

LISBON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Notes to Financial Statements		27-38
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds		40
Notes to Required Supplementary Information – Budgetary Reporting		41
Schedule of Funding Progress for the Retiree Health Plan		42
Discrete Component Unit Financial Statements:		
Statement of Net Position – Cash Basis – Component Unit		43
Statement of Support, Revenues and Expenses and Changes in Net Position – Cash Basis – Component Unit		44
Supplementary Information:	<u>Schedule</u>	
Capital Projects Accounts:		
Combining Balance Sheet	1	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	47
Schedule of Changes in Student Activity Accounts	3	48
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	4	49
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		50-51
Schedule of Findings		52-57

**Lisbon Community School District**

**Officials**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires</u></b>
--------------------	---------------------	----------------------------

**Board of Education**

**(Before September 2013 Election)**

Andrew Sullivan	President	2015
Allan Mallie	Vice President	2013
Eric Krob	Board Member	2015
Mark Smith	Board Member	2015
David Prasil	Board Member	2013

**(After September 2013 Election)**

Andrew Sullivan	President (resigned December 2013)	2015
Allan Mallie	Vice President (appointed President December 2013)	2017
Eric Krob	Board Member	2015
Mark Smith	Board Member	2015
David Prasil	Board Member	2017
Ann Cannon	Board Member (appointed December 2013)	2015

**School Officials**

Pat Hocking	Superintendent	2014
Laurie Maher	Business Manager/ Board Secretary	2014
Ahlers & Cooney, P.C.	Attorney	2014

# **Lisbon Community School District**



**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(A professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

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

**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, 2014, 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, 2014, 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 40 through 44 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 seven years ended June 30, 2013 (which are not presented herein) and expressed unmodified 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 two years ended June 30, 2006 (which are not presented herein) and expressed an unmodified 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 March 24, 2015 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.

March 24, 2015  
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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,102,726 in fiscal 2013 to \$6,358,372 in fiscal 2014, while General Fund expenditures increased from \$6,663,890 in fiscal 2013 to \$6,955,578 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$1,379,672 at June 30, 2013 to a balance of \$782,466 at June 30, 2014, representing a decrease of 43.29%.
- The increase in General Fund revenues was attributable to increases in state source revenues in fiscal 2014. 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 2013. At June 30, 2013 the District's solvency ratio was 19.93% as compared to 10.09% at June 30, 2014.

### **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 and the financial statements for the discretely presented component unit.

Supplementary Information provides detailed information about the non-major governmental funds.

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

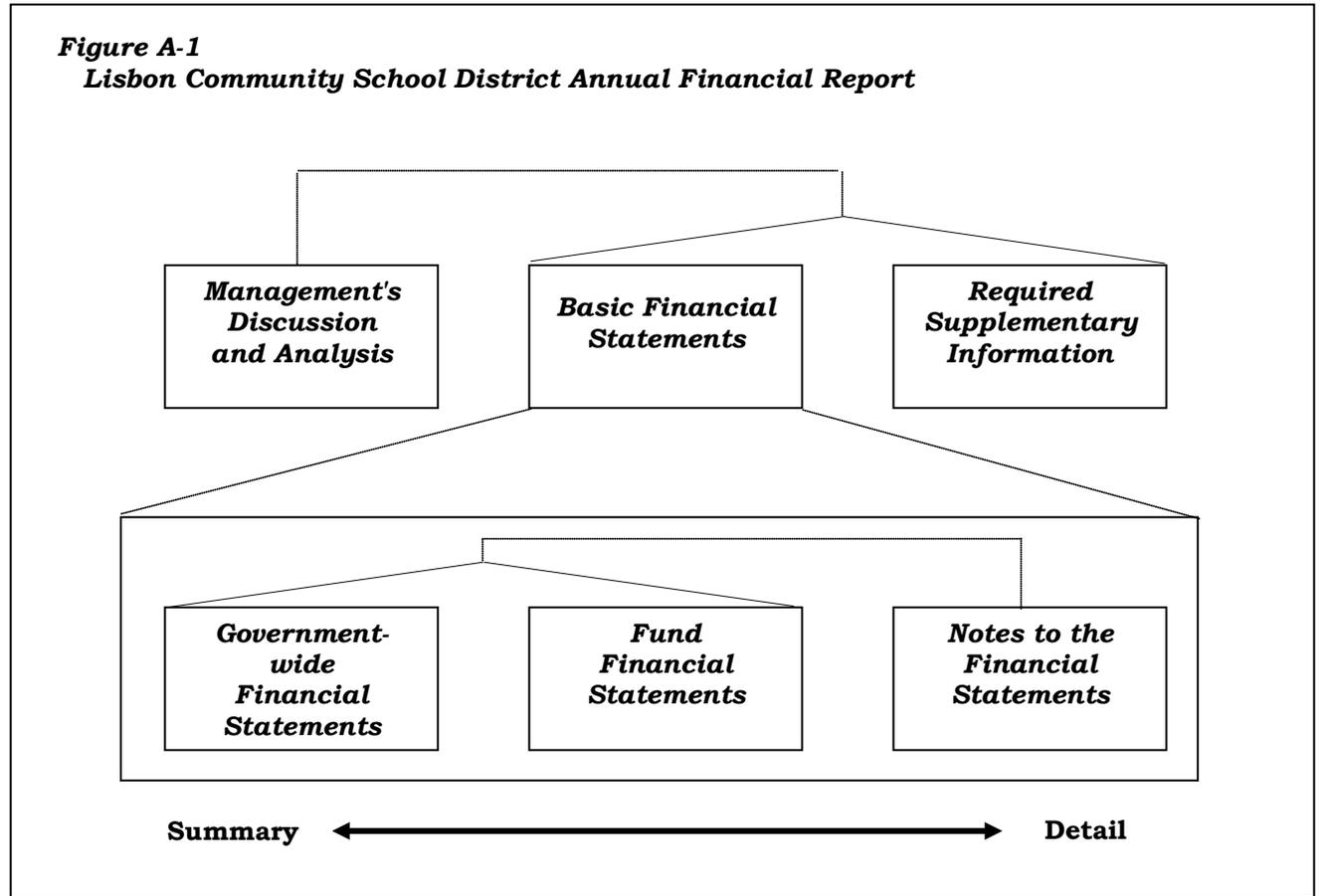


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>
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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 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) program 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 Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3  
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 5,829,903	6,265,843	245,355	279,069	6,075,258	6,544,912	-7.18%
Capital assets	11,834,940	11,949,670	73,373	74,083	11,908,313	12,023,753	-0.96%
Total assets	17,664,843	18,215,513	318,728	353,152	17,983,571	18,568,665	-3.15%
Long-term liabilities	6,497,412	6,938,585	30,836	22,002	6,528,248	6,960,587	-6.21%
Other liabilities	836,111	943,916	50,650	74,382	886,761	1,018,298	-12.92%
Total liabilities	7,333,523	7,882,501	81,486	96,384	7,415,009	7,978,885	-7.07%
Deferred inflows of resources	2,407,328	2,257,757	-	-	2,407,328	2,257,757	6.62%
Net position:							
Net investment in capital assets	5,599,940	5,174,670	73,373	74,083	5,673,313	5,248,753	8.09%
Restricted	1,677,864	1,658,852	-	-	1,677,864	1,658,852	1.15%
Unrestricted	646,188	1,241,733	163,869	182,685	810,057	1,424,418	-43.13%
Total net position	\$ 7,923,992	8,075,255	237,242	256,768	8,161,234	8,332,023	-2.05%

The District's combined net position decreased by \$170,789, or 2.05% 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 increased approximately \$19,012 or 1.15% over the prior year. The increase in restricted net position is mainly attributable to the increase in fund balance of the Management Levy Fund.

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 \$614,361 or 43.13%. 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, 2014 compared to the year ended June 30, 2013.

Figure A-4  
Changes in Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2013-14
	2014	2013	2014	2013	2014	2013	
Revenues:							
Program revenues:							
Charges for service	\$ 732,862	650,452	957,356	756,690	1,690,218	1,407,142	20.12%
Operating grants, contributions and restricted interest	560,583	488,305	149,952	125,320	710,535	613,625	15.79%
Capital grants, contributions and restricted interest	-	50,000	-	-	-	50,000	-100.00%
General revenues:							
Property tax	2,260,850	2,155,363	-	-	2,260,850	2,155,363	4.89%
Income surtax	136,245	124,083	-	-	136,245	124,083	9.80%
Statewide sales, services and use tax	591,216	550,014	-	-	591,216	550,014	7.49%
Unrestricted state grants	3,638,724	3,419,055	-	-	3,638,724	3,419,055	6.42%
Unrestricted investment earnings	4,668	9,028	544	590	5,212	9,618	-45.81%
Other	75,108	131,683	-	-	75,108	131,683	-42.96%
Total revenues and transfers	8,000,256	7,577,983	1,107,852	882,600	9,108,108	8,460,583	7.65%
Program expenses:							
Instructional	5,002,498	4,744,034	-	-	5,002,498	4,744,034	5.45%
Support services	2,309,291	2,124,218	800	1,629	2,310,091	2,125,847	8.67%
Non-instructional programs	-	-	1,126,578	891,009	1,126,578	891,009	26.44%
Other expenses	839,730	832,258	-	-	839,730	832,258	0.90%
Total expenses	8,151,519	7,700,510	1,127,378	892,638	9,278,897	8,593,148	7.98%
Excess of revenues over expenditures	(151,263)	(122,527)	(19,526)	(10,038)	(170,789)	(132,565)	28.83%
Transfers	-	(6,612)	-	6,612	-	-	0.00%
Change in net position	(151,263)	(129,139)	(19,526)	(3,426)	(170,789)	(132,565)	28.83%
Net position beginning of year	8,075,255	8,204,394	256,768	260,194	8,332,023	8,464,588	-1.57%
Net position end of year	\$ 7,923,992	8,075,255	237,242	256,768	8,161,234	8,332,023	-2.05%

In fiscal 2014, property tax, income surtax, and statewide sales, services and use tax and unrestricted state grants account for 82.84% of the revenue from governmental activities while charges for service and operating grants and contributions and restricted interest account for 99.95% of the revenue from business type activities.

The District's total revenues were approximately \$9.11 million of which approximately \$8.00 million was for governmental activities and approximately \$1.11 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.65% increase in revenues and a 7.98% increase in expenses. Charges for service increased \$283,076 and operating grants, contributions and restricted interest increased \$96,910. 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 \$8,000,256 and expenses were \$8,151,519 for the year ended June 30, 2014.

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, 2014 as compared to the year ended June 30, 2013.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 5,002,498	4,744,034	5.45%	3,967,236	3,849,079	3.07%
Support services	2,309,291	2,124,218	8.71%	2,309,291	2,074,218	11.33%
Other expenses	839,730	832,258	0.90%	581,547	588,456	-1.17%
Totals	<u>\$ 8,151,519</u>	<u>7,700,510</u>	<u>5.86%</u>	<u>6,858,074</u>	<u>6,511,753</u>	<u>5.32%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$732,862.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$560,583.
- The net cost of governmental activities was financed with \$2,260,850 in property tax, \$136,245 in income surtax, \$591,216 in statewide sales, service and use tax, \$3,638,724 in unrestricted state grants, \$4,668 in interest income and \$75,108 in other general revenues.

## Business type Activities

Revenues of the District's business type activities were \$1,107,852 and expenses were \$1,127,378 for the year ended June 30, 2014. 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 \$2,564,315 this is below last year's ending fund balances of \$3,049,440. The main reason for the decrease in overall fund balance can be attributed to the decrease in fund balance for the General Fund.

## Governmental Fund Highlights

- The District's declining General Fund financial position is the result of many factors. An increase in state source revenues during the year resulted in an increase in revenues. Expenditures increased during the year from increased negotiated salaries and benefits paid to District employees. Total expenditures exceeded total revenues by of \$597,206. Resulting in the General Fund ending fund balance decreased from \$1,379,672 at June 30, 2013 to \$782,466 at June 30, 2014.

- 
- The Management Fund balance increased from a balance of \$176,039 at June 30, 2013 to \$364,864 at June 30, 2014. 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 \$777,236 at June 30, 2013 to \$733,889 at June 30, 2014. The decrease was a result of the District completing renovation projects around the District as well as a decrease in local tax revenue received as compared to the prior year.
  - The Debt Service Fund balance decreased from \$642,842 at June 30, 2013 to \$641,058 at June 30, 2014. This decrease was the result of expenditures for the repayment of long term debt exceeding revenues during the year.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position decreased from \$115,218 at June 30, 2013 to \$91,178 at June 30, 2014, representing a decrease of 20.86%. The School Daycare Fund (LECC) net position increased from \$141,550 at June 30, 2013 to a balance of \$146,064 at June 30, 2014, representing an increase of 3.19%.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$49,137 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more in state source revenues than originally anticipated.

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

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2014, the District had invested \$11,908,313, 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 decrease of 0.96% from last year. More detailed information about capital assets is available in Note 8 to the financial statements. Depreciation expense for the year was \$395,247.

The original cost of the District's capital assets was \$16,682,094. Governmental funds account for \$16,509,766, with \$172,328 accounted for in the District's Business Type Activities.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$242,440 at June 30, 2013 compared to \$212,699 at June 30, 2014. The decrease is related to annual depreciation taken on the equipment during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 468,991	468,991	-	-	468,991	468,991	0.00%
Buildings	10,802,632	10,876,686	-	-	10,802,632	10,876,686	-0.68%
Land improvements	423,991	435,636	-	-	423,991	435,636	-2.67%
Machinery and equipment	139,326	168,357	73,373	74,083	212,699	242,440	-12.27%
Total	\$ 11,834,940	11,949,670	73,373	74,083	11,908,313	12,023,753	-0.96%

### Long-Term Debt

At June 30, 2014, the District had \$6,528,248 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents a decrease of approximately 6.21% 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 \$1,265,000 at June 30, 2014 payable from the Debt Service Fund.
- The District had outstanding Revenue Bonds of \$4,970,000 at June 30, 2014, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had outstanding Termination Benefits of \$139,826 payable from the Special Revenue, Management Fund at June 30, 2014.
- The District had \$28,054 in Compensated Absences payable at June 30, 2014. The General Fund is responsible for paying \$15,772 while the School Nutrition Fund is responsible for paying \$349 and the School Daycare Fund (LECC) is responsible for paying \$11,933.
- The District also had a total net OPEB liability of \$125,368 as of June 30, 2014. \$106,814 of this total is attributable to the governmental activities and the remaining \$18,554 is attributable to the business type activities of the District.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General Obligation Bonds	\$ 1,265,000	1,565,000	-	-	1,265,000	1,565,000	-19.17%
Revenue Bonds	4,970,000	5,210,000	-	-	4,970,000	5,210,000	-4.61%
Termination Benefits	139,826	74,110	-	-	139,826	74,110	88.67%
Compensated Absences	15,772	2,578	12,282	6,899	28,054	9,477	196.02%
Net OPEB Liability	106,814	86,897	18,554	15,103	125,368	102,000	22.91%
Total	\$ 6,497,412	6,938,585	30,836	22,002	6,528,248	6,960,587	-6.21%

---

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

- The Lisbon School District will continue to focus on attracting students through the continued growth of the LECC (Lisbon Early Childcare Center), 4-year-old state funded Preschool, additional class offerings at the secondary level, and sharing opportunities with other districts. The prospect of decreased supplemental state aid could have a negative impact on General Fund revenues, as the cost of salaries and benefits continues to increase.

## **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, 2014

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Lisbon Community School District Foundation
<b>ASSETS</b>				
Cash and pooled investments	\$ 3,043,927	239,176	3,283,103	279,272
Receivables:				
Property tax:				
Delinquent	19,616	-	19,616	-
Succeeding year	2,407,328	-	2,407,328	-
Income surtax	118,635	-	118,635	-
Accounts	21,938	-	21,938	-
Due from other funds	3,862	(3,862)	-	-
Due from other governments	214,597	3,382	217,979	-
Inventories	-	6,659	6,659	-
Capital assets, net of accumulated depreciation	11,834,940	73,373	11,908,313	-
<b>TOTAL ASSETS</b>	<b>17,664,843</b>	<b>318,728</b>	<b>17,983,571</b>	<b>279,272</b>
<b>LIABILITIES</b>				
Accounts payable	233,819	-	233,819	-
Salaries and benefits payable	503,626	49,185	552,811	-
Unearned revenue	-	1,465	1,465	-
Accrued interest payable	98,666	-	98,666	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	145,000	-	145,000	-
Revenue bonds payable	245,000	-	245,000	-
Termination benefits payable	45,118	-	45,118	-
Compensated absences	15,772	12,282	28,054	-
Portion due after one year:				
General obligation bonds payable	1,120,000	-	1,120,000	-
Revenue bonds payable	4,725,000	-	4,725,000	-
Termination benefits payable	94,708	-	94,708	-
Net OPEB liability	106,814	18,554	125,368	-
<b>TOTAL LIABILITIES</b>	<b>7,333,523</b>	<b>81,486</b>	<b>7,415,009</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable property tax revenue	2,407,328	-	2,407,328	-
<b>NET POSITION</b>				
Net investment in capital assets	5,599,940	73,373	5,673,313	-
Restricted for:				
Scholarships	-	-	-	63,903
Categorical funding	134,507	-	134,507	-
Debt service	542,392	-	542,392	-
Management levy purposes	225,038	-	225,038	-
Student activities	42,038	-	42,038	-
School infrastructure	690,337	-	690,337	-
Physical plant and equipment	43,552	-	43,552	-
Unrestricted	646,188	163,869	810,057	215,369
<b>TOTAL NET POSITION</b>	<b>\$ 7,923,992</b>	<b>237,242</b>	<b>8,161,234</b>	<b>279,272</b>

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit  Lisbon Community School District Foundation
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Primary Government			
				Govern- mental Activities	Business Type Activities	Total	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 3,724,637	446,078	86,335	(3,192,224)	-	(3,192,224)	-
Special	746,108	88,949	36,241	(620,918)	-	(620,918)	-
Other	531,753	197,835	179,824	(154,094)	-	(154,094)	-
	<u>5,002,498</u>	<u>732,862</u>	<u>302,400</u>	<u>(3,967,236)</u>	<u>-</u>	<u>(3,967,236)</u>	<u>-</u>
Support services:							
Student	163,082	-	-	(163,082)	-	(163,082)	-
Instructional staff	402,919	-	-	(402,919)	-	(402,919)	-
Administration	694,721	-	-	(694,721)	-	(694,721)	-
Operation and maintenance of plant	796,985	-	-	(796,985)	-	(796,985)	-
Transportation	251,584	-	-	(251,584)	-	(251,584)	-
	<u>2,309,291</u>	<u>-</u>	<u>-</u>	<u>(2,309,291)</u>	<u>-</u>	<u>(2,309,291)</u>	<u>-</u>
Long-term debt interest	248,137	-	-	(248,137)	-	(248,137)	-
Other expenditures:							
AEA flowthrough	258,183	-	258,183	-	-	-	-
Depreciation(unallocated)*	333,410	-	-	(333,410)	-	(333,410)	-
	<u>591,593</u>	<u>-</u>	<u>258,183</u>	<u>(333,410)</u>	<u>-</u>	<u>(333,410)</u>	<u>-</u>
Total governmental activities	8,151,519	732,862	560,583	(6,858,074)	-	(6,858,074)	-
Business Type activities:							
Support services:							
Operation and maintenance of plant	800	-	-	-	(800)	(800)	-
Non-instructional programs:							
Food service operations	383,744	245,056	115,364	-	(23,324)	(23,324)	-
Community service operations	742,834	712,300	34,588	-	4,054	4,054	-
Total non-instructional programs:	<u>1,126,578</u>	<u>957,356</u>	<u>149,952</u>	<u>-</u>	<u>(19,270)</u>	<u>(19,270)</u>	<u>-</u>
Total business type activities	<u>1,127,378</u>	<u>957,356</u>	<u>149,952</u>	<u>-</u>	<u>(20,070)</u>	<u>(20,070)</u>	<u>-</u>
Total primary government	\$ <u>9,278,897</u>	<u>1,690,218</u>	<u>710,535</u>	<u>(6,858,074)</u>	<u>(20,070)</u>	<u>(6,878,144)</u>	<u>-</u>
Total component unit	\$ 22,046	-	13,920				(8,126)
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 1,761,025	-	1,761,025	-
Debt service				364,738	-	364,738	-
Capital outlay				135,087	-	135,087	-
Income surtax				136,245	-	136,245	-
Statewide sales, services and use tax				591,216	-	591,216	-
Unrestricted state grants				3,638,724	-	3,638,724	-
Unrestricted investment earnings				4,668	544	5,212	4,598
Unrealized gain on investments				-	-	-	36,268
Realized gain on investments				-	-	-	213
Other				75,108	-	75,108	712
Total general revenues				<u>6,706,811</u>	<u>544</u>	<u>6,707,355</u>	<u>41,791</u>
Change in net position				(151,263)	(19,526)	(170,789)	33,665
Net position beginning of year				8,075,255	256,768	8,332,023	245,607
Net position end of year				\$ <u>7,923,992</u>	<u>237,242</u>	<u>8,161,234</u>	<u>279,272</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, 2014

	General	Management Levy	Capital Projects	Debt Service	Nonmajor Student Activity	Total
<b>ASSETS</b>						
Cash and pooled investments	\$ 1,409,612	362,760	592,252	637,906	39,217	3,041,747
Receivables:						
Property tax:						
Delinquent	12,270	3,054	1,160	3,132	-	19,616
Succeeding year	1,629,316	240,000	145,497	392,515	-	2,407,328
Income surtax	118,635	-	-	-	-	118,635
Accounts	3,863	-	-	-	18,075	21,938
Due from other funds	3,862	-	-	-	-	3,862
Due from other governments	68,470	20	146,087	20	-	214,597
<b>TOTAL ASSETS</b>	<b>\$ 3,246,028</b>	<b>605,834</b>	<b>884,996</b>	<b>1,033,573</b>	<b>57,292</b>	<b>5,827,723</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 212,243	970	5,610	-	14,996	233,819
Salaries and benefits payable	503,368	-	-	-	258	503,626
Total liabilities	715,611	970	5,610	-	15,254	737,445
Deferred inflows of resources:						
Unavailable revenue:						
Succeeding year property tax	1,629,316	240,000	145,497	392,515	-	2,407,328
Income surtax	118,635	-	-	-	-	118,635
Total deferred inflows of resources	1,747,951	240,000	145,497	392,515	-	2,525,963
Fund balances:						
Restricted for:						
Categorical funding	134,507	-	-	-	-	134,507
Debt service	-	-	-	641,058	-	641,058
Management levy purposes	-	364,864	-	-	-	364,864
Student activities	-	-	-	-	42,038	42,038
School infrastructure	-	-	690,337	-	-	690,337
Physical plant and equipment	-	-	43,552	-	-	43,552
Unassigned	647,959	-	-	-	-	647,959
Total fund balances	782,466	364,864	733,889	641,058	42,038	2,564,315
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,246,028</b>	<b>605,834</b>	<b>884,996</b>	<b>1,033,573</b>	<b>57,292</b>	<b>5,827,723</b>

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2014

<b>Total fund balances of governmental funds(page 20)</b>	\$	2,564,315
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		11,834,940
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		2,180
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal year, and, therefore, is recognized as deferred inflows of resources in the governmental funds.		118,635
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 governmental funds.		(98,666)
Long-term liabilities, including bonds 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>(6,497,412)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u>7,923,992</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

**LISBON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	General	Management Levy	Capital Projects	Debt Service	Nonmajor Student Activity	Total
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 1,544,746	349,895	135,087	364,738	-	2,394,466
Tuition	535,027	-	-	-	-	535,027
Other	81,470	4,647	1,104	251	192,317	279,789
State sources	4,101,497	-	591,216	-	-	4,692,713
Federal sources	95,632	-	-	-	-	95,632
<b>TOTAL REVENUES</b>	<b>6,358,372</b>	<b>354,542</b>	<b>727,407</b>	<b>364,989</b>	<b>192,317</b>	<b>7,997,627</b>
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular	3,611,933	26,276	-	-	-	3,638,209
Special	729,443	13,387	-	-	-	742,830
Other	305,947	-	-	-	223,930	529,877
	4,647,323	39,663	-	-	223,930	4,910,916
Support services:						
Student	162,396	-	-	-	-	162,396
Instructional staff	402,405	-	-	-	-	402,405
Administration	611,433	76,641	-	-	-	688,074
Operation and maintenance of plant	651,472	41,117	-	-	-	692,589
Transportation	222,366	8,296	-	-	-	230,662
	2,050,072	126,054	-	-	-	2,176,126
Capital outlay	-	-	344,368	-	-	344,368
Long-term debt:						
Principal	-	-	-	540,000	-	540,000
Interest and fiscal charges	-	-	-	253,159	-	253,159
	-	-	-	793,159	-	793,159
Other expenditures:						
AEA flowthrough	258,183	-	-	-	-	258,183
<b>TOTAL EXPENDITURES</b>	<b>6,955,578</b>	<b>165,717</b>	<b>344,368</b>	<b>793,159</b>	<b>223,930</b>	<b>8,482,752</b>
Excess(Deficiency) of revenues over(under) expenditures	(597,206)	188,825	383,039	(428,170)	(31,613)	(485,125)
Other financing sources(uses):						
Transfer in	-	-	-	426,386	-	426,386
Transfer out	-	-	(426,386)	-	-	(426,386)
Total other financing sources(uses)	-	-	(426,386)	426,386	-	-
Change in fund balances	(597,206)	188,825	(43,347)	(1,784)	(31,613)	(485,125)
Fund balance beginning of year	1,379,672	176,039	777,236	642,842	73,651	3,049,440
Fund balance end of year	\$ 782,466	364,864	733,889	641,058	42,038	2,564,315

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, 2014

**Change in fund balances - total governmental funds(page 22)** \$ (485,125)

*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 outlays in the current year, are as follows:

Capital outlays	\$ 271,024	
Depreciation expense	<u>(385,754)</u>	(114,730)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (232)

Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds. 2,629

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. 540,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 5,022

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	\$ (65,716)	
Compensated absences	(13,194)	
Other postemployment benefits	<u>(19,917)</u>	<u>(98,827)</u>

**Change in net position of governmental activities(page 19)** \$ (151,263)

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2014

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	LECCEC (Daycare)	Total	
<b>ASSETS</b>				
Current assets:				
Cash and pooled investments	\$ 18,523	220,653	239,176	2,180
Due from other funds	8,501	-	8,501	-
Due from other governments	-	3,382	3,382	-
Inventories	5,277	1,382	6,659	-
Total current assets	32,301	225,417	257,718	2,180
Non-current assets:				
Capital assets:				
Capital assets, net of accumulated depreciation	65,555	7,818	73,373	-
<b>TOTAL ASSETS</b>	97,856	233,235	331,091	2,180
<b>LIABILITIES</b>				
Current liabilities:				
Due to other funds	-	12,363	12,363	-
Salaries and benefits payable	-	49,185	49,185	-
Unearned revenue	1,465	-	1,465	-
Total current liabilities	1,465	61,548	63,013	-
Long-term liabilities:				
Compensated absences	349	11,933	12,282	-
Net OPEB liability	4,864	13,690	18,554	-
Total long-term liabilities	5,213	25,623	30,836	-
<b>TOTAL LIABILITIES</b>	6,678	87,171	93,849	-
<b>NET POSITION</b>				
Net investment in capital assets	65,555	7,818	73,373	-
Unrestricted	25,623	138,246	163,869	2,180
<b>TOTAL NET POSITION</b>	\$ 91,178	146,064	237,242	2,180

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, 2014

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	LECC (Daycare)	Total	
<b>OPERATING REVENUE:</b>				
Local sources:				
Charges for service	\$ 245,056	712,300	957,356	-
Miscellaneous	-	-	-	9,608
<b>TOTAL OPERATING REVENUES</b>	<b>245,056</b>	<b>712,300</b>	<b>957,356</b>	<b>9,608</b>
<b>OPERATING EXPENSES:</b>				
Support services:				
Operation and maintenance of plant:				
Services	800	-	800	-
Non-instructional programs:				
Food service operations:				
Salaries	104,739	-	104,739	-
Benefits	42,104	-	42,104	-
Supplies	228,373	-	228,373	-
Depreciation	8,528	-	8,528	-
	<b>383,744</b>	<b>-</b>	<b>383,744</b>	<b>-</b>
Community service operations:				
Salaries	-	467,541	467,541	-
Benefits	-	152,288	152,288	-
Supplies	-	122,040	122,040	-
Depreciation	-	965	965	-
	<b>-</b>	<b>742,834</b>	<b>742,834</b>	<b>-</b>
Other enterprise operations:				
Benefits	-	-	-	9,843
Total non-instructional programs	<b>383,744</b>	<b>742,834</b>	<b>1,126,578</b>	<b>9,843</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>384,544</b>	<b>742,834</b>	<b>1,127,378</b>	<b>9,843</b>
<b>OPERATING LOSS</b>	<b>(139,488)</b>	<b>(30,534)</b>	<b>(170,022)</b>	<b>(235)</b>
<b>NON-OPERATING REVENUES:</b>				
State sources	2,594	-	2,594	-
Federal sources	112,770	34,588	147,358	-
Interest on investments	84	460	544	3
<b>TOTAL NON-OPERATING REVENUES</b>	<b>115,448</b>	<b>35,048</b>	<b>150,496</b>	<b>3</b>
Change in net position	(24,040)	4,514	(19,526)	(232)
Net position beginning of year	115,218	141,550	256,768	2,412
Net position end of year	<b>\$ 91,178</b>	<b>146,064</b>	<b>237,242</b>	<b>2,180</b>

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	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	\$ 248,179	-	248,179	-
Cash received from daycare services	-	712,300	712,300	-
Cash received from miscellaneous	-	-	-	9,608
Cash payments to employees for services	(146,661)	(604,624)	(751,285)	(9,843)
Cash payments to suppliers for goods or services	(221,573)	(139,353)	(360,926)	-
Net cash used in operating activities	<u>(120,055)</u>	<u>(31,677)</u>	<u>(151,732)</u>	<u>(235)</u>
Cash flows from non-capital financing activities:				
Interfund borrowings	27	14,342	14,369	(1,000)
State grants received	2,594	-	2,594	-
Federal grants received	97,830	33,588	131,418	-
Net cash provided by (used in) non-capital financing activities	<u>100,451</u>	<u>47,930</u>	<u>148,381</u>	<u>(1,000)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	(8,783)	(8,783)	-
Cash flows from investing activities:				
Interest on investments	84	460	544	3
Net increase(decrease) in cash and cash equivalents	(19,520)	7,930	(11,590)	(1,232)
Cash and cash equivalents beginning of year	38,043	212,723	250,766	3,412
Cash and cash equivalents end of year	<u>\$ 18,523</u>	<u>220,653</u>	<u>239,176</u>	<u>2,180</u>
Reconciliation of operating income(loss) to net cash used in operating activities:				
Operating loss	\$ (139,488)	(30,534)	(170,022)	(235)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	14,940	-	14,940	-
Depreciation	8,528	965	9,493	-
Decrease(Increase) in inventories	(1,821)	390	(1,431)	-
Decrease in accounts receivable	1,658	-	1,658	-
Increase in accounts payable	(5,519)	(17,703)	(23,222)	-
Increase(Decrease) in salaries and benefits payable	(893)	7,446	6,553	-
Increase in compensated absences payable	172	5,211	5,383	-
Increase in unearned revenue	1,465	-	1,465	-
Increase in other postemployment benefits	903	2,548	3,451	-
Net cash used in operating activities	<u>\$ (120,055)</u>	<u>(31,677)</u>	<u>(151,732)</u>	<u>(235)</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$14,940.

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**(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 participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jones, Johnson, Cedar and Lin County Assessors' Conference Boards.

**B. Basis of Presentation**

Government-wide financial statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

*Net investment in capital assets* 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. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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, Deferred Inflows of Resources 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.

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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.

<u>Asset Class</u>	<u>Amount</u>
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 or more 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.

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, 2014. 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.

Deferred Inflows of Resources - 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 inflows of resources 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 inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources 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.

Fund Balances - 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.

Unassigned - All amounts not included in other spendable classifications.

## **E. Budgeting and Budgetary Accounting**

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

**(2) Cash and Pooled Investments**

The District’s deposits in bank at June 30, 2014 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, 2014, the District had no investments.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 426,386</u>

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 revenue bond indebtedness.

**(4) Due From and Due to Other Funds**

The details of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	LECCEC(Daycare)	\$ 3,862
Nutrition Fund	LECCEC(Daycare)	8,501
Total		<u>\$ 12,363</u>

The LECC (Daycare) is repaying the General Fund for supplies and utilities paid during the year.

The LECC (Daycare)is repaying Nutrition Fund for food served during the year.

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 1,565,000	-	300,000	1,265,000	145,000
Revenue Bonds	5,210,000	-	240,000	4,970,000	245,000
Termination Benefits	74,110	99,180	33,464	139,826	45,118
Compensated Absences	2,578	15,772	2,578	15,772	15,772
Net OPEB Liability	86,897	19,917	-	106,814	-
Total	<u>\$ 6,938,585</u>	<u>134,869</u>	<u>576,042</u>	<u>6,497,412</u>	<u>450,890</u>

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business Type Activities:					
Compensated Absences	\$ 6,899	12,282	6,899	12,282	12,282
Net OPEB Liability	15,103	3,451	-	18,554	-
Total	\$ 22,002	15,733	6,899	30,836	12,282

#### General Obligation Bonds Payable

Details of the District's June 30, 2014 general obligation bonds indebtedness are as follows:

Year Ending June 30,	Bond issue dated May 1, 2003				
	Interest Rates		Principal	Interest	Total
2015	4.00	% \$	145,000	50,600	195,600
2016	4.00		150,000	44,800	194,800
2017	4.00		160,000	38,800	198,800
2018	4.00		165,000	32,400	197,400
2019	4.10		170,000	26,445	196,445
2020-2022	4.20-4.30		475,000	37,150	512,150
Total			\$ 1,265,000	230,195	1,495,195

The District called \$160,000 of outstanding bonds on May 1, 2014. This will save the District \$6,915 per year over the next 10 years in reduced interest payments.

#### Revenue Bond Payable

Details of the District's June 30, 2014 revenue bonds indebtedness are as follows:

Year Ending June 30,	Bond issue dated July 1, 2011				
	Interest Rates		Principal	Interest	Total
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	3.00		270,000	153,928	423,928
2020-2024	3.25-3.85		1,485,000	629,840	2,114,840
2025-2029	4.0-4.25		1,800,000	320,273	2,120,273
2030	4.35		405,000	17,618	422,618
Total			\$ 4,970,000	1,805,632	6,775,632

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 72 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$6,775,632. For the current year, principal of \$240,000 and interest of \$185,865 was paid on the bonds and total statewide sales, services and use tax revenues were \$591,216.

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, 2014, 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 retire under the District's early retirement plan in any year is four employees, which is 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.

At June 30, 2014, the District has obligations to six participants with a total liability of \$139,826. The cost of early retirement benefits paid during the year ended June 30, 2014, totaled \$33,464.

#### **(6) 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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$366,488, \$327,277 and 289,441 respectively, equal to the required contributions for each year.

#### **(7) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$258,183 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(8) Capital Assets**

Capital assets activity for the year ended June 30, 2014 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
Total capital assets not being depreciated	<u>468,991</u>	<u>-</u>	<u>-</u>	<u>468,991</u>
Capital assets being depreciated:				
Buildings	14,314,534	229,357	-	14,543,891
Land improvements	590,567	18,354	-	608,921
Machinery and equipment	864,650	23,313	-	887,963
Total capital assets being depreciated	<u>15,769,751</u>	<u>271,024</u>	<u>-</u>	<u>16,040,775</u>
Less accumulated depreciation for:				
Buildings	3,437,848	303,411	-	3,741,259
Land improvements	154,931	29,999	-	184,930
Machinery and equipment	696,293	52,344	-	748,637
Total accumulated depreciation	<u>4,289,072</u>	<u>385,754</u>	<u>-</u>	<u>4,674,826</u>
Total capital assets being depreciated, net	<u>11,480,679</u>	<u>(114,730)</u>	<u>-</u>	<u>11,365,949</u>
Governmental activities capital assets, net	<u>\$ 11,949,670</u>	<u>(114,730)</u>	<u>-</u>	<u>11,834,940</u>
Business type activities:				
Machinery and equipment	\$ 163,545	8,783	-	172,328
Less accumulated depreciation	89,462	9,493	-	98,955
Business-type activities capital assets, net	<u>\$ 74,083</u>	<u>(710)</u>	<u>-</u>	<u>73,373</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Other	\$	1,360
Support service:		
Operation and maintenance of plant		24,950
Transportation		26,034
		<u>52,344</u>
Unallocated depreciation		<u>333,410</u>
Total governmental activities depreciation expense	\$	<u>385,754</u>
Business type activities:		
Food service operations	\$	8,528
Community service operations		965
		<u>9,493</u>
Total business-type activities depreciation expense	\$	<u>9,493</u>

**(9) 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, 2014, 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		4,590
Adjustment to annual required contribution		(4,222)
Annual OPEB cost		<u>80,368</u>
Contributions made		<u>(57,000)</u>
Increase in net OPEB obligation		23,368
Net OPEB obligation - beginning of year		<u>102,000</u>
Net OPEB obligation - end of year	\$	<u><u>125,368</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, 2014.

For the year ended, June 30, 2014, the District contributed \$57,000 to the medical plan. Plan members eligible for benefits contributed \$41,000, or 41.84% 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	52,373	55.37%	\$ 73,566
2013	80,000	64.65%	102,000
2014	80,368	70.92%	125,368

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, 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 approximately \$3.438 million, and the ratio of the UAAL to the covered payroll was 17.57%. As of June 30, 2014, 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 for the Retiree Health Plan 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.

**(10) Prospective Accounting Change**

The governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

**(11) Categorical Funding**

The District's ending restricted fund balance for state categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and talented	\$ 11,884
Four-year-old preschool state aid	49,140
Teacher salary supplement	53,414
Reading recovery	551
Professional development for model core curriculum	6,696
Professional development	5,305
Teacher leadership grants	7,517
Total	<u>\$ 134,507</u>

**(12) Detailed Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.

	<u>Net Investment</u>	<u>Management</u>	<u>Debt</u>	<u>Unassigned/</u>
	<u>in Capital Assets</u>	<u>Levy</u>	<u>Service</u>	<u>Unrestricted</u>
Fund Balance (Exhibit C)	\$ -	364,864	641,058	647,959
Capital assets, net of accumulated depreciation	11,834,940	-	-	-
General obligation bond capitalized indebtedness	(1,265,000)	-	-	-
Revenue bond capitalized indebtedness	(4,970,000)	-	-	-
Termination benefits	-	(139,826)	-	-
Accrued interest payable	-	-	(98,666)	-
Compensated absences	-	-	-	(15,772)
Net OPEB liability	-	-	-	(106,814)
Income surtax	-	-	-	118,635
Internal service fund	-	-	-	2,180
Net position (Exhibit A)	<u>\$ 5,599,940</u>	<u>225,038</u>	<u>542,392</u>	<u>646,188</u>

REQUIRED SUPPLEMENTARY INFORMATION

LISBON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF  
 REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,209,282	957,900	4,167,182	4,614,573	4,614,573	(447,391)
State sources	4,692,713	2,594	4,695,307	4,177,769	4,177,769	517,538
Federal sources	95,632	147,358	242,990	264,000	264,000	(21,010)
Total revenues	<u>7,997,627</u>	<u>1,107,852</u>	<u>9,105,479</u>	<u>9,056,342</u>	<u>9,056,342</u>	<u>49,137</u>
Expenditures/Expenses:						
Instruction	4,910,916	-	4,910,916	5,402,673	5,402,673	491,757
Support services	2,176,126	800	2,176,926	2,929,500	2,929,500	752,574
Non-instructional programs	-	1,126,578	1,126,578	1,153,842	1,153,842	27,264
Other expenditures	1,395,710	-	1,395,710	2,313,994	2,313,994	918,284
Total expenditures/expenses	<u>8,482,752</u>	<u>1,127,378</u>	<u>9,610,130</u>	<u>11,800,009</u>	<u>11,800,009</u>	<u>2,189,879</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(485,125)	(19,526)	(504,651)	(2,743,667)	(2,743,667)	2,239,016
Balances beginning of year	<u>3,049,440</u>	<u>256,768</u>	<u>3,306,208</u>	<u>3,463,667</u>	<u>3,463,667</u>	<u>(157,459)</u>
Balances end of year	<u>\$ 2,564,315</u>	<u>237,242</u>	<u>2,801,557</u>	<u>720,000</u>	<u>720,000</u>	<u>2,081,557</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the general Fund may not exceed the amount authorized by the school finance formula.

LISBON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
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
2014	July 1, 2012	-	604	604	0.0	3,438	17.57

See Note 9 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 NET POSITION - CASH BASIS  
DISCRETE COMPONENT UNIT  
JUNE 30, 2014

	Lisbon Community School District Foundation
<b>Assets</b>	
Cash	\$ 22,331
Certificates of deposit	5,155
Investments	251,786
<b>Total Assets</b>	<b>279,272</b>
 <b>Total Liabilities</b>	 <b>-</b>
 <b>Net Position</b>	
Restricted	63,903
Unrestricted	215,369
<b>Total Net Position</b>	<b>\$ 279,272</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF SUPPORT, REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - CASH BASIS  
DISCRETE COMPONENT UNIT  
YEAR ENDED JUNE 30, 2014

	Lisbon Community School District Foundation		
	Unrestricted	Restricted	Total
	Funds	Funds	
<b>SUPPORT AND REVENUE:</b>			
Interest	\$ 36	1,576	1,612
Dividends	2,986	-	2,986
Donations	13,920	-	13,920
Unrealized gain on investments	30,812	5,456	36,268
Realized gain on investments	-	213	213
Other	712	-	712
<b>TOTAL SUPPORT AND REVENUE</b>	<b>48,466</b>	<b>7,245</b>	<b>55,711</b>
<b>EXPENSES:</b>			
Administration	889	208	1,097
Investment management	-	137	137
Scholarships	14,100	4,700	18,800
Other	2,012	-	2,012
<b>TOTAL EXPENSES</b>	<b>17,001</b>	<b>5,045</b>	<b>22,046</b>
Excess of support and revenue over expenses	31,465	2,200	33,665
Net position beginning of year	183,904	61,703	245,607
Net position end of year	\$ 215,369	63,903	279,272

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

LISBON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 544,257	47,995	592,252
Receivables:			
Property tax:			
Delinquent	-	1,160	1,160
Succeeding year	-	145,497	145,497
Due from other governments	146,080	7	146,087
<b>TOTAL ASSETS</b>	<b>\$ 690,337</b>	<b>194,659</b>	<b>884,996</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	5,610	5,610
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	145,497	145,497
Fund balances:			
Restricted for:			
School infrastructure	690,337	-	690,337
Physical plant and equipment	-	43,552	43,552
Total fund balances	690,337	43,552	733,889
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 690,337</b>	<b>194,659</b>	<b>884,996</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ -	135,087	135,087
Other	1,042	62	1,104
State sources	591,216	-	591,216
<b>TOTAL REVENUES</b>	<b>592,258</b>	<b>135,149</b>	<b>727,407</b>
<b>EXPENDITURES:</b>			
Capital outlay	172,548	171,820	344,368
Excess(Deficiency) of revenues over(under) expenditures	419,710	(36,671)	383,039
Other financing uses:			
Transfer out	(426,386)	-	(426,386)
Change in fund balances	(6,676)	(36,671)	(43,347)
Fund balances beginning of year	697,013	80,223	777,236
Fund balances end of year	\$ 690,337	43,552	733,889

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Special Account	\$ 13,137	-	11,992	1,145
Cheerleaders	1,556	422	1,012	966
Boy's Basketball	2,389	5,080	6,469	1,000
Boy's Football	4,419	14,245	17,664	1,000
Boy's Baseball	-	18,966	18,966	-
Boy's Track	-	6,682	6,682	-
Boy's Wrestling	2,398	7,933	10,331	-
Girl's Basketball	4,876	310	4,186	1,000
Girl's Volleyball	3,646	1,966	4,612	1,000
Girl's Softball	-	12,003	11,764	239
Girl's Track	-	3,043	3,043	-
Golf	239	3,009	3,227	21
Athletics	2,265	29,746	32,011	-
National Honor Society	-	544	544	-
Speech	-	2,157	2,157	-
Yearbook	5,854	7,745	2,616	10,983
Student Council	2,089	6,901	6,702	2,288
SADD	438	-	438	-
Prom	483	5,813	6,296	-
Concessions	1,950	31,206	32,121	1,035
Dance	-	893	35	858
Drama	1,589	3,020	4,609	-
Ski Trip	1,706	4,550	4,515	1,741
Band Trip	5,294	6,702	4,158	7,838
Spanish Club	2,163	1,008	1,008	2,163
Art Club	-	176	-	176
PTO	12,419	1,765	12,258	1,926
Music Boosters	2,224	16,432	13,567	5,089
Band Uniform Replacement	2,517	-	947	1,570
<b>Total</b>	<b>\$ 73,651</b>	<b>192,317</b>	<b>223,930</b>	<b>42,038</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**LISBON COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 2,394,466	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
Tuition	535,027	460,870	376,070	327,475	237,095	273,011	270,870	330,755	284,428	363,834
Other	279,789	332,541	356,614	441,193	338,147	363,247	445,410	239,370	141,164	177,524
State sources	4,692,713	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
Federal sources	95,632	153,359	565,127	310,040	457,815	147,540	100,189	88,893	104,597	314,394
Total	\$ 7,997,627	7,690,934	8,373,333	7,667,433	7,315,118	7,081,660	6,821,595	5,607,947	5,470,959	5,255,415
Expenditures:										
Instruction:										
Regular	\$ 3,638,209	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
Special	742,830	713,063	666,228	646,388	541,597	699,861	654,870	673,032	394,806	506,763
Other	529,877	485,289	514,056	528,626	470,692	418,279	393,591	267,208	319,316	233,475
Support services:										
Student	162,396	157,773	133,750	125,921	120,292	112,795	101,531	93,398	73,875	74,412
Instructional staff	402,405	283,643	239,497	180,691	204,964	226,579	191,723	186,819	140,236	157,538
Administration	688,074	699,764	681,283	551,985	609,167	627,982	590,211	599,422	581,296	606,773
Operation and maintenance of plant	692,589	693,549	656,992	602,837	501,126	555,349	445,782	578,955	536,650	531,125
Transportation	230,662	302,607	223,425	223,799	279,528	197,320	187,178	144,258	276,250	237,485
Capital outlay	344,368	1,427,230	4,475,827	504,840	623,246	646,414	212,958	140,142	94,285	363,399
Long-term debt:										
Principal	540,000	635,184	357,991	246,180	120,000	115,000	134,970	128,900	105,000	156,567
Interest and fiscal charges	253,159	268,942	190,282	107,428	89,977	93,715	98,382	102,896	104,114	110,410
Other expenditures:										
AEA flow-through	258,183	243,802	243,885	258,079	257,435	226,561	213,345	191,995	186,036	171,760
Total	\$ 8,482,752	9,416,657	11,554,380	7,407,029	6,903,266	6,955,000	6,196,844	5,657,969	5,232,386	5,576,423

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

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

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

We have audited 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2015.

**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 a material weakness 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-14 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-14 through I-E-14 to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lisbon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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.

March 24, 2015  
Newton, Iowa

LISBON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

**Part I: Findings Related to the Financial Statements:**

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 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 in order to maintain the maximum internal controls possible.

Conclusion - Response accepted.

I-B-14 Purchase Orders for Credit Cards - We noted during our audit that the District currently uses purchase orders in the purchasing process, however, we noted numerous instances of purchase orders being dated after the invoices for purchases made on the District's credit card.

Recommendation - The advantage of using a purchase order system is that approval of items purchased is noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District's purchase order system will be reviewed and monitored on a continual basis to ensure that maximum financial management takes place.

Conclusion - Response accepted.

I-C-14 Timesheet Approval - We noted during our audit that timesheets for non-certified staff were not always approved by the appropriate administrator.

Recommendation - The District should review its policies and procedures regarding payroll to ensure that timesheets are verified for accuracy by the appropriate administrator to ensure all amounts paid are for hours actually worked by the employee.

Response - Timesheets for non-certified staff will be closely reviewed to ensure that all required managerial sign-offs are in place.

Conclusion - Response accepted.

I-D-14 Detailed Deposit Slips - We noted during our audit instances of deposit slips that lacked detail as to the make-up of the deposit. Lack of detail on deposit slips makes subsequent reconciliation of receipts to the deposits very difficult.

Recommendation - The District should develop procedures to document the composition of each deposit on the deposit slips. This would allow an individual to determine which receipts are included in any given deposit, and subsequently reconcile that all money collected for which a receipt was issued, was included in the deposit.

Response - Additional back-up will be required on deposits in order to verify accuracy of receipts.

Conclusion - Response accepted.

I-E-14 Supporting Documentation - We noted during our audit a check written to a vendor without an invoice or statement to be used as supporting documentation.

Recommendation - The District should review its procedures to ensure that all bills are supported, approved and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or supporting documentation other than the invoice.

Response - The District requires that all check copies are accompanied by appropriate invoices and backup. However, we will review our filing procedures so that all invoices will be available during audit procedures.

Conclusion - Response accepted.

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014, did not exceed the budgeted amounts in any of the functional areas.
- II-B-14 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II -C-14 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. We did note instances of reimbursements to employees that were not supported by detailed receipts for all meals being reimbursed.

Recommendation - The District should review its procedures to ensure that reimbursements are for allowable expenses and that all reimbursements are properly supported.

Response - The District will review procedures to ensure that all reimbursements are accompanied by detailed receipts.

Conclusion - Response accepted.

- II -D-14 Business Transactions - Business transactions between the District and District employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Todd Stoneking, Custodian	Purchased services	\$1,346
Craig Capron, Bus Driver CNJ Sound	Purchased services	\$2,488

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions do not appear to represent a conflict of interest.

- II -E-14 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-14 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 as required by 279.35 of the Code of Iowa. We also noted that the District did not list all official depositories and the maximum amount to be kept at each depository as required by Iowa Code Chapter 12C.2.

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

ensure compliance with Iowa Code Chapter 12C.2 in regards to the official depositories of the District.

Response - The District will publish all board minutes within 2 weeks of the board meeting. We will also note the official depository and maximum amounts in order to ensure compliance with Iowa Code Chapter 12C.2.

Conclusion - Response accepted.

- II -G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education. However, the District did not meet the October 15<sup>th</sup> deadline for certifying enrollment for the fall of 2013 as required by Chapter 257.6 (7b) of the Code of Iowa.

Recommendation - The District should review procedures to ensure that enrollment data is certified to the Iowa Department of Education in a timely manner to be in compliance with Iowa Code 257.6 (7b).

Response - The District certified the annual enrollment by the October 15th deadline. However, a change was made by the Department of Education that required the District to recertify. We will ensure in the future that the October 15th certification deadline is met.

Conclusion - Response accepted.

- II -H-14 Supplementary Weighting - The following variances regarding supplementary weighting certified to the Iowa Department of Education were noted:

**Course Adjustments:** The number certified to the Iowa Department of Education was overstated by 0.029 students for the fall of 2013 count date.

**Operational Sharing Adjustments:** We noted an operational sharing adjustment for a counselor of +3.0 which was not certified by the District for the fall of 2013.

Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Conclusion - Response accepted.

- II -I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

- II -L-14 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, 2014, 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 2014 audit.

Beginning Balance		\$	697,013
Revenues:			
Statewide sales, services and use tax revenue	\$	591,216	
Other revenue		1,042	592,258
			<u>1,289,271</u>
Expenditures/Transfers out:			
School infrastructure:			
Equipment	\$	169,923	
School infrastructure construction		2,077	
Other		548	
Transfer to other funds:			
Debt service fund		426,386	598,934
			<u>598,934</u>
Ending balance			<u>\$ 690,337</u>

For the year ended June 30, 2014, the District reduce the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	<u>\$ 1.54000</u>	<u>\$ 153,942</u>

II-M-14 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:

**Scholarships** - We noted that a scholarship was paid from the Student Council account within the Student Activity Fund.

Recommendation - 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 - Scholarships given to students will be paid from an appropriate fund.

Conclusion - Response accepted.

- II-N-14 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - Non-certified staff members who also coach will be required to fill out timesheets in order to properly calculate minimum wage and overtime requirements.

Conclusion - Response accepted.