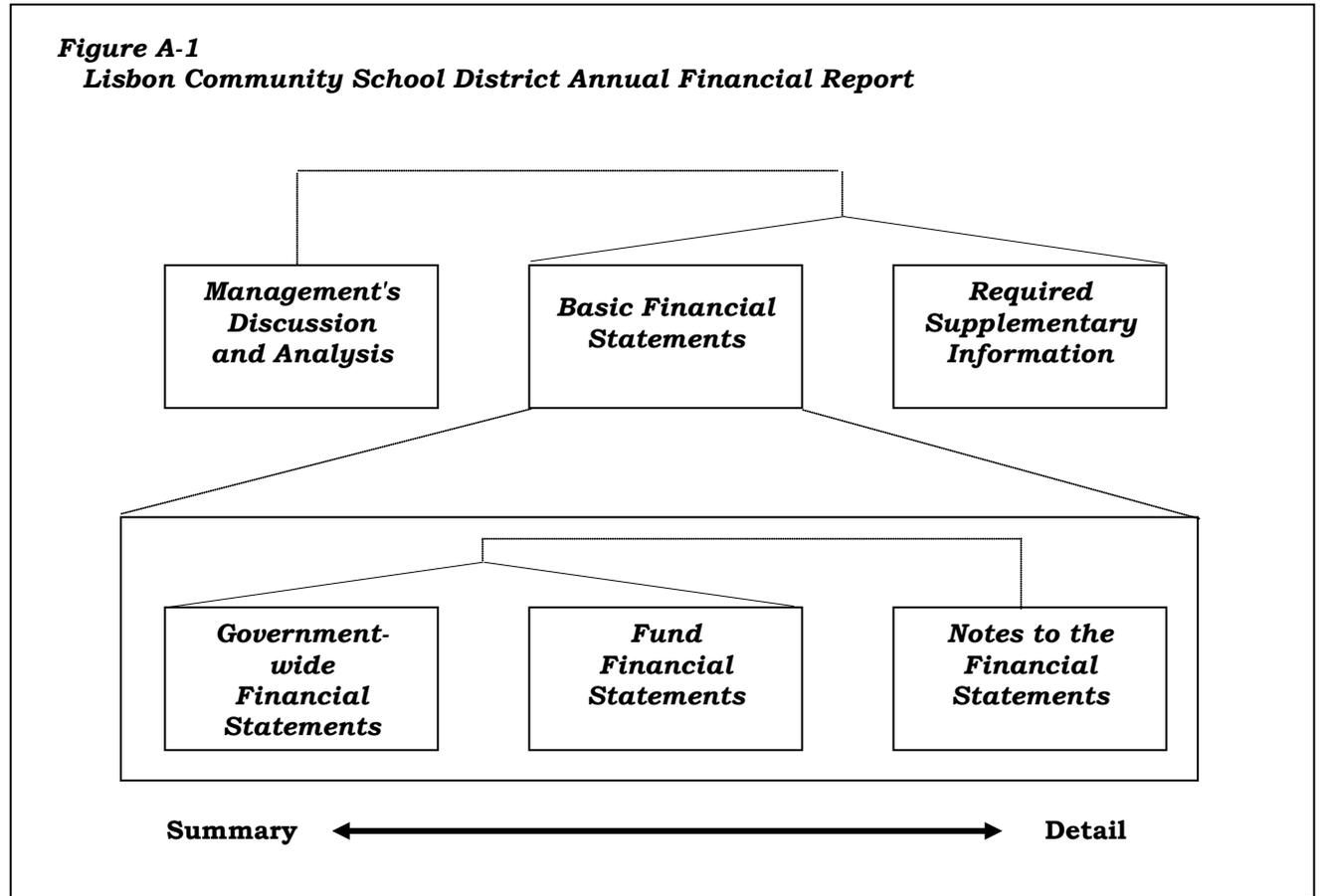


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in fund 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(Daycare) 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(Daycare) 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, 2012 compared to June 30, 2011.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 8,667,681	5,729,343	315,116	205,271	8,982,797	5,934,614	51.36%
Capital assets	10,913,568	6,693,125	11,904	14,909	10,925,472	6,708,034	62.87%
Total assets	19,581,249	12,422,468	327,020	220,180	19,908,269	12,642,648	57.47%
Long-term obligations	7,604,644	2,342,934	13,890	10,954	7,618,534	2,353,888	223.66%
Other liabilities	3,772,211	3,085,723	52,936	41,965	3,825,147	3,127,688	22.30%
Total liabilities	11,376,855	5,428,657	66,826	52,919	11,443,681	5,481,576	108.77%
Net assets:							
Invested in capital assets, net of related debt	4,672,455	4,728,125	11,904	14,909	4,684,359	4,743,034	-1.24%
Restricted	1,821,746	874,397	-	-	1,821,746	874,397	108.34%
Unrestricted	1,710,193	1,391,289	248,290	152,352	1,958,483	1,543,641	26.87%
Total net assets	\$ 8,204,394	6,993,811	260,194	167,261	8,464,588	7,161,072	18.20%

The District's combined net assets increased by \$1,303,516, or 18.20% over the prior year. The largest portion of the District's net assets is invested in capital assets, net of related debt (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$947,349 or 108.34% over the prior year. The increase in restricted net assets is mainly attributable to the increase in fund balance for the Capital Projects Funds.

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 \$414,842 or 26.87%. The increase was primarily a result of the increase in ending General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 648,195	599,384	708,521	699,853	1,356,716	1,299,237	4.42%
Operating grants and contributions and restricted interest	528,013	623,084	115,713	113,358	643,726	736,442	-12.59%
Capital grants and contributions and restricted interest	450,000	81,586	-	-	450,000	81,586	451.57%
General revenues:							
Property tax	2,243,706	2,180,773	-	-	2,243,706	2,180,773	2.89%
Income surtax	242,493	235,342	-	-	242,493	235,342	3.04%
Statewide sales, services and use tax	622,699	561,531	-	-	622,699	561,531	10.89%
Unrestricted state grants	3,549,203	3,137,212	-	-	3,549,203	3,137,212	13.13%
Nonspecific program federal grants	21,828	167,194	-	-	21,828	167,194	-86.94%
Unrestricted investment earnings	20,727	12,049	579	735	21,306	12,784	66.66%
Other	57,106	75,649	-	-	57,106	75,649	-24.51%
Total revenues	8,383,970	7,673,804	824,813	813,946	9,208,783	8,487,750	8.49%
Program expenses:							
Governmental activities:							
Instructional	4,451,840	4,583,708	-	-	4,451,840	4,583,708	-2.88%
Support services	1,991,651	1,903,650	578	1,717	1,992,229	1,905,367	4.56%
Non-instructional programs	-	-	731,302	720,686	731,302	720,686	1.47%
Other expenses	729,896	633,159	-	-	729,896	633,159	15.28%
Total expenses	7,173,387	7,120,517	731,880	722,403	7,905,267	7,842,920	0.79%
Change in net assets	1,210,583	553,287	92,933	91,543	1,303,516	644,830	102.15%
Net assets beginning of year	6,993,811	6,440,524	167,261	75,718	7,161,072	6,516,242	9.90%
Net assets end of year	\$ 8,204,394	6,993,811	260,194	167,261	8,464,588	7,161,072	18.20%

In fiscal 2012, property tax, income surtax, and statewide sales, services and use tax and unrestricted state grants account for 79.41% of the revenue from governmental activities while charges for service and operating grants and contributions and restricted interest account for 99.93% of the revenue from business type activities.

The District's total revenues were approximately \$9.21 million of which approximately \$8.38 million was for governmental activities and approximately \$0.83 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 8.49% increase in revenues and a 0.79% increase in expenses. Property tax increased \$62,933 and statewide sales, services and use tax increased \$61,168 to fund the increase in expenses. The increase in expenses is mainly attributable to the increase in salary and benefits as well as the increase in the District's net OPEB liability.

Governmental Activities

Revenues for governmental activities were \$8,383,970 and expenses were \$7,173,387.

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, 2012 as compared to the year ended June 30, 2011.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 4,451,840	4,583,708	-2.88%	3,519,517	3,619,319	-2.76%
Support services	1,991,651	1,903,650	4.62%	1,541,651	1,822,064	-15.39%
Other expenses	729,896	633,159	15.28%	486,011	375,080	29.58%
Totals	\$ 7,173,387	7,120,517	0.74%	5,547,179	5,816,463	-4.63%

- The cost financed by users of the District's programs was \$648,195.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$978,013.
- The net cost of governmental activities was financed with \$2,243,706 in property tax, \$242,493 in income surtax, \$622,699 in statewide sales, service and use tax, \$3,549,203 in unrestricted state grants, \$21,828 in nonspecific program federal grants, \$20,727 in interest income and \$57,106 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$824,813 and expenses were \$731,880. The District's business type activities include the School Nutrition Fund and the LECCEC(Daycare) Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, 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 \$4,775,163 above last year's ending fund balances of \$2,440,507. The main reason for the increase in overall fund balances can be attributed to the increase in fund balance for the Capital Projects Fund and General Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Growth during the year in local and state source revenues resulted in an increase in revenues. The increase in revenues was more than enough to offset the increase in expenditures enabling the General Fund ending balance to increase from \$1,481,641 at June 30, 2011 to \$1,940,836 at June 30, 2012.

- The Capital Projects fund balance increased from a balance of \$752,516 at the beginning of the fiscal year 2012 to \$2,030,421 at the end of fiscal 2012. The increase was the result of increases in local tax received 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 \$143,425 at June 30, 2011 to \$164,666 at June 30, 2012, representing an increase of 14.81%. The School Daycare Fund (LECCEC) net assets increased from a balance of \$23,836 at June 30, 2011 to a balance of \$95,528 at June 30, 2012.

BUDGETARY HIGHLIGHTS

The District's revenues were \$30,582 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more in federal 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. In spite of the District's budgetary practice, expenditures in the instruction functional area exceeded the budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$10,925,472, 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 62.87% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$238,109.

The original cost of the District's capital assets was \$14,882,182. Governmental funds account for \$14,789,962 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 \$307,912 at June 30, 2011 compared to \$4,678,841 at June 30, 2012. The increase in the construction in progress category is attributable to construction of a new early childhood facility.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 468,991	468,991	-	-	468,991	468,991	0.00%
Construction in progress	4,678,841	307,912	-	-	4,678,841	307,912	1419.54%
Buildings	5,285,606	5,477,309	-	-	5,285,606	5,477,309	-3.50%
Land improvements	358,535	382,732	-	-	358,535	382,732	-6.32%
Machinery and equipment	121,595	56,180	11,904	14,908	133,499	71,088	87.79%
Total	\$ 10,913,568	6,693,124	11,904	14,908	10,925,472	6,708,032	62.87%

Long-Term Debt

At June 30, 2012, the District had \$7,618,534 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents an increase of approximately 224.60% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- The District had outstanding General Obligation Bonds of \$1,835,000 at June 30, 2012.
- The Districts had outstanding Revenue Bonds of \$5,440,000 at June 30, 2012.
- The District had outstanding computer lease debt of \$135,184 at June 30, 2012 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had outstanding Early Retirement benefits of \$122,575 payable from the Special Revenue, Management Fund at June 30, 2012.
- The District had \$12,209 in Compensated Absences payable. The General Fund is responsible for paying \$8,340 while the School Nutrition Fund is responsible for paying \$125 and the School Daycare Fund (LECCEC) is responsible for paying \$3,744.

The District also has an OPEB liability of \$73,566 as of June 30, 2012.

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,
	2012	2011	2012	2011	2012	2011	2011-12
General Obligation Bonds	\$ 1,835,000	1,965,000	-	-	1,835,000	1,965,000	-6.62%
Revenue Bonds	5,440,000	-	-	-	5,440,000	-	100.00%
Computer Lease	135,184	263,175	-	-	135,184	263,175	-48.63%
Early Retirement	122,575	69,425	-	-	122,575	69,425	76.56%
Compensated Absences	8,340	1,978	3,869	4,116	12,209	6,094	100.34%
Net OPEB Liability	63,545	43,355	10,021	6,838	73,566	43,355	69.68%
Total	\$ 7,604,644	2,342,933	13,890	10,954	7,618,534	2,347,049	224.60%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- The new early childhood facility is an asset to drawing more students to the District and increasing revenues. With the continued growth of both the LECCEC childcare and 4-year-old state funded preschool programs, 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, 2012

	Primary Government			Component Unit
	Govern- mental Activities	Business Type Activities	Total	Lisbon Community School District Foundation
ASSETS				
Cash and pooled investments	\$ 5,960,360	282,532	6,242,892	224,069
Receivables:				
Property tax:				
Delinquent	23,406	-	23,406	-
Succeeding year	2,153,894	-	2,153,894	-
Income surtax	228,957	-	228,957	-
Accounts	403	3,785	4,188	-
Due from other funds	61,383	16,466	77,849	-
Due from other governments	239,278	2,344	241,622	-
Inventories	-	9,989	9,989	-
Capital assets, net of accumulated depreciation	10,913,568	11,904	10,925,472	-
TOTAL ASSETS	19,581,249	327,020	19,908,269	224,069
LIABILITIES				
Due to other funds	71,890	5,959	77,849	-
Accounts payable	959,208	5,861	965,069	-
Salaries and benefits payable	477,166	41,116	518,282	-
Interest payable	110,053	-	110,053	-
Deferred revenue:				
Succeeding year property tax	2,153,894	-	2,153,894	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	135,000	-	135,000	-
Revenue bonds payable	230,000	-	230,000	-
Computer lease payable	135,184	-	135,184	-
Early retirement payable	48,465	-	48,465	-
Compensated absences	8,340	3,869	12,209	-
Portion due after one year:				
General obligation bonds payable	1,700,000	-	1,700,000	-
Revenue bonds payable	5,210,000	-	5,210,000	-
Early retirement payable	74,110	-	74,110	-
Net OPEB liability	63,545	10,021	73,566	-
TOTAL LIABILITIES	11,376,855	66,826	11,443,681	-
NET ASSETS				
Invested in capital assets, net of related debt	4,672,455	11,904	4,684,359	-
Restricted for:				
Scholarships	-	-	-	56,535
Categorical funding	250,850	-	250,850	-
Debt service	640,830	-	640,830	-
Student activities	68,716	-	68,716	-
School infrastructure	762,687	-	762,687	-
Physical plant and equipment	98,663	-	98,663	-
Unrestricted	1,710,193	248,290	1,958,483	167,534
TOTAL NET ASSETS	\$ 8,204,394	260,194	8,464,588	224,069

SEE NOTES TO FINANCIAL STATEMENTS.

**LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

	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		Total	Component Unit Lisbon Community School District Foundation
					Govern- mental Activities	Business Type Activities		
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 3,250,832	298,229	37,068	-	(2,915,535)	-	(2,915,535)	-
Special	668,505	87,814	69,920	-	(510,771)	-	(510,771)	-
Other	532,503	262,152	177,140	-	(93,211)	-	(93,211)	-
	<u>4,451,840</u>	<u>648,195</u>	<u>284,128</u>	<u>-</u>	<u>(3,519,517)</u>	<u>-</u>	<u>(3,519,517)</u>	<u>-</u>
Support services:								
Student	134,164	-	-	-	(134,164)	-	(134,164)	-
Instructional staff	240,036	-	-	-	(240,036)	-	(240,036)	-
Administration	729,215	-	-	-	(729,215)	-	(729,215)	-
Operation and maintenance of plant	640,003	-	-	450,000	(190,003)	-	(190,003)	-
Transportation	248,233	-	-	-	(248,233)	-	(248,233)	-
	<u>1,991,651</u>	<u>-</u>	<u>-</u>	<u>450,000</u>	<u>(1,541,651)</u>	<u>-</u>	<u>(1,541,651)</u>	<u>-</u>
Long-term debt interest	283,137	-	-	-	(283,137)	-	(283,137)	-
Other expenditures:								
AEA Flowthrough	243,885	-	243,885	-	-	-	-	-
Depreciation(unallocated)*	202,874	-	-	-	(202,874)	-	(202,874)	-
	<u>446,759</u>	<u>-</u>	<u>243,885</u>	<u>-</u>	<u>(202,874)</u>	<u>-</u>	<u>(202,874)</u>	<u>-</u>
Total governmental activities	<u>7,173,387</u>	<u>648,195</u>	<u>528,013</u>	<u>450,000</u>	<u>(5,547,179)</u>	<u>-</u>	<u>(5,547,179)</u>	<u>-</u>
Business Type activities:								
Support services:								
Operation and maintenance of plant	578	-	-	-	-	(578)	(578)	-
Non-instructional programs:								
Nutrition services	293,462	225,591	89,360	-	-	21,489	21,489	-
Daycare	437,840	482,930	26,353	-	-	71,443	71,443	-
Total non-instructional programs:	<u>731,302</u>	<u>708,521</u>	<u>115,713</u>	<u>-</u>	<u>-</u>	<u>92,932</u>	<u>92,932</u>	<u>-</u>
Total business type activities	<u>731,880</u>	<u>708,521</u>	<u>115,713</u>	<u>-</u>	<u>-</u>	<u>92,354</u>	<u>92,354</u>	<u>-</u>
Total primary government	\$ <u>7,905,267</u>	<u>1,356,716</u>	<u>643,726</u>	<u>450,000</u>	<u>(5,547,179)</u>	<u>92,354</u>	<u>(5,454,825)</u>	<u>-</u>
Total component unit	\$ <u>24,574</u>	<u>-</u>	<u>16,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,541)</u>
General Revenues:								
Property tax levied for:								
General purposes					\$ 1,908,530	-	1,908,530	-
Debt service					211,563	-	211,563	-
Capital outlay					123,613	-	123,613	-
Income surtax					242,493	-	242,493	-
Statewide sales, services and use tax					622,699	-	622,699	-
Unrestricted state grants					3,549,203	-	3,549,203	-
Nonspecific program federal grants					21,828	-	21,828	-
Unrestricted investment earnings					20,727	579	21,306	3,294
Unrealized loss on investments					-	-	-	(5,441)
Realized gain on investments					-	-	-	2,657
Other					57,106	-	57,106	6,382
Total general revenues					<u>6,757,762</u>	<u>579</u>	<u>6,758,341</u>	<u>6,892</u>
Changes in net assets					<u>1,210,583</u>	<u>92,933</u>	<u>1,303,516</u>	<u>(1,649)</u>
Net assets beginning of year					<u>6,993,811</u>	<u>167,261</u>	<u>7,161,072</u>	<u>225,718</u>
Net assets end of year					<u>\$ 8,204,394</u>	<u>260,194</u>	<u>8,464,588</u>	<u>224,069</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 2,617,502	2,515,854	638,659	186,942	5,958,957
Receivables:					
Property tax:					
Delinquent	18,392	1,268	2,171	1,575	23,406
Succeeding year	1,404,262	128,330	346,302	275,000	2,153,894
Income surtax	228,957	-	-	-	228,957
Accounts	403	-	-	-	403
Due from other funds	-	61,383	-	-	61,383
Due from other governments	120,664	118,614	-	-	239,278
TOTAL ASSETS	\$ 4,390,180	2,825,449	987,132	463,517	8,666,278
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ 71,890	-	-	-	71,890
Accounts payable	267,446	666,698	-	25,064	959,208
Salaries and benefits payable	476,789	-	-	377	477,166
Deferred revenue:					
Succeeding year property tax	1,404,262	128,330	346,302	275,000	2,153,894
Income surtax	228,957	-	-	-	228,957
Total liabilities	2,449,344	795,028	346,302	300,441	3,891,115
Fund balances:					
Restricted for:					
Categorical funding	250,850	-	-	-	250,850
Construction	-	1,169,071	-	-	1,169,071
Debt service	-	-	640,830	-	640,830
Management levy purposes	-	-	-	94,360	94,360
Student activities	-	-	-	68,716	68,716
School infrastructure	-	762,687	-	-	762,687
Physical plant and equipment	-	98,663	-	-	98,663
Assigned	12,650	-	-	-	12,650
Unassigned	1,677,336	-	640,830	-	2,318,166
Total fund balances	1,940,836	2,030,421	640,830	163,076	4,775,163
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,390,180	2,825,449	987,132	463,517	8,666,278

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds(page 20)	\$ 4,775,163
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	10,913,568
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	1,403
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	228,957
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	(110,053)
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>(7,604,644)</u>
Net assets of governmental activities(page 18)	<u>\$ 8,204,394</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, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,989,841	746,312	211,563	150,545	3,098,261
Tuition	376,070	-	-	-	376,070
Other	115,815	12,038	2,968	225,793	356,614
State sources	3,977,261	-	-	-	3,977,261
Federal sources	115,127	450,000	-	-	565,127
TOTAL REVENUES	6,574,114	1,208,350	214,531	376,338	8,373,333
EXPENDITURES:					
Current:					
Instruction:					
Regular	3,143,022	-	-	28,142	3,171,164
Special	666,228	-	-	-	666,228
Other	293,986	-	-	220,070	514,056
	<u>4,103,236</u>	<u>-</u>	<u>-</u>	<u>248,212</u>	<u>4,351,448</u>
Support services:					
Student	133,750	-	-	-	133,750
Instructional staff	239,497	-	-	-	239,497
Administration	572,479	-	-	108,804	681,283
Operation and maintenance of plant	604,580	-	-	52,412	656,992
Transportation	217,492	-	-	5,933	223,425
	<u>1,767,798</u>	<u>-</u>	<u>-</u>	<u>167,149</u>	<u>1,934,947</u>
Capital outlay	-	4,475,827	-	-	4,475,827
Long-term debt:					
Principal	-	-	357,991	-	357,991
Interest and fiscal charges	-	-	190,282	-	190,282
	<u>-</u>	<u>-</u>	<u>548,273</u>	<u>-</u>	<u>548,273</u>
Other expenditures:					
AEA flowthrough	243,885	-	-	-	243,885
TOTAL EXPENDITURES	6,114,919	4,475,827	548,273	415,361	11,554,380
Excess(Deficiency) of revenues over(under) expenditures	459,195	(3,267,477)	(333,742)	(39,023)	(3,181,047)
Other financing sources(uses):					
Transfer in	-	-	970,321	-	970,321
Transfer out	-	(970,321)	-	-	(970,321)
Discount on revenue bond issuance	-	(24,297)	-	-	(24,297)
Revenue bond issuance	-	5,540,000	-	-	5,540,000
Total other financing sources(uses)	<u>-</u>	<u>4,545,382</u>	<u>970,321</u>	<u>-</u>	<u>5,515,703</u>
Net change in fund balances	459,195	1,277,905	636,579	(39,023)	2,334,656
Fund balance beginning of year	1,481,641	752,516	4,251	202,099	2,440,507
Fund balance end of year	<u>\$ 1,940,836</u>	<u>2,030,421</u>	<u>640,830</u>	<u>163,076</u>	<u>4,775,163</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, 2012

Net change in fund balances - total governmental funds(page 22) \$ 2,334,656

**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 not reported in the Statement of Activities 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	\$ 4,483,355	
Depreciation expense	(235,105)	
Loss on asset disposal	(27,806)	4,220,444

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (588)

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	\$ (5,540,000)	
Repaid	357,991	(5,182,009)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 10,637

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. (92,855)

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	\$ (53,150)	
Compensated absences	(6,362)	
Other postemployment benefits	(20,190)	(79,702)

Changes in net assets of governmental activities(page 19) \$ 1,210,583

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business Type Activities:			Governmental Activities: Internal Service Fund
	Enterprise Funds			
	School Nutrition	LECCEC (Daycare)	Total	
ASSETS				
Current assets:				
Cash and pooled investments	\$ 148,068	134,464	282,532	1,403
Accounts receivable	3,785	-	3,785	-
Due from other funds	5,959	10,507	16,466	-
Due from other governments	-	2,344	2,344	-
Inventories	7,107	2,882	9,989	-
Total current assets	164,919	150,197	315,116	1,403
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	11,904	-	11,904	-
Total non-current assets	11,904	-	11,904	-
TOTAL ASSETS	176,823	150,197	327,020	1,403
LIABILITIES				
Current liabilities:				
Due to other funds	-	5,959	5,959	-
Accounts payable	3,865	1,996	5,861	-
Salaries and benefits payable	7,269	33,847	41,116	-
Total current liabilities	11,134	41,802	52,936	-
Long-term liabilities:				
Compensated absences	125	3,744	3,869	-
Net OPEB liability	898	9,123	10,021	-
Total long-term liabilities	1,023	12,867	13,890	-
TOTAL LIABILITIES	12,157	54,669	66,826	-
NET ASSETS				
Invested in capital assets	11,904	-	11,904	-
Unrestricted	152,762	95,528	248,290	1,403
TOTAL NET ASSETS	\$ 164,666	95,528	260,194	1,403

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, 2012

	Business Type Activites:			Governmental
	Enterprise Funds			Activities:
	School Nutrition	LECCEC (DayCare)	Total Enterprise	Internal Service Fund
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 225,591	482,930	708,521	-
Miscellaneous	-	-	-	3,903
TOTAL OPERATING REVENUES	225,591	482,930	708,521	3,903
OPERATING EXPENSES:				
Support services:				
Operation and maintenance of plant:				
Services	578	-	578	-
Non-instructional programs:				
Food service operations:				
Salaries	83,451	-	83,451	-
Benefits	23,776	-	23,776	-
Services	51	-	51	-
Supplies	183,180	-	183,180	-
Depreciation	3,004	-	3,004	-
	293,462	-	293,462	-
Community service operations:				
Salaries	-	285,748	285,748	-
Benefits	-	98,679	98,679	-
Supplies	-	53,413	53,413	-
	-	437,840	437,840	-
Other enterprise operations:				
Benefits	-	-	-	4,493
Total non-instructional programs	293,462	437,840	731,302	4,493
TOTAL OPERATING EXPENSES	294,040	437,840	731,880	4,493
OPERATING INCOME (LOSS)	(68,449)	45,090	(23,359)	(590)
NON-OPERATING REVENUES:				
State sources	2,296	-	2,296	-
Federal sources	87,064	26,353	113,417	-
Interest on investments	330	249	579	2
TOTAL NON-OPERATING REVENUES	89,690	26,602	116,292	2
Change in net assets	21,241	71,692	92,933	(588)
Net assets beginning of year	143,425	23,836	167,261	1,991
Net assets end of year	\$ 164,666	95,528	260,194	1,403

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	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	\$ 229,999	-	229,999	-
Cash received from daycare services	-	482,930	482,930	-
Cash received from miscellaneous	-	-	-	3,903
Cash payments to employees for services	(106,843)	(378,050)	(484,893)	(4,493)
Cash payments to suppliers for goods or services	(170,285)	(54,501)	(224,786)	-
Net cash provided by(used in) operating activities	(47,129)	50,379	3,250	(590)
Cash flows from non-capital financing activities:				
Interfund borrowings	(2,929)	(7,578)	(10,507)	-
State grants received	2,296	-	2,296	-
Federal grants received	73,490	26,143	99,633	-
Net cash provided by non-capital financing activities	72,857	18,565	91,422	-
Cash flows from investing activities:				
Interest on investments	330	249	579	2
Net increase(decrease) in cash and cash equivalents	26,058	69,193	95,251	(588)
Cash and cash equivalents beginning of year	122,010	65,271	187,281	1,991
Cash and cash equivalents end of year	\$ 148,068	134,464	282,532	1,403
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (68,449)	45,090	(23,359)	(590)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	13,574	-	13,574	-
Depreciation	3,004	-	3,004	-
Increase in inventories	(2,006)	(319)	(2,325)	-
Decrease in accounts receivable	4,408	-	4,408	-
Increase(Decrease) in accounts payable	1,956	(769)	1,187	-
Increase(Decrease) in salaries and benefits payable	(26)	3,851	3,825	-
Increase(Decrease) in compensated absences payable	125	(372)	(247)	-
Increase in other postemployment benefits	285	2,898	3,183	-
Net cash provided by(used in) operating activities	\$ (47,129)	50,379	3,250	(590)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$13,574.

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(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 non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 Non-fiduciary 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. Any unused bond proceeds for the construction of assets is added back to invested in capital assets, net of related debt.

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 non-major 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 used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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

The District reports the following nonmajor proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District. The LECCEC(Daycare) Fund is used to account for child care services provided by the District.

The District reports the following other proprietary fund:

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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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, 2012. 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. During the year ended June 30, 2012, expenditures in the instruction functional area exceeded the amount budgeted.

(2) Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit 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, 2012, the District had no investments.

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 970,321

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's computer lease and revenue bond indebtedness as well as creating the reserve amount for the revenue bonds dated July 1, 2011.

(4) Due From and Due to Other Funds

The details of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
Nutrition	LECCEC(Daycare)	\$ 5,959
Capital Projects: Physical Plant & Equipment Levy	General	61,383
LECCEC(Daycare)	General	10,507
Total		<u>\$ 77,849</u>

The LECCEC(Daycare) Fund is repaying the Nutrition Fund for meals purchased during the year for the daycare program.

The General Fund is repaying the Capital Projects: Physical Plant and Equipment Levy Fund for maintenance expenditures that the District wanted to recode before year end.

The General Fund is also repaying LECCEC(Daycare) Fund as a correcting entry for 4-year old preschool expenditures mistakenly applied to the LECCEC(Daycare) Fund.

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 1,965,000	-	130,000	1,835,000	135,000
Revenue Bonds	-	5,540,000	100,000	5,440,000	230,000
Computer Lease	263,175	-	127,991	135,184	135,184
Early Retirement	69,425	81,292	28,142	122,575	48,465
Compensated Absences	1,978	8,340	1,978	8,340	8,340
Net OPEB Liability	43,355	20,190	-	63,545	-
Total	\$ 2,342,933	5,649,822	388,111	7,604,644	556,989
Business Type Activities:					
Compensated Absences	\$ 4,116	3,869	4,116	3,869	3,869
Net OPEB Liability	6,838	3,183	-	10,021	-
Total	\$ 10,954	7,052	4,116	13,890	3,869

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonds indebtedness are as follows:

Year Ending June 30,	Bond issue dated May 1, 2003			
	Interest Rates	Principal	Interest	Total
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	4.00	160,000	53,003	213,003
2018-2022	4.00-4.30	900,000	162,412	1,062,412
2023	4.35	205,000	8,918	213,918
Total		<u>\$ 1,835,000</u>	<u>494,343</u>	<u>2,329,343</u>

Revenue Bond Payable

Details of the District's June 30, 2012 revenue bonds indebtedness are as follows:

Year Ending June 30,	Bond issue dated July 1, 2011			
	Interest Rates	Principal	Interest	Total
2013	2.25	230,000	191,040	421,040
2014	2.25	240,000	185,865	425,865
2015	2.50	245,000	180,465	425,465
2016	2.50	250,000	174,340	424,340
2017	2.75	255,000	168,090	423,090
2018-2022	2.75-3.65	1,390,000	724,313	2,114,313
2023-2027	3.75-4.15	1,660,000	456,670	2,116,670
2028-2030	4.20-4.35	1,170,000	101,752	1,271,752
Total		<u>\$ 5,440,000</u>	<u>2,182,535</u>	<u>7,622,535</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$5,540,000 of bonds dated July 1, 2011. The bonds were issued for the purpose of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require over 68 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$7,622,535. For the current year, principal of \$100,000 and interest of \$96,520 was paid on the bonds and total statewide sales, services and use tax revenues were \$622,699.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$425,865 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirement of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Computer Lease Payable

The District has a \$135,184 principal payment and a \$7,597 interest payment remaining on the one-on-one computer lease with Apple, Inc. for 2013. The interest rate on the computer lease is 5.45%. This final payment for the computer lease will be made from the Capital Projects: Statewide, Sales, Services and Use Tax Fund.

Early Retirement

For the fiscal year ending June 30, 2012, the District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and have completed twenty 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 four 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 50% of current base salary to be paid in four equal payments 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, 2012, totaled \$28,142.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 92,220	-	-	92,220
Less accumulated depreciation	77,312	3,004	-	80,316
Business-type activities capital assets, net	<u>\$ 14,908</u>	<u>(3,004)</u>	-	<u>11,904</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 468,991	-	-	468,991
Construction in progress	307,912	4,370,929	-	4,678,841
Total capital assets not being depreciated	<u>776,903</u>	<u>4,370,929</u>	<u>-</u>	<u>5,147,832</u>
Capital assets being depreciated:				
Buildings	8,506,632	14,780	94,309	8,427,103
Land improvements	483,938	-	-	483,938
Machinery and equipment	686,880	97,646	53,437	731,089
Total capital assets being depreciated	<u>9,677,450</u>	<u>112,426</u>	<u>147,746</u>	<u>9,642,130</u>
Less accumulated depreciation for:				
Buildings	3,029,323	178,677	66,503	3,141,497
Land improvements	101,206	24,197	-	125,403
Machinery and equipment	630,700	32,231	53,437	609,494
Total accumulated depreciation	<u>3,761,229</u>	<u>235,105</u>	<u>119,940</u>	<u>3,876,394</u>
Total capital assets being depreciated, net	<u>5,916,221</u>	<u>(122,679)</u>	<u>27,806</u>	<u>5,765,736</u>
Governmental activities capital assets, net	<u>\$ 6,693,124</u>	<u>4,248,250</u>	<u>27,806</u>	<u>10,913,568</u>
Governmental activities:				
Support service:				
Operation and maintenance of plant				\$ 13,321
Transportation				18,910
				<u>32,231</u>
Unallocated depreciation				202,874
Total governmental activities depreciation expense				<u>\$ 235,105</u>
Business type activities:				
Food services				<u>\$ 3,004</u>

(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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$289,441, \$236,482 and \$229,563 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 55 or older at retirement and have twenty or more years of continuous service to the District.

The medical/prescription drug benefit, which is a partially self-funded medical plan, is administered by Wellmark. 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, 2012, 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	2,259
Adjustment to annual required contribution	(1,886)
Annual OPEB cost	<u>52,373</u>
Contributions made	(29,000)
Increase in net OPEB obligation	<u>23,373</u>
Net OPEB obligation - beginning of year	<u>50,193</u>
Net OPEB obligation - end of year	<u><u>\$ 73,566</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2012.

For the year ended, June 30, 2012, the District contributed \$29,000 to the medical plan. Plan members eligible for benefits contributed \$23,000, or 44.23% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	52,000	50.00%	\$ 26,000
2011	52,193	53.65%	\$ 50,193
2012	52,373	55.37%	\$ 73,566

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$0.346 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.346 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.052 million, and the ratio of the UAAL to the covered payroll was 11.34%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the 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 \$243,885 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Exceeded

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

(11) Construction Commitment

As of June 30, 2012, the District had entered into a contract of \$5,209,849 for the construction of a child care facility. Costs of \$4,327,813 had been incurred by the District against this contract. The remaining \$882,036 will be paid as work on the project progresses. The total cost of the improvements will be added to the District's capital asset listing upon completion.

(12) Categorical Funding

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

Program	Amount
Talented and gifted	\$ 7,292
Four-year-old preschool state aid	175,602
Teacher salary supplement	44,482
Beginning Teacher Mentoring	452
Market factor	2,215
Model core curriculum	7,440
Professional development	11,180
Market factor incentives	2,187
Total	<u>\$ 250,850</u>

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, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,830,945	709,100	4,540,045	4,867,633	4,867,633	(327,588)
State sources	3,977,261	2,296	3,979,557	4,073,931	4,073,931	(94,374)
Federal sources	565,127	113,417	678,544	226,000	226,000	452,544
Total revenues	8,373,333	824,813	9,198,146	9,167,564	9,167,564	30,582
Expenditures/Expenses:						
Instruction	4,351,448	-	4,351,448	4,323,256	4,323,256	(28,192)
Support services	1,934,947	578	1,935,525	1,992,000	1,992,000	56,475
Non-instructional programs	-	731,302	731,302	900,835	900,835	169,533
Other expenditures	5,267,985	-	5,267,985	7,002,380	7,002,380	1,734,395
Total expenditures/expenses	11,554,380	731,880	12,286,260	14,218,471	14,218,471	1,932,211
Excess(Deficiency) of revenues over(under) expenditures/expenses	(3,181,047)	92,933	(3,088,114)	(5,050,907)	(5,050,907)	1,962,793
Other financing sources, net	5,515,703	-	5,515,703	4,800,000	4,800,000	15,115,703
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	2,334,656	92,933	2,427,589	(250,907)	(250,907)	17,078,496
Balance beginning of year	2,440,507	167,261	2,607,768	283,361	283,361	2,324,407
Balance end of year	\$ 4,775,163	260,194	5,035,357	32,454	32,454	19,402,903

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

This budgetary comparison is presented as Required Supplementary Information in accordance with 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.

During the year ended June 30, 2012, expenditures in the instruction functional area exceeded the amount budgeted.

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

REQUIRED SUPPLEMENTARY INFORMATION
(IN THOUSANDS)

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 346	\$ 346	0.0%	\$ 2,674	12.94%
2011	July 1, 2009	\$ -	\$ 346	\$ 346	0.0%	\$ 2,729	12.68%
2012	July 1, 2009	\$ -	\$ 346	\$ 346	0.0%	\$ 3,052	11.34%

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, 2012

	Lisbon Community School District Foundation
Assets	
Cash	\$ 29,363
Certificates of deposit	5,000
Investments	189,706
Total Assets	\$ 224,069
 Total Liabilities	 \$ -
 Net Assets	
Restricted	56,535
Unrestricted	167,534
Total Net Assets	\$ 224,069

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND
CHANGES IN NET ASSETS - CASH BASIS
DISCRETE COMPONENT UNIT
YEAR ENDED JUNE 30, 2012

	Lisbon Community School District Foundation		
	Unrestricted	Restricted	Total
	Funds	Funds	
SUPPORT AND REVENUE:			
Interest	\$ 94	980	1,074
Dividends	2,220	-	2,220
Donations	16,033	-	16,033
Unrealized loss on investments	(2,324)	(3,117)	(5,441)
Realized gain on investments	893	1,764	2,657
Other	420	5,962	6,382
TOTAL SUPPORT AND REVENUE	17,336	5,589	22,925
EXPENSES:			
Administration	669	423	1,092
Investment management	5,962	170	6,132
Scholarships	16,500	-	16,500
Other	850	-	850
TOTAL EXPENSES	23,981	593	24,574
Excess of support and revenue over expenses	(6,645)	4,996	(1,649)
Net assets beginning of year	174,179	51,539	225,718
Net assets end of year	\$ 167,534	56,535	224,069

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

LISBON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 109,142	77,800	186,942
Receivables:			
Property tax:			
Delinquent	1,575	-	1,575
Succeeding year	275,000	-	275,000
TOTAL ASSETS	\$ 385,717	77,800	463,517
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 16,357	8,707	25,064
Salaries and benefits payable	-	377	377
Deferred revenue:			
Succeeding year property tax	275,000	-	275,000
Total liabilities	291,357	9,084	300,441
Fund balances:			
Restricted for:			
Management levy purposes	94,360	-	94,360
Student activities	-	68,716	68,716
Total fund balances	94,360	68,716	163,076
TOTAL LIABILITIES AND FUND BALANCES	\$ 385,717	77,800	463,517

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, 2012

	Special Revenue		
	Management Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 150,545	-	150,545
Other	8,013	217,780	225,793
TOTAL REVENUES	158,558	217,780	376,338
EXPENDITURES:			
Current:			
Instruction:			
Regular	28,142	-	28,142
Other	-	220,070	220,070
Support services:			
Administration	108,804	-	108,804
Operation and maintenance of plant	52,412	-	52,412
Transportation	5,933	-	5,933
TOTAL EXPENDITURES	195,291	220,070	415,361
Net change in fund balances	(36,733)	(2,290)	(39,023)
Fund balance beginning of year	131,093	71,006	202,099
Fund balance end of year	\$ 94,360	68,716	163,076

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 2,439,589	76,265	2,515,854
Receivables:			
Property tax:			
Delinquent	-	1,268	1,268
Succeeding year	-	128,330	128,330
Due from other funds	-	61,383	61,383
Due from other governments	118,614	-	118,614
TOTAL ASSETS	\$ 2,558,203	267,246	2,825,449
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	626,445	40,253	666,698
Deferred revenue:			
Succeeding year property tax	-	128,330	128,330
Total liabilities	626,445	168,583	795,028
Fund balances:			
Restricted for:			
Construction	1,169,071	-	1,169,071
School infrastructure	762,687	-	762,687
Physical plant and equipment	-	98,663	98,663
Total fund balances	1,931,758	98,663	2,030,421
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,558,203	267,246	2,825,449

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, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 622,699	123,613	746,312
Other	11,791	247	12,038
Federal sources	450,000	-	450,000
TOTAL REVENUES	1,084,490	123,860	1,208,350
EXPENDITURES:			
Current:			
Capital outlay	4,372,764	103,063	4,475,827
Excess(Deficiency)of revenues over(under) expenditures	(3,288,274)	20,797	(3,267,477)
Other financing sources(uses):			
Transfer out	(970,321)	-	(970,321)
Discount on revenue bond issuance	(24,297)	-	(24,297)
Revenue bond issuance	5,540,000	-	5,540,000
Total other financing sources(uses)	4,545,382	-	4,545,382
Net change in fund balances	1,257,108	20,797	1,277,905
Fund balance beginning of year	674,650	77,866	752,516
Fund balance end of year	\$ 1,931,758	98,663	2,030,421

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Special Account	\$ 16,013	13,538	12,224	17,327
Cheerleaders	3,726	978	2,570	2,134
Boy's Basketball	4,787	18,313	19,170	3,930
Boy's Football	1,329	41,918	40,111	3,136
Boy's Baseball	-	12,178	12,178	-
Boy's Track	-	5,374	5,185	189
Boy's Wrestling	4,789	9,711	13,080	1,420
Girl's Basketball	4,789	4,952	6,410	3,331
Girl's Volleyball	4,685	5,617	6,604	3,698
Girl's Softball	-	7,303	7,303	-
Girl's Track	-	140	140	-
Golf	-	1,553	1,528	25
Athletics	4,789	10,027	12,565	2,251
Yearbook	6,284	8,800	7,271	7,813
Student Council	1,011	8,916	9,112	815
SADD	438	-	-	438
Prom	4,450	2,809	4,183	3,076
Concessions	-	29,711	28,204	1,507
Dance	-	2,640	2,640	-
Drama	1,540	10,800	9,647	2,693
Ski Trip	670	3,506	3,014	1,162
Band Trip	2,836	20	1,458	1,398
Spanish Club	1,933	580	350	2,163
Art Club	-	1,303	162	1,141
PTO	-	250	107	143
Music Boosters	3,312	13,173	11,308	5,177
Band Uniform Replacement	3,625	1,262	1,138	3,749
Total	\$ 71,006	217,780	220,070	68,716

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 NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 3,098,261	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	376,070	327,475	237,095	273,011	270,870	330,755	284,428	363,834	245,725
Other	356,614	441,193	338,147	363,247	445,410	239,370	141,164	177,524	204,924
State sources	3,977,261	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	565,127	310,040	457,815	147,540	100,189	88,893	104,597	314,394	931,592
Total	\$ 8,373,333	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	\$ 3,171,164	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	666,228	646,388	541,597	699,861	654,870	673,032	394,806	506,763	470,526
Other	514,056	528,626	470,692	418,279	393,591	267,208	319,316	233,475	203,778
Support services:									
Student	133,750	125,921	120,292	112,795	101,531	93,398	73,875	74,412	60,311
Instructional staff	239,497	180,691	204,964	226,579	191,723	186,819	140,236	157,538	149,933
Administration	681,283	551,985	609,167	627,982	590,211	599,422	581,296	606,773	653,110
Operation and maintenance									
of plant	656,992	602,837	501,126	555,349	445,782	578,955	536,650	531,125	452,985
Transportation	223,425	223,799	279,528	197,320	187,178	144,258	276,250	237,485	119,240
Capital outlay	4,475,827	504,840	623,246	646,414	212,958	140,142	94,285	363,399	3,479,845
Long-term debt:									
Principal	357,991	246,180	120,000	115,000	134,970	128,900	105,000	156,567	150,681
Interest and fiscal charges	190,282	107,428	89,977	93,715	98,382	102,896	104,114	110,410	116,405
Other expenditures:									
AEA flow-through	243,885	258,079	257,435	226,561	213,345	191,995	186,036	171,760	168,244
Total	\$ 11,554,380	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.

LISBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 12	\$ 9,228
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 12	103,604 *
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 12	585
			<u>113,417</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3744-G	35,522
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3744-GC	1,131
			<u>36,653</u>
FUND FOR THE IMPROVEMENT OF EDUCATION(IOWA DEMONSTRATION GRANT)	84.215	FY 11	<u>450,000</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY 11	<u>77</u>
IMPROVING TEACHER QUALITY STATE GRANTS(TITLE IIA)	84.367	FY 12	<u>15,706</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 12	<u>3,913</u>
EDUCATION JOBS FUND	84.410	FY 11	20,000
EDUCATION JOBS FUND	84.410	FY 12	1,828
			<u>21,828</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 12	<u>31,772</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 12	<u>5,178</u>
TOTAL			<u>\$ 678,544</u>

* - Includes \$13,574 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(A Professional Corporation)

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

Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lisbon Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 26, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Lisbon Community School District is responsible for establishing and maintaining effective 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 an opinion on the effectiveness of Lisbon Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lisbon Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness 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 deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be material weakness.

A significant deficiency is a deficiency, or a 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 identified no deficiencies in internal control over financial reporting that we consider 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 IV of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 26, 2013

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

To the Board of Education of
Lisbon Community School District:

Compliance

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

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

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

Internal Control Over Compliance

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

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs and Questioned Costs as item III-A-12 to be a material weakness.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

February 26, 2013

LISBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Individual*
 - CFDA Number 84.215 - Fund for the Improvement of Education (Iowa Demonstration Grant)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Lisbon Community School District did not qualify as a low-risk auditee.

LISBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 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 Lisbon School District will continue to monitor internal procedures in order to obtain maximum internal control. Duties will be segregated whenever possible.

Conclusion - Response accepted.

LISBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

CFDA Number 84.215: Fund for the Improvement of Education (Iowa Demonstration Grant)
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-12 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 Lisbon School District will continue to monitor internal procedures in order to obtain maximum internal control. Duties will be segregated whenever possible.

Conclusion - Response accepted.

LISBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget - District disbursements for the year ended June 30, 2012 exceeded the amount budgeted in the instructional programs functional area.

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

Response - In the future, the District will amend the budget in accordance with Chapter 24.9 of the Code of Iowa before the budgeted amounts are exceeded.

Conclusion - Response accepted.

IV-B-12 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

IV-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-12 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

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

IV-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, 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 2012 audit.

Beginning Balance		\$	674,650
Revenues:			
Statewide sales, services and use tax revenue	\$	622,699	
Other revenue		11,791	
Federal revenues		450,000	
Sale of revenue bonds		5,540,000	6,624,490
			<u>7,299,140</u>
Expenditures/Transfers out:			
School infrastructure:			
Equipment	\$	404,432	
School infrastructure construction		3,968,332	
Other		24,297	
Transfer to other funds:			
Debt service fund		970,321	5,367,382
			<u>5,367,382</u>
Ending balance		\$	<u>1,931,758</u>

For the year ended June 30, 2012 the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-12 Mailing Payroll Checks - We noted that the District currently does not have written authorization to mail payroll checks. Chapter 91A.3 of the Code of Iowa requires the District to have written authorization to mail payroll checks.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District has obtained written authorization from each employee who receives a payroll check by mail.

Conclusion - Response accepted.