

LISBON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Lisbon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
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	2013
Laurie Maher	Business Manager/ Board Secretary	2013
Ahlers & Cooney, P.C.	Attorney	2013

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:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Lisbon Community School District as of June 30, 2013, and the respective changes in financial position and, when applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of Funding Progress for Retiree Health Plan and the combining statements for the discretely presented component units on pages 7 through 16 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 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 of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 third paragraph of this report, the financial statements for the six years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third 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 supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2014 on our consideration so Lisbon Community School District's internal control over financial reporting and on 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, 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 in considering Lisbon Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 10, 2014
Newton, Iowa

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,574,114 in fiscal 2012 to \$6,102,726 in fiscal 2013, while General Fund expenditures increased from \$6,114,919 in fiscal 2012 to \$6,663,890 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from \$1,940,836 in fiscal 2012 to a balance of \$1,379,672 in fiscal 2013, representing a decrease of 28.91%.
- The decrease in General Fund revenues was attributable to decreases in local and state source revenues in fiscal 2013. The increase in expenditures can be attributed to the increase in negotiated salaries and benefits paid to District employees.
- The District's solvency ratio (unassigned/general fund revenues) decreased as compared to fiscal 2012. At June 30, 2012 the District's solvency ratio was 25.51% as compared to 19.93% at June 30, 2013.

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 Position 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.

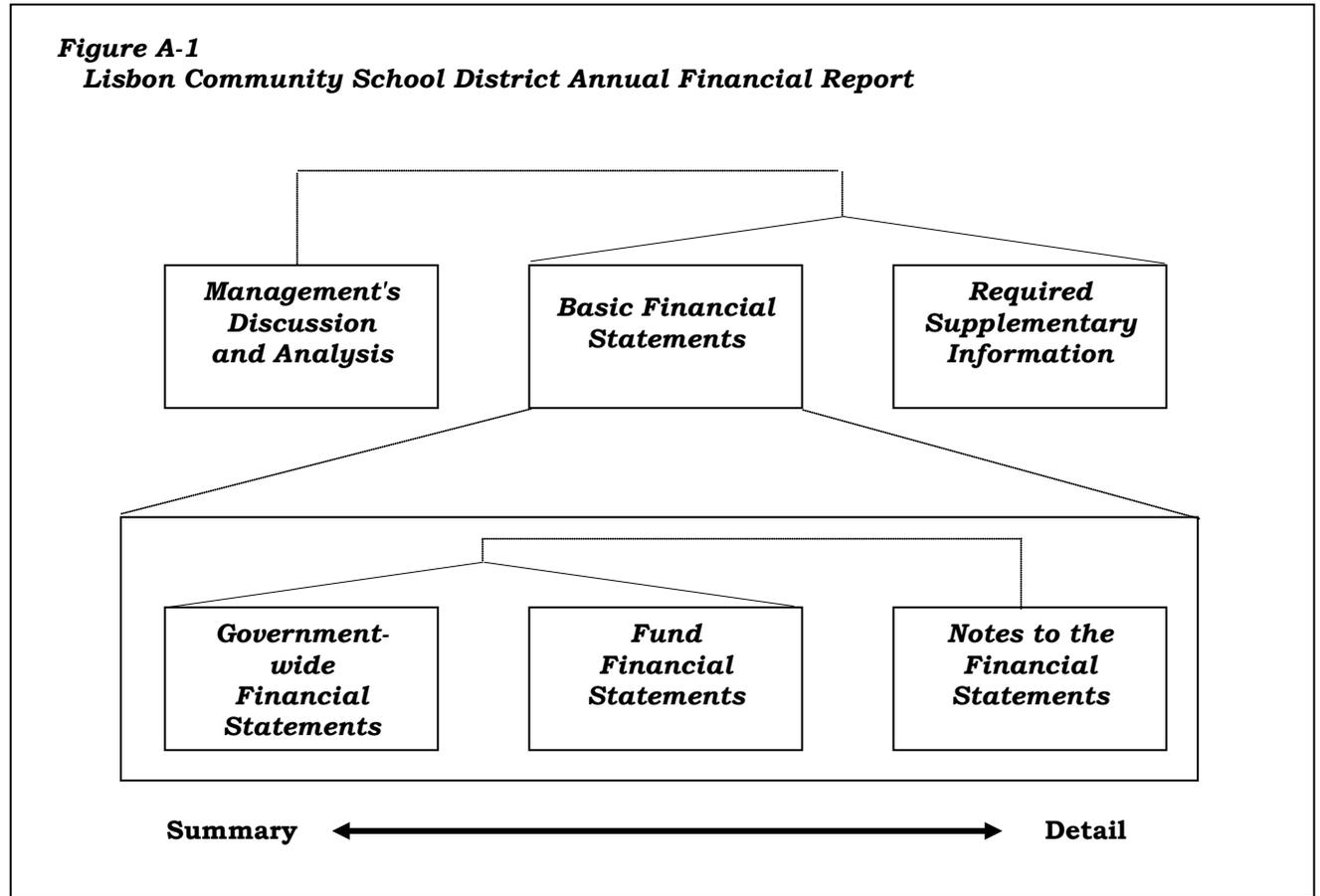


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 position • 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 Position • Statement of revenues, expenses and changes in fund net position • 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 Position 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 position and how they have changed. Net position – the difference between the District’s assets and liabilities – is one way to measure the District’s financial health or position. Over time, increases or decreases in the

District's net position is 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 LECC (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, Management Levy Fund, Student Activity, 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 LECC (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 position 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 position and a statement of changes in fiduciary net position.

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 position at June 30, 2013 compared to June 30, 2012.

Figure A-3
Condensed Statement of Net Position

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 6,265,843	8,667,681	279,069	315,116	6,544,912	8,982,797	-27.14%
Capital assets	11,949,670	10,913,568	74,083	11,904	12,023,753	10,925,472	10.05%
Total assets	18,215,513	19,581,249	353,152	327,020	18,568,665	19,908,269	-6.73%
Long-term obligations	6,938,585	7,604,644	22,002	13,890	6,960,587	7,618,534	-8.64%
Other liabilities	3,201,673	3,772,211	74,382	52,936	3,276,055	3,825,147	-14.35%
Total liabilities	10,140,258	11,376,855	96,384	66,826	10,236,642	11,443,681	-10.55%
Net position:							
Net investment in capital assets	5,174,670	4,672,455	74,083	11,904	5,248,753	4,684,359	12.05%
Restricted	1,658,852	1,821,746	-	-	1,658,852	1,821,746	-8.94%
Unrestricted	1,241,733	1,710,193	182,685	248,290	1,424,418	1,958,483	-27.27%
Total net position	\$ 8,075,255	8,204,394	256,768	260,194	8,332,023	8,464,588	-1.57%

The District's combined net position decreased by \$132,565, or 1.57% from the prior year. The largest portion of the District's net position 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 position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$162,894 or 8.94% over the prior year. The decrease in restricted net position is mainly attributable to the decrease in fund balance for the Capital Projects: Statewide Sales, Services and Use Tax Fund due to the completion of the LECC (Daycare) building.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$534,065 or 27.27%. The decrease was primarily a result of the decrease in the General Fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4
Changes of Net Position

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2012-13
	2013	2012	2013	2012	2013	2012	
Revenues:							
Program revenues:							
Charges for services	\$ 650,452	648,195	756,690	708,521	1,407,142	1,356,716	3.72%
Operating grants and contributions and restricted interest	488,305	528,013	125,320	115,713	613,625	643,726	-4.68%
Capital grants and contributions and restricted interest	50,000	450,000	-	-	50,000	450,000	-88.89%
General revenues & Transfers:							
Property tax	2,155,363	2,243,706	-	-	2,155,363	2,243,706	-3.94%
Income surtax	124,083	242,493	-	-	124,083	242,493	-48.83%
Statewide sales, services and use tax	550,014	622,699	-	-	550,014	622,699	-11.67%
Unrestricted state grants	3,419,055	3,549,203	-	-	3,419,055	3,549,203	-3.67%
Nonspecific program federal grants	-	21,828	-	-	-	21,828	-100.00%
Unrestricted investment earnings	9,028	20,727	590	579	9,618	21,306	-54.86%
Other	131,683	57,106	-	-	131,683	57,106	130.59%
Transfers	(6,612)	-	6,612	-	-	-	0.00%
Total revenues and transfers	7,571,371	8,383,970	889,212	824,813	8,460,583	9,208,783	-8.12%
Program expenses:							
Governmental activities:							
Instructional	4,744,034	4,451,840	-	-	4,744,034	4,451,840	6.56%
Support services	2,124,218	1,991,651	1,629	578	2,125,847	1,992,229	6.71%
Non-instructional programs	-	-	891,009	731,302	891,009	731,302	21.84%
Other expenses	832,258	729,896	-	-	832,258	729,896	14.02%
Total expenses	7,700,510	7,173,387	892,638	731,880	8,593,148	7,905,267	8.70%
Change in net position	(129,139)	1,210,583	(3,426)	92,933	(132,565)	1,303,516	-110.17%
Net position beginning of year	8,204,394	6,993,811	260,194	167,261	8,464,588	7,161,072	18.20%
Net position end of year	\$ 8,075,255	8,204,394	256,768	260,194	8,332,023	8,464,588	-1.57%

In fiscal 2013, property tax, income surtax, and statewide sales, services and use tax and unrestricted state grants account for 82.53% of the revenue from governmental activities while charges for service and operating grants and contributions and restricted interest account for 99.19% of the revenue from business type activities.

The District's total revenues were approximately \$8.46 million of which approximately \$7.57 million was for governmental activities and approximately \$0.89 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 8.12% decrease in revenues and an 8.70% increase in expenses. Property tax revenues decreased \$88,343 and statewide sales, services and use tax decreased \$72,685. The increase in expenses is mainly attributable to the increase in salary and benefits paid to the District's employees.

Governmental Activities

Revenues for governmental activities were \$7,571,371 and expenses were \$7,700,510.

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, 2013 as compared to the year ended June 30, 2012.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 4,744,034	4,451,840	6.56%	3,849,079	3,519,517	9.36%
Support services	2,124,218	1,991,651	6.66%	2,074,218	1,541,651	34.55%
Other expenses	832,258	729,896	14.02%	588,456	486,011	21.08%
Totals	\$ 7,700,510	7,173,387	7.35%	6,511,753	5,547,179	17.39%

- The cost financed by users of the District's programs was \$650,452.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$538,305.
- The net cost of governmental activities was financed with \$2,155,363 in property tax, \$124,083 in income surtax, \$550,014 in statewide sales, service and use tax, \$3,419,055 in unrestricted state grants, \$9,028 in interest income and \$131,683 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$889,212 and expenses were \$892,638. The District's business type activities include the School Nutrition Fund and the LECC (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 \$3,049,440 this is below last year's ending fund balances of \$4,775,163. The main reason for the decrease in overall fund balance can be attributed to the decrease in fund balance for the Capital Projects Fund due to the completion of the LECC (Daycare).

Governmental Fund Highlights

- The District's declining General Fund financial position is the result of many factors. A decrease in local and state source revenues during the year resulted in a decrease in revenues. The decrease in revenues combined with an increase in expenditures required the District to use carryover fund balance to meet its financial obligations during the year. The General Fund ending fund balance decreased from \$1,940,836 at June 30, 2012 to \$1,379,672 at June 30, 2013.

-
- The Management Fund balance increased from a balance of \$94,360 at the end of 2012 to \$176,039 at the end of fiscal 2013. An increase in local tax during the current year resulted in an increase in revenues, this coupled with a decrease in expenditures ensured the increase in fund balance.
 - The Capital Projects Fund balance decreased from a balance of \$2,030,421 at June 30, 2012 to \$777,236 at June 30, 2013. The decrease was a result of the District completing construction on the new LECC (Daycare) early childhood facility.
 - The Debt Service Fund balance increased slightly from \$640,830 at June 30, 2012 to \$642,842 at June 30, 2013. This increase was a result of more property tax revenues than expenditures for the District's long-term debt.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$164,666 at June 30, 2012 to \$115,218 at June 30, 2013, representing a decrease of 30.03%. The School Daycare Fund (LECC) net position increased from a balance of \$95,528 at June 30, 2012 to a balance of \$141,550 at June 30, 2013, representing an increase of 48.18%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$156,922 more than budgeted revenues, a variance of less than 2%. The most significant variance resulted from the District receiving more in local tax 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.

Over the course of the year, Lisbon Community School District amended its budget one time to reflect additional expenditures in the other expenditures functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$12,023,753, 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 10.05% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$421,824.

The original cost of the District's capital assets was \$16,402,287. Governmental funds account for \$16,238,742 with the remainder of \$163,545 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 \$4,678,841 at June 30, 2012 compared to \$0 at June 30, 2013. The decrease in the construction in progress category is attributable to construction being completed for the new LECC (Daycare) early childhood facility.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 468,991	468,991	-	-	468,991	468,991	0.00%
Construction in progress	-	4,678,841	-	-	-	4,678,841	-100.00%
Buildings	10,876,686	5,285,606	-	-	10,876,686	5,285,606	105.78%
Land improvements	435,636	358,535	-	-	435,636	358,535	21.50%
Machinery and equipment	168,357	121,595	74,083	11,904	242,440	133,499	81.60%
Total	\$ 11,949,670	10,913,568	74,083	11,904	12,023,753	10,925,472	10.05%

Long-Term Debt

At June 30, 2013, the District had \$6,960,587 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents a decrease of approximately 8.52% 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 \$1,565,000 at June 30, 2013.
- The District had outstanding Revenue Bonds of \$5,210,000 at June 30, 2013.
- The District had outstanding Termination benefits of \$74,110 payable from the Special Revenue, Management Fund at June 30, 2013.
- The District had \$9,477 in Compensated Absences payable. The General Fund is responsible for paying \$2,578 while the School Nutrition Fund is responsible for paying \$177 and the School Daycare Fund (LECC) is responsible for paying \$6,722.
- The District also has an OPEB liability of \$102,000 as of June 30, 2013.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General Obligation Bonds	\$ 1,565,000	1,835,000	-	-	1,565,000	1,835,000	-14.71%
Revenue Bonds	5,210,000	5,440,000	-	-	5,210,000	5,440,000	-4.23%
Computer Lease	-	135,184	-	-	-	135,184	-100.00%
Termination Benefits	74,110	122,575	-	-	74,110	122,575	-39.54%
Compensated Absences	2,578	8,340	6,899	3,869	9,477	12,209	-22.38%
Net OPEB Liability	86,897	63,545	15,103	10,021	102,000	63,545	60.52%
Total	\$ 6,938,585	7,604,644	22,002	13,890	6,960,587	7,608,513	-8.52%

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 LECC 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, PO Box 839, 235 West School Street, Lisbon, Iowa, 52253-0839.

BASIC FINANCIAL STATEMENTS

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Unit
	Govern- mental Activities	Business Type Activities	Total	Lisbon Community School District Foundation
ASSETS				
Cash and pooled investments	\$ 3,524,079	250,766	3,774,845	245,607
Receivables:				
Property tax:				
Delinquent	22,522	-	22,522	-
Succeeding year	2,257,757	-	2,257,757	-
Income surtax	116,006	-	116,006	-
Accounts	26,793	1,658	28,451	-
Due from other funds	-	19,035	19,035	-
Due from other governments	318,686	2,382	321,068	-
Inventories	-	5,228	5,228	-
Capital assets, net of accumulated depreciation	11,949,670	74,083	12,023,753	-
TOTAL ASSETS	18,215,513	353,152	18,568,665	245,607
LIABILITIES				
Due to other funds	10,507	8,528	19,035	-
Accounts payable	265,278	23,222	288,500	-
Salaries and benefits payable	564,443	42,632	607,075	-
Interest payable	103,688	-	103,688	-
Deferred revenue:				
Succeeding year property tax	2,257,757	-	2,257,757	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	140,000	-	140,000	-
Revenue bonds payable	240,000	-	240,000	-
Termination benefits payable	33,465	-	33,465	-
Compensated absences	2,578	6,899	9,477	-
Portion due after one year:				
General obligation bonds payable	1,425,000	-	1,425,000	-
Revenue bonds payable	4,970,000	-	4,970,000	-
Termination benefits payable	40,645	-	40,645	-
Net OPEB liability	86,897	15,103	102,000	-
TOTAL LIABILITIES	10,140,258	96,384	10,236,642	-
NET POSITION				
Net investment in capital assets	5,174,670	74,083	5,248,753	-
Restricted for:				
Scholarships	-	-	-	61,703
Categorical funding	166,882	-	166,882	-
Debt service	539,154	-	539,154	-
Management levy purposes	101,929	-	101,929	-
Student activities	73,651	-	73,651	-
School infrastructure	697,013	-	697,013	-
Physical plant and equipment	80,223	-	80,223	-
Unrestricted	1,241,733	182,685	1,424,418	183,904
TOTAL NET POSITION	\$ 8,075,255	256,768	8,332,023	245,607

SEE NOTES TO FINANCIAL STATEMENTS.

**LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	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	\$ 3,526,301	369,576	27,037	-	(3,129,688)	-	(3,129,688)	-
Special	729,570	91,294	31,675	-	(606,601)	-	(606,601)	-
Other	488,163	189,582	185,791	-	(112,790)	-	(112,790)	-
	<u>4,744,034</u>	<u>650,452</u>	<u>244,503</u>	<u>-</u>	<u>(3,849,079)</u>	<u>-</u>	<u>(3,849,079)</u>	<u>-</u>
Support services:								
Student	162,021	-	-	-	(162,021)	-	(162,021)	-
Instructional staff	288,772	-	-	-	(288,772)	-	(288,772)	-
Administration	706,343	-	-	-	(706,343)	-	(706,343)	-
Operation and maintenance of plant	678,395	-	-	50,000	(628,395)	-	(628,395)	-
Transportation	288,687	-	-	-	(288,687)	-	(288,687)	-
	<u>2,124,218</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>(2,074,218)</u>	<u>-</u>	<u>(2,074,218)</u>	<u>-</u>
Long-term debt interest	262,577	-	-	-	(262,577)	-	(262,577)	-
Other expenditures:								
AEA flowthrough	243,802	-	243,802	-	-	-	-	-
Depreciation(unallocated)*	325,879	-	-	-	(325,879)	-	(325,879)	-
	<u>569,681</u>	<u>-</u>	<u>243,802</u>	<u>-</u>	<u>(325,879)</u>	<u>-</u>	<u>(325,879)</u>	<u>-</u>
Total governmental activities	7,700,510	650,452	488,305	50,000	(6,511,753)	-	(6,511,753)	-
Business Type activities:								
Support services:								
Operation and maintenance of plant	1,629	-	-	-	-	(1,629)	(1,629)	-
Non-instructional programs:								
Nutrition services	379,227	221,398	103,188	-	-	(54,641)	(54,641)	-
Daycare	511,782	535,292	22,132	-	-	45,642	45,642	-
Total non-instructional programs:	<u>891,009</u>	<u>756,690</u>	<u>125,320</u>	<u>-</u>	<u>-</u>	<u>(8,999)</u>	<u>(8,999)</u>	<u>-</u>
Total business type activities	892,638	756,690	125,320	-	-	(10,628)	(10,628)	-
Total primary government	\$ 8,593,148	1,407,142	613,625	50,000	(6,511,753)	(10,628)	(6,522,381)	-
Total component unit	\$ 22,357	-	14,447	-	-	-	-	(7,910)
General Revenues & Transfers:								
Property tax levied for:								
General purposes					\$ 1,680,419	-	1,680,419	-
Debt service					346,530	-	346,530	-
Capital outlay					128,414	-	128,414	-
Income surtax					124,083	-	124,083	-
Statewide sales, services and use tax					550,014	-	550,014	-
Unrestricted state grants					3,419,055	-	3,419,055	-
Unrestricted investment earnings					9,028	590	9,618	3,820
Unrealized gain on investments					-	-	-	22,051
Realized gain on investments					-	-	-	2,762
Other					131,683	-	131,683	815
Transfers					(6,612)	6,612	-	-
Total general revenues and transfers					<u>6,382,614</u>	<u>7,202</u>	<u>6,389,816</u>	<u>29,448</u>
Changes in net position					(129,139)	(3,426)	(132,565)	21,538
Net position beginning of year					<u>8,204,394</u>	<u>260,194</u>	<u>8,464,588</u>	<u>224,069</u>
Net position end of year					<u>\$ 8,075,255</u>	<u>256,768</u>	<u>8,332,023</u>	<u>245,607</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, 2013

	General	Management Levy	Capital Projects	Debt Service	Nonmajor Student Activity	Total
ASSETS						
Cash and pooled investments	\$ 2,018,433	173,157	613,065	639,249	76,763	3,520,667
Receivables:						
Property tax:						
Delinquent	14,716	2,882	1,331	3,593	-	22,522
Succeeding year	1,407,784	350,000	135,128	364,845	-	2,257,757
Income surtax	116,006	-	-	-	-	116,006
Accounts	20,886	-	-	-	5,907	26,793
Due from other funds	1,000	-	-	-	-	1,000
Due from other governments	143,851	-	174,835	-	-	318,686
TOTAL ASSETS	\$ 3,722,676	526,039	924,359	1,007,687	82,670	6,263,431
LIABILITIES AND FUND BALANCES						
Liabilities:						
Due to other funds	\$ 10,507	-	-	-	-	10,507
Accounts payable	244,896	-	11,995	-	8,387	265,278
Salaries and benefits payable	563,811	-	-	-	632	564,443
Deferred revenue:						
Succeeding year property tax	1,407,784	350,000	135,128	364,845	-	2,257,757
Income surtax	116,006	-	-	-	-	116,006
Total liabilities	2,343,004	350,000	147,123	364,845	9,019	3,213,991
Fund balances:						
Restricted for:						
Categorical funding	166,882	-	-	-	-	166,882
Debt service	-	-	-	642,842	-	642,842
Management levy purposes	-	176,039	-	-	-	176,039
Student activities	-	-	-	-	73,651	73,651
School infrastructure	-	-	697,013	-	-	697,013
Physical plant and equipment	-	-	80,223	-	-	80,223
Assigned for special purposes	45,181	-	-	-	-	45,181
Unassigned	1,167,609	-	-	-	-	1,167,609
Total fund balances	1,379,672	176,039	777,236	642,842	73,651	3,049,440
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,722,676	526,039	924,359	1,007,687	82,670	6,263,431

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$ 3,049,440
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	11,949,670
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	2,412
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	116,006
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	(103,688)
Long-term liabilities, including bonds payable, computer lease payable, termination benefits, 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>(6,938,585)</u>
Net position of governmental activities(page 18)	<u>\$ 8,075,255</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, 2013

	General	Management Levy	Capital Projects	Debt Service	Nonmajor Student Activity	Total
REVENUES:						
Local sources:						
Local tax	\$ 1,642,264	275,189	678,428	346,530	-	2,942,411
Tuition	460,870	-	-	-	-	460,870
Other	94,480	3,723	49,541	252	184,545	332,541
State sources	3,801,753	-	-	-	-	3,801,753
Federal sources	103,359	-	50,000	-	-	153,359
TOTAL REVENUES	6,102,726	278,912	777,969	346,782	184,545	7,690,934
EXPENDITURES:						
Current:						
Instruction:						
Regular	3,464,535	41,276	-	-	-	3,505,811
Special	713,063	-	-	-	-	713,063
Other	305,679	-	-	-	179,610	485,289
	4,483,277	41,276	-	-	179,610	4,704,163
Support services:						
Student	157,773	-	-	-	-	157,773
Instructional staff	283,643	-	-	-	-	283,643
Administration	612,867	86,897	-	-	-	699,764
Operation and maintenance of plant	631,525	62,024	-	-	-	693,549
Transportation	251,003	7,036	44,568	-	-	302,607
	1,936,811	155,957	44,568	-	-	2,137,336
Capital outlay	-	-	1,427,230	-	-	1,427,230
Long-term debt:						
Principal	-	-	-	635,184	-	635,184
Interest and fiscal charges	-	-	-	268,942	-	268,942
	-	-	-	904,126	-	904,126
Other expenditures:						
AEA flowthrough	243,802	-	-	-	-	243,802
TOTAL EXPENDITURES	6,663,890	197,233	1,471,798	904,126	179,610	9,416,657
Excess(Deficiency) of revenues over(under) expenditures	(561,164)	81,679	(693,829)	(557,344)	4,935	(1,725,723)
Other financing sources(uses):						
Transfer in	-	-	-	559,356	-	559,356
Transfer out	-	-	(559,356)	-	-	(559,356)
Total other financing sources(uses)	-	-	(559,356)	559,356	-	-
Net change in fund balances	(561,164)	81,679	(1,253,185)	2,012	4,935	(1,725,723)
Fund balance beginning of year	1,940,836	94,360	2,030,421	640,830	68,716	4,775,163
Fund balance end of year	\$ 1,379,672	176,039	777,236	642,842	73,651	3,049,440

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, 2013

Change in fund balances - total governmental funds(page 22)		\$ (1,725,723)
 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	\$ 1,448,780	
Depreciation expense	<u>(412,678)</u>	1,036,102
 Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		
		1,009
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(112,951)
 Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
		635,184
 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.		
		6,365
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	\$ 48,465	
Compensated absences	5,762	
Other postemployment benefits	<u>(23,352)</u>	<u>30,875</u>
 Change in net position of governmental activities(page 19)		 \$ (129,139)

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business Type Activities:			Governmental
	Enterprise Funds			Activities:
	School Nutrition	LECCEC (Daycare)	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash and pooled investments	\$ 38,043	212,723	250,766	3,412
Accounts receivable	1,658	-	1,658	-
Due from other funds	8,528	10,507	19,035	-
Due from other governments	-	2,382	2,382	-
Inventories	3,456	1,772	5,228	-
Total current assets	51,685	227,384	279,069	3,412
Non-current assets:				
Capital assets:				
Capital assets, net of accumulated depreciation	74,083	-	74,083	-
Total non-current assets	74,083	-	74,083	-
TOTAL ASSETS	125,768	227,384	353,152	3,412
LIABILITIES				
Current liabilities:				
Due to other funds	-	8,528	8,528	1,000
Accounts payable	5,519	17,703	23,222	-
Salaries and benefits payable	893	41,739	42,632	-
Total current liabilities	6,412	67,970	74,382	1,000
Long-term liabilities:				
Compensated absences	177	6,722	6,899	-
Net OPEB liability	3,961	11,142	15,103	-
Total long-term liabilities	4,138	17,864	22,002	-
TOTAL LIABILITIES	10,550	85,834	96,384	1,000
NET POSITION				
Invested in capital assets	74,083	-	74,083	-
Unrestricted	41,135	141,550	182,685	2,412
TOTAL NET POSITION	\$ 115,218	141,550	256,768	2,412

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type Activites: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	LECC (Daycare)	Total	
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 221,398	535,292	756,690	-
Miscellaneous	-	-	-	10,771
TOTAL OPERATING REVENUES	221,398	535,292	756,690	10,771
OPERATING EXPENSES:				
Support services:				
Operation and maintenance of plant:				
Services	1,629	-	1,629	-
Non-instructional programs:				
Food service operations:				
Salaries	112,885	-	112,885	-
Benefits	39,945	-	39,945	-
Supplies	216,888	-	216,888	-
Other	363	-	363	-
Depreciation	9,146	-	9,146	-
	379,227	-	379,227	-
Community service operations:				
Salaries	-	316,420	316,420	-
Benefits	-	107,996	107,996	-
Services	-	5,000	5,000	-
Supplies	-	82,366	82,366	-
	-	511,782	511,782	-
Other enterprise operations:				
Benefits	-	-	-	9,765
Total non-instructional programs	379,227	511,782	891,009	9,765
TOTAL OPERATING EXPENSES	380,856	511,782	892,638	9,765
OPERATING INCOME (LOSS)	(159,458)	23,510	(135,948)	1,006
NON-OPERATING REVENUES:				
State sources	2,524	-	2,524	-
Federal sources	100,664	22,132	122,796	-
Interest on investments	210	380	590	3
TOTAL NON-OPERATING REVENUES	103,398	22,512	125,910	3
Excess(deficiency) of revenues over(under) expenditures	(56,060)	46,022	(10,038)	1,009
OTHER FINANCING SOURCES:				
Contributed capital	6,612	-	6,612	-
Change in net position	(49,448)	46,022	(3,426)	1,009
Net position beginning of year	164,666	95,528	260,194	1,403
Net position end of year	\$ 115,218	141,550	256,768	2,412

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Business Type Activities: Enterprise Funds			Governmental Activities:
	School	LECC	Total	Internal
	Nutrition	(Daycare)		Service Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 223,525	-	223,525	-
Cash received from daycare services	-	535,254	535,254	-
Cash received from miscellaneous	-	-	-	10,771
Cash payments to employees for services	(156,091)	(411,527)	(567,618)	(9,765)
Cash payments to suppliers for goods or services	(199,513)	(67,980)	(267,493)	-
Net cash provided by(used in) operating activities	(132,079)	55,747	(76,332)	1,006
Cash flows from non-capital financing activities:				
Interfund borrowings	(2,569)	-	(2,569)	1,000
State grants received	2,524	-	2,524	-
Federal grants received	86,602	22,132	108,734	-
Net cash provided by non-capital financing activities	86,557	22,132	108,689	1,000
Cash flows from capital and related financing activities:				
Purchase of capital assets	(64,713)	-	(64,713)	-
Cash flows from investing activities:				
Interest on investments	210	380	590	3
Net increase(decrease) in cash and cash equivalents	(110,025)	78,259	(31,766)	2,009
Cash and cash equivalents beginning of year	148,068	134,464	282,532	1,403
Cash and cash equivalents end of year	\$ 38,043	212,723	250,766	3,412
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (159,458)	23,510	(135,948)	1,006
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	14,062	-	14,062	-
Depreciation	9,146	-	9,146	-
Decrease in inventories	3,651	1,110	4,761	-
Decrease(Increase) in accounts receivable	2,127	(38)	2,089	-
Increase in accounts payable	1,654	18,276	19,930	-
Increase(Decrease) in salaries and benefits payable	(6,376)	7,892	1,516	-
Increase in compensated absences payable	52	2,978	3,030	-
Increase in other postemployment benefits	3,063	2,019	5,082	-
Net cash provided by(used in) operating activities	\$ (132,079)	55,747	(76,332)	1,006

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$14,062.

During the year ended June 30, 2013, the School Nutrition Fund received \$6,612 in capital contributions from the Physical Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(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 Position (previously referred to as 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 services.

The Statement of Net Position presents the District's Non-fiduciary assets and liabilities, with the difference reported as net position. Net position is 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 position results when constraints placed on net position use is either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has 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 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 Management Levy Fund is utilized to account for the district's termination benefits, workers compensation claims and payments for the District's properly insurance.

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 major proprietary fund:

The LECC (Daycare) Fund is used to account for child care services provided by the District.

The District also reports the following nonmajor proprietary fund:

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

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. 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 Position 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 Position 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, 2013. 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 Position.

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. At June 30, 2013 the District had \$45,181 assigned for special purposes such as School Library Services and Care Package for Kids.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Position - In the Government-wide Statement of Net Position, net position are reported as restricted when constraints placed on net position 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, 2013, expenditures in the instruction functional area exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits in bank at June 30, 2013 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, 2013, the District had no investments.

(3) Transfers

The detail of transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 559,356

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, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Internal Service	\$ 1,000
LECCEC(Daycare)	General	10,507
Total		<u>\$ 11,507</u>

The Internal Service Fund is repaying the General Fund for funds borrowed for cash flow purposes.

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

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 1,835,000	-	270,000	1,565,000	140,000
Revenue Bonds	5,440,000	-	230,000	5,210,000	240,000
Computer Lease	135,184	-	135,184	-	-
Termination Benefits	122,575	-	48,465	74,110	33,465
Compensated Absences	8,340	2,578	8,340	2,578	2,578
Net OPEB Liability	63,545	23,352	-	86,897	-
Total	<u>\$ 7,604,644</u>	<u>25,930</u>	<u>691,989</u>	<u>6,938,585</u>	<u>416,043</u>
Business Type Activities:					
Compensated Absences	\$ 3,869	6,899	3,869	6,899	6,899
Net OPEB Liability	10,021	5,082	-	15,103	-
Total	<u>\$ 13,890</u>	<u>11,981</u>	<u>3,869</u>	<u>22,002</u>	<u>6,899</u>

General Obligation Bonds Payable

Details of the District's June 30, 2013 general obligation bonds indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond issue dated May 1, 2003		
		Principal	Interest	Total
2014	4.00	% \$ 140,000	64,530	204,530
2015	4.00	145,000	58,930	203,930
2016	4.00	150,000	53,130	203,130
2017	4.00	160,000	47,130	207,130
2018	4.00	165,000	40,730	205,730
2019-2023	4.10-4.35	805,000	95,365	900,365
Total		<u>\$ 1,565,000</u>	<u>359,815</u>	<u>1,924,815</u>

The District called \$135,000 of outstanding bonds on May 1, 2013. This will save the District \$5,873 per year over the next 10 years in reduced interest payments.

Revenue Bond Payable

Details of the District's June 30, 2013 revenue bonds indebtedness are as follows:

Year Ending June 30,	Bond issue dated July 1, 2011			
	Interest Rates	Principal	Interest	Total
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	2.75	260,000	161,078	421,078
2019-2023	3.00-3.75	1,435,000	679,220	2,114,220
2024-2028	3.85-4.20	1,730,000	390,628	2,120,628
2029-2030	4.25-4.35	795,000	51,810	846,810
Total		\$ 5,210,000	1,991,496	7,201,496

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 \$7,201,496. For the current year, principal of \$230,000 and interest of \$191,040 was paid on the bonds and total statewide sales, services and use tax revenues were \$550,014.

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.

Termination Benefits

For the fiscal year ending June 30, 2013, 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, 2013, totaled \$48,465.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	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	4,678,841	1,180,986	5,859,827	-
Total capital assets not being depreciated	<u>5,147,832</u>	<u>1,180,986</u>	<u>5,859,827</u>	<u>468,991</u>
Capital assets being depreciated:				
Buildings	8,427,103	5,887,431	-	14,314,534
Land improvements	483,938	106,629	-	590,567
Machinery and equipment	731,089	133,561	-	864,650
Total capital assets being depreciated	<u>9,642,130</u>	<u>6,127,621</u>	<u>-</u>	<u>15,769,751</u>
Less accumulated depreciation for:				
Buildings	3,141,497	296,351	-	3,437,848
Land improvements	125,403	29,528	-	154,931
Machinery and equipment	609,494	86,799	-	696,293
Total accumulated depreciation	<u>3,876,394</u>	<u>412,678</u>	<u>-</u>	<u>4,289,072</u>
Total capital assets being depreciated, net	<u>5,765,736</u>	<u>5,714,943</u>	<u>-</u>	<u>11,480,679</u>
Governmental activities capital assets, net	<u>\$ 10,913,568</u>	<u>6,895,929</u>	<u>5,859,827</u>	<u>11,949,670</u>
Business type activities:				
Machinery and equipment	\$ 92,220	71,325	-	163,545
Less accumulated depreciation	80,316	9,146	-	89,462
Business-type activities capital assets, net	<u>\$ 11,904</u>	<u>62,179</u>	<u>-</u>	<u>74,083</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Other	\$ 1,360
Support service:	
Operation and maintenance of plant	60,162
Transportation	25,277
	<hr/>
	86,799
Unallocated depreciation	<hr/>
	325,879
	<hr/>
Total governmental activities depreciation expense	<hr/> <hr/>
	\$ 412,678
	<hr/>
Business type activities:	
Food services	\$ 9,146
	<hr/> <hr/>

(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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$327,277, \$289,441 and \$236,482 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 92 active and 6 retired members in the plan. Retired participants 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 80,000
Interest on net OPEB obligation	3,434
Adjustment to annual required contribution	(3,000)
Annual OPEB cost	<u>80,434</u>
Contributions made	<u>(52,000)</u>
Increase in net OPEB obligation	28,434
Net OPEB obligation - beginning of year	<u>73,566</u>
Net OPEB obligation - end of year	<u><u>\$ 102,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2013.

For the year ended, June 30, 2013, the District contributed \$52,000 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	52,193	53.65%	\$ 50,193
2012	52,373	55.37%	\$ 73,566
2013	80,000	64.65%	\$ 102,000

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$604,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$604,000. The covered payroll (annual payroll of active employees covered by the plan) was \$2.705 million, and the ratio of the UAAL to the covered payroll was 22.33%. As of June 30, 2013, 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, 2012 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 health care trend rate is 10%. 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 62 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
\$1,391.67	\$1,306.67	\$1,077.50

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 \$243,802 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending restricted fund balance for state categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Four-year-old preschool state aid	\$ 109,234
Teacher salary supplement	38,415
Market factor	2,215
Model core curriculum	14,440
Professional development	2,578
Total	<u>\$ 166,882</u>

Lisbon Community School District



REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,735,822	757,280	4,493,102	4,200,017	4,200,017	293,085
State sources	3,801,753	2,524	3,804,277	3,847,595	3,847,595	(43,318)
Federal sources	153,359	122,796	276,155	369,000	369,000	(92,845)
Total revenues	7,690,934	882,600	8,573,534	8,416,612	8,416,612	156,922
Expenditures/Expenses:						
Instruction	4,704,163	-	4,704,163	4,990,306	4,990,306	286,143
Support services	2,137,336	1,629	2,138,965	2,270,000	2,270,000	131,035
Non-instructional programs	-	891,009	891,009	1,071,501	1,071,501	180,492
Other expenditures	2,575,158	-	2,575,158	1,646,521	3,200,000	624,842
Total expenditures/expenses	9,416,657	892,638	10,309,295	9,978,328	11,531,807	1,222,512
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,725,723)	(10,038)	(1,735,761)	(1,561,716)	(3,115,195)	1,379,434
Other financing sources, net	-	6,612	6,612	-	-	6,612
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(1,725,723)	(3,426)	(1,729,149)	(1,561,716)	(3,115,195)	1,386,046
Balance beginning of year	4,775,163	260,194	5,035,357	2,984,619	2,984,619	2,050,738
Balance end of year	\$ 3,049,440	256,768	3,306,208	1,422,903	(130,576)	3,436,784

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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 the District adopted one budget amendment, increasing budgeted expenditures in the other expenditures functional area by \$1,553,479.

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%
2013	July 1, 2012	\$ -	\$ 604	\$ 604	0.0%	\$ 2,705	22.33%

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 POSITION - CASH BASIS
DISCRETE COMPONENT UNIT
JUNE 30, 2013

	Lisbon Community School District Foundation
Assets	
Cash	\$ 23,907
Certificates of deposit	5,000
Investments	216,700
Total Assets	\$ 245,607
 Total Liabilities	 \$ -
 Net Position	
Restricted	61,703
Unrestricted	183,904
Total Net Position	\$ 245,607

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND
CHANGES IN NET POSITION - CASH BASIS
DISCRETE COMPONENT UNIT
YEAR ENDED JUNE 30, 2013

	Lisbon Community School District Foundation		
	Unrestricted	Restricted	Total
	Funds	Funds	
SUPPORT AND REVENUE:			
Interest	\$ 59	1,476	1,535
Dividends	2,285	-	2,285
Donations	14,447	-	14,447
Unrealized gain on investments	18,225	3,826	22,051
Realized gain on investments	2,061	701	2,762
Other	815	-	815
TOTAL SUPPORT AND REVENUE	37,892	6,003	43,895
EXPENSES:			
Administration	745	265	1,010
Investment management	-	68	68
Scholarships	20,025	-	20,025
Other	752	502	1,254
TOTAL EXPENSES	21,522	835	22,357
Excess of support and revenue over expenses	16,370	5,168	21,538
Net position beginning of year	167,534	56,535	224,069
Net position end of year	\$ 183,904	61,703	245,607

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

LISBON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 533,597	79,468	613,065
Receivables:			
Property tax:			
Delinquent	-	1,331	1,331
Succeeding year	-	135,128	135,128
Due from other governments	174,835	-	174,835
TOTAL ASSETS	\$ 708,432	215,927	924,359
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 11,419	576	11,995
Deferred revenue:			
Succeeding year property tax	-	135,128	135,128
Total liabilities	11,419	135,704	147,123
Fund balances:			
Restricted for:			
School infrastructure	697,013	-	697,013
Physical plant and equipment	-	80,223	80,223
Total fund balances	697,013	80,223	777,236
TOTAL LIABILITIES AND FUND BALANCES	\$ 708,432	215,927	924,359

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, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 550,014	128,414	678,428
Other	49,421	120	49,541
Federal sources	50,000	-	50,000
TOTAL REVENUES	649,435	128,534	777,969
EXPENDITURES:			
Current:			
Support services:			
Transportation	-	44,568	44,568
Other expenditures:			
Capital outlay	1,324,824	102,406	1,427,230
TOTAL EXPENDITURES	1,324,824	146,974	1,471,798
Deficiency of revenues under expenditures	(675,389)	(18,440)	(693,829)
Other financing sources(uses):			
Transfer out	(559,356)	-	(559,356)
Net change in fund balances	(1,234,745)	(18,440)	(1,253,185)
Fund balance beginning of year	1,931,758	98,663	2,030,421
Fund balance end of year	\$ 697,013	80,223	777,236

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Special Account	\$ 17,327	5,598	9,788	13,137
Cheerleaders	2,134	1,609	2,187	1,556
Boy's Basketball	3,930	5,171	6,712	2,389
Boy's Football	3,136	21,155	19,872	4,419
Boy's Baseball	-	9,080	9,080	-
Boy's Track	189	7,564	7,753	-
Boy's Wrestling	1,420	5,868	4,890	2,398
Girl's Basketball	3,331	4,335	2,790	4,876
Girl's Volleyball	3,698	6,780	6,832	3,646
Girl's Softball	-	7,560	7,560	-
Girl's Track	-	5,038	5,038	-
Golf	25	1,753	1,539	239
Athletics	2,251	18,972	18,958	2,265
National Honor Society	-	241	241	-
Speech	-	2,026	2,026	-
Yearbook	7,813	9,226	11,185	5,854
Student Council	815	9,655	8,381	2,089
SADD	438	-	-	438
Prom	3,076	5,130	7,723	483
Concessions	1,507	23,573	23,130	1,950
Dance	-	126	126	-
Drama	2,693	2,801	3,905	1,589
Ski Trip	1,162	3,937	3,393	1,706
Band Trip	1,398	3,896	-	5,294
Spanish Club	2,163	-	-	2,163
Art Club	1,141	514	1,655	-
PTO	143	12,528	252	12,419
Music Boosters	5,177	10,409	13,362	2,224
Band Uniform Replacement	3,749	-	1,232	2,517
Total	\$ 68,716	184,545	179,610	73,651

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 TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 2,942,411	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	460,870	376,070	327,475	237,095	273,011	270,870	330,755	284,428	363,834	245,725
Other	332,541	356,614	441,193	338,147	363,247	445,410	239,370	141,164	177,524	204,924
State sources	3,801,753	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	153,359	565,127	310,040	457,815	147,540	100,189	88,893	104,597	314,394	931,592
Total	<u>\$ 7,690,934</u>	<u>8,373,333</u>	<u>7,667,433</u>	<u>7,315,118</u>	<u>7,081,660</u>	<u>6,821,595</u>	<u>5,607,947</u>	<u>5,470,959</u>	<u>5,255,415</u>	<u>5,535,808</u>
Expenditures:										
Instruction:										
Regular	\$ 3,505,811	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	713,063	666,228	646,388	541,597	699,861	654,870	673,032	394,806	506,763	470,526
Other	485,289	514,056	528,626	470,692	418,279	393,591	267,208	319,316	233,475	203,778
Support services:										
Student	157,773	133,750	125,921	120,292	112,795	101,531	93,398	73,875	74,412	60,311
Instructional staff	283,643	239,497	180,691	204,964	226,579	191,723	186,819	140,236	157,538	149,933
Administration	699,764	681,283	551,985	609,167	627,982	590,211	599,422	581,296	606,773	653,110
Operation and maintenance of plant	693,549	656,992	602,837	501,126	555,349	445,782	578,955	536,650	531,125	452,985
Transportation	302,607	223,425	223,799	279,528	197,320	187,178	144,258	276,250	237,485	119,240
Capital outlay	1,427,230	4,475,827	504,840	623,246	646,414	212,958	140,142	94,285	363,399	3,479,845
Long-term debt:										
Principal	635,184	357,991	246,180	120,000	115,000	134,970	128,900	105,000	156,567	150,681
Interest and fiscal charges	268,942	190,282	107,428	89,977	93,715	98,382	102,896	104,114	110,410	116,405
Other expenditures:										
AEA flow-through	243,802	243,885	258,079	257,435	226,561	213,345	191,995	186,036	171,760	168,244
Total	<u>\$ 9,416,657</u>	<u>11,554,380</u>	<u>7,407,029</u>	<u>6,903,266</u>	<u>6,955,000</u>	<u>6,196,844</u>	<u>5,657,969</u>	<u>5,232,386</u>	<u>5,576,423</u>	<u>8,314,554</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

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

We have audited 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, 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lisbon Community School District's internal control over financial reporting to determine the auditing procedures appropriate in the circumstances 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, there can be no assurance all deficiencies, significant material weaknesses or deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and 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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in part I of the accompanying Schedule of Findings as items I-B-13 through I-F-13.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lisbon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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

Lisbon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Lisbon Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion of the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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 10, 2014
Newton, Iowa

LISBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 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. One individual has control over each of the following areas for the District:

- 1) Cash - bank reconciliations, cash receipts and the disbursement function, handles petty cash, replenishing petty cash and custody.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Inventories - purchasing, handling, counting and maintaining inventory records.
- 4) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 5) Disbursements - purchase order processing, check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 6) Payroll - approval of and payment of payroll taxes.
- 7) Wire transfers - processing and approving.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.
- 10) Journal entries - approval and posting.

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 - We will continue to look for additional ways to segregate duties within the District.

Conclusion - Response accepted.

I-B-13 Commodity Pricing - We noted during the audit that commodity food items were not priced out using commodity values provided by the Department of Education.

Recommendation - The District should review their procedures to ensure that the commodity food is priced out correctly.

Response - We will check future commodity pricing to ensure it is being used to price items correctly.

Conclusion - Response accepted.

- I-C-13 Gate Admissions - We noted during our audit that the District does utilize pre-numbered tickets for all event admissions, however, the tickets are not reconciled to cash collected after the event.

Recommendation - The purpose of using pre-numbered tickets is so that the District can reconcile the tickets to the cash collected. By not doing the reconciliation, it circumvents the entire control procedure.

Response - We will review gate procedures to ensure that the pre-numbered tickets are accurately reconciled with the gate receipts.

Conclusion - Response accepted.

- I-D-13 Purchase Orders for Credit Cards - We noted during our audit that the District currently uses purchase orders in the purchasing process, however, we noted that purchase orders are not required for employee's to purchase from the District's credit cards.

Recommendation - This procedure should be reviewed and necessary changes made so that all disbursements have a pre-numbered purchase order that is approved by the appropriate administrator before the purchase takes place.

Response - The District now requires that all purchases are accompanied by a pre-approved purchase order.

Conclusion - Response accepted.

- I-E-13 Timesheet Approval - We noted during our audit that timesheets are not consistently approved before being paid through payroll.

Recommendation - The District should review its procedures to ensure that timesheets are properly approved before being submitted to payroll for processing.

Response - All timesheets and/or timecards are now being signed off by the appropriate supervisor.

Conclusion - Response accepted.

- I-F-13 Bearer Paper - We noted during our audit that checks written for cash were made payable to the bank only. Checks made payable to the bank are considered bearer paper and can be cashed by anyone who holds the check.

Recommendation - Checks that are written for cash should be made payable to the custodian taking the check to the bank.

Response - Checks made payable to Hills Bank are now made payable to Hills Bank / Laurie Maher as Business Manager and custodian of the account.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013, did not exceed the budgeted amounts in any of the functional areas.

II-B-13 Questionable Disbursements - We noted during our audit that the District purchased a gift certificate to be given to a presenter. Gift certificates are not appropriate since Chapter 279.29 of the Code of Iowa requires the District Board of Directors to 'audit and allow' all bills. The gift certificate does not allow the Board the ability to perform the required function of approval of the final purchase. Without knowing the ultimate purchase, the District cannot comply with Chapter 279.29 of the Code of Iowa.

Recommendation - The District should refrain from purchasing gift certificates.

Response - The District will not purchase gift certificates in the future.

Conclusion - Response accepted.

II -C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II -D-13 Business Transactions - No business transactions between the District and District officials were noted.

II -E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II -F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

We also noted that the District published their public hearing for a budget amendment in a timely manner, however, the District failed to include the date, time and location of this public hearing.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa. The District should also make sure that they have the necessary details published for public hearings to allow the public an opportunity to comment.

Response - We will make a greater effort to publish board minutes within the allotted two week time period, as well as reviewing public hearing documents more closely.

Conclusion - Response accepted.

II -G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II -H-13 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II -I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II -J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II -L-13 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, 2013, 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 2013 audit.

Beginning Balance		\$	1,931,758
Revenues:			
Statewide sales, services and use tax revenue	\$	550,014	
Other revenue		49,421	
Federal revenues		50,000	
			649,435
			2,581,193
Expenditures/Transfers out:			
School infrastructure:			
Equipment	\$	42,585	
School infrastructure construction		1,131,460	
Other		150,779	
Transfer to other funds:			
Debt service fund		559,356	
			1,884,180
Ending balance			\$ 697,013

For the year ended June 30, 2013, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.35000	\$ 135,000

- II-M-13 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended. The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Field Trips - We noted that the District used Student Activity Funds to pay for a field trip to the Illinois Holocaust Museum. This appears to be instructional in nature and therefore, should be paid from the General Fund.

Scholarships - We noted that a Music Boosters scholarship was paid from the Student Activity Fund.

Recommendation - Field trips taken as part of the regular instruction of students should be accounted for in the General Fund. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, the District should set up a Private Purpose Trust Fund to account for scholarships given to students.

Response - Field trips and scholarships will be paid from the appropriate funds in the future.

Conclusion - Response accepted.

II-N-13 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with 291.1 of the Code of Iowa.

Response - We will have the Board President's signature on all contracts.

Conclusion - Response accepted.