

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**LISBON PUBLIC SCHOOL DISTRICT No. 19
LISBON, NORTH DAKOTA**

**FOR THE YEARS ENDED
JUNE 30, 2011 AND 2010**



LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

TABLE OF CONTENTS
For the Years Ended June 30, 2011 and 2010

	<u>Page(s)</u>
School District Officials	1
Independent Auditor's Report	2 - 3
BASIC FINANCIAL STATEMENTS	
<u>2011</u>	
Statement of Net Assets	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	9
Statement of Fiduciary Net Assets	10
Statement of Changes in Fiduciary Net Assets	11
<u>2010</u>	
Statement of Net Assets	12
Statement of Activities	13
Balance Sheet - Governmental Funds	14
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	17
Statement of Fiduciary Net Assets	18
Statement of Changes in Fiduciary Net Assets	19

LISBON PUBLIC SCHOOL DISTRICT NO. 19Table of Contents - Continued

	<u>Page(s)</u>
Notes to the Financial Statements	20 - 30
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	31 - 32
Notes to Required Supplementary Information	33
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	34 - 35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	36 - 37
Schedule of Fund Activity	38 - 39
Schedule of Expenditures of Federal Awards	40
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	41 - 42
Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	43 - 44
Schedule of Findings and Questioned Costs	45

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

SCHOOL OFFICIALS

June 30, 2011

Rory Lien	President
Cindy Nims	Vice-President
Kara Carter	Board Member
Terry Thompson	Board Member
Tim Mairs	Board Member
Steven Johnson	Superintendent
Lori Lyons	Business Manager

June 30, 2010

Kara Carter	President
Rory Lien	Vice-President
Tim Mairs	Board Member
Cindy Nims	Board Member
Terry Thompson	Board Member
Steven Johnson	Superintendent
Lori Lyons	Business Manager

STATE AUDITOR

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Local Government Division:
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MANAGER – DAVID MIX
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

School Board
Lisbon Public School District No. 19
Lisbon, North Dakota

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lisbon Public School District No. 19, Lisbon, North Dakota, as of and for the years ended June 30, 2011 and 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lisbon Public School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lisbon Public School District No. 19, Lisbon, North Dakota, as of June 30, 2011 and 2010, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2012, on our consideration of the Lisbon Public School District No. 19, Lisbon, North Dakota 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 and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 31 through 32 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Lisbon Public School District No. 19 has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Independent Auditor's Report - Continued

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Lisbon Public School District's basic financial statements. The combining nonmajor fund statements and schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Robert R. Peterson
State Auditor

May 1, 2012

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

STATEMENT OF NET ASSETS
June 30, 2011

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash	\$ 1,288,985
Investments	394,637
Intergovernmental Receivable	344,063
Taxes Receivable	87,194
Capital Assets (net of accumulated depreciation):	
Land	46,883
Buildings & Building Improvements	4,340,836
Vehicles	356,884
Equipment	89,273
Construction in Progress	28,649
Total Capital Assets	<u>\$ 4,862,525</u>
Total Assets	<u>\$ 6,977,404</u>
<u>LIABILITIES:</u>	
Retainages Payable	\$ 13,454
Benefits Payable	13,088
Interest Payable	3,454
Long-Term Liabilities:	
Due Within One Year:	
General Obligation Bonds Payable	65,000
State School Construction Loan	66,877
Compensated Absences Payable	5,361
Due After One Year:	
General Obligation Bonds Payable	155,000
State School Construction Loan	202,417
Compensated Absences Payable	48,246
Total Liabilities	<u>\$ 572,897</u>
<u>NET ASSETS:</u>	
Invested in Capital Assets, net of related debt	\$ 4,373,231
Restricted for:	
Debt Service	330,594
Building Projects	64,385
Special Purpose	44,994
Unrestricted	<u>1,591,303</u>
Total Net Assets	<u>\$ 6,404,507</u>

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<u>Governmental Activities:</u>				
Regular Instruction	\$ 2,126,964	\$ 51,813	\$ -	\$ (2,075,151)
Special Education	390,317	-	-	(390,317)
Vocational Education	190,118	-	15,960	(174,158)
Federal Programs	395,652	-	400,702	5,050
District Wide Services	279,389	-	-	(279,389)
Administration	592,397	-	-	(592,397)
School Food Services	211,791	143,480	111,064	42,753
Operations and Maintenance	535,568	-	-	(535,568)
Transportation	258,560	-	158,133	(100,427)
Co-Curricular Activities	200,859	-	-	(200,859)
Other Activities	24,198	-	-	(24,198)
Capital Outlay	582,656	-	-	(582,656)
Interest Expense	27,622	-	-	(27,622)
Fiscal Charges	1,113	-	-	(1,113)
Total Governmental Activities	\$ 5,817,204	\$ 195,293	\$ 685,859	\$ (4,936,052)
<u>General Revenues:</u>				
Property taxes; levied for general purposes				\$ 1,209,584
Property taxes; levied for debt service				69,373
Property taxes; levied for building purposes				248,310
Grants & contributions not restricted to specific programs:				
Per pupil foundation aid				3,108,549
Other grants and contributions not restricted				801,213
Interest Earnings				26,196
Miscellaneous Revenue				118,752
Total General Revenues				\$ 5,581,977
Changes in Net Assets				\$ 645,925
Net Assets - July 1				\$ 5,758,582
Net Assets - June 30				\$ 6,404,507

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011

	General	Building Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 855,367	\$ 320,785	\$ 112,833	\$ 1,288,985
Investments	394,637	-	-	394,637
Intergovernmental Receivable	344,063	-	-	344,063
Due From Other Funds	-	171	-	171
Taxes Receivable	77,385	9,809	-	87,194
Total Assets	\$ 1,671,452	\$ 330,765	\$ 112,833	\$ 2,115,050
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Retainages Payable	\$ 13,454	\$ -	\$ -	\$ 13,454
Salaries Payable	13,088	-	-	13,088
Due to Other Funds	-	-	171	171
Deferred Revenue	77,385	9,809	-	87,194
Total Liabilities	\$ 103,927	\$ 9,809	\$ 171	\$ 113,907
<u>Fund Balances:</u>				
<u>Restricted for:</u>				
Debt Service	\$ -	\$ -	\$ 67,839	\$ 67,839
Building Fund	-	320,956	-	320,956
<u>Assigned to:</u>				
Food Service	-	-	44,994	44,994
<u>Unassigned:</u>	<u>1,567,525</u>	<u>-</u>	<u>(171)</u>	<u>1,567,354</u>
Total Fund Balances	\$ 1,567,525	\$ 320,956	\$ 112,662	\$ 2,001,143
Total Liabilities and Fund Balances	\$ 1,671,452	\$ 330,765	\$ 112,833	\$ 2,115,050

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2011

Total *Fund Balances* for Governmental Funds \$ 2,001,143

Total *net assets* reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of Capital Assets	\$ 7,597,008	
Less Accumulated Depreciation	<u>(2,734,483)</u>	
Net Capital Assets		4,862,525

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds. 87,194

Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the statement of net assets. Balances at June 30, 2011 are:

General Obligation Bonds Payable	\$ (220,000)	
State School Construction Loan Payable	(269,294)	
Interest Payable	(3,454)	
Compensated Absences Payable	<u>(53,607)</u>	
Total Long-Term Liabilities		<u>(546,355)</u>

Total Net Assets of Governmental Activities \$ 6,404,507

The notes to the financial statements are an integral part of this statement

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Local Sources	\$ 1,457,695	\$ 162,716	\$ 229,926	\$ 1,850,337
State Sources	4,083,855	-	2,334	4,086,189
Federal Sources	400,702	-	108,730	509,432
Other Sources	37,052	829	-	37,881
Total Revenues	\$ 5,979,304	\$ 163,545	\$ 340,990	\$ 6,483,839
<u>Expenditures:</u>				
Current:				
Regular Instruction	\$ 2,439,311	\$ -	\$ -	\$ 2,439,311
Special Education	390,317	-	-	390,317
Vocational Education	190,118	-	-	190,118
Federal Programs	395,652	-	-	395,652
District Wide Services	279,389	-	-	279,389
Administration	619,893	-	-	619,893
School Food Services	-	-	249,234	249,234
Operations and Maintenance	521,093	-	-	521,093
Transportation	220,681	-	-	220,681
Co-Curricular Activities	179,685	-	-	179,685
Other Activities	24,198	-	-	24,198
Capital Outlay	546,716	35,940	-	582,656
Debt Service:				
Principal	-	-	126,341	126,341
Interest	-	-	28,608	28,608
Fiscal charges	-	-	1,113	1,113
Total Expenditures	\$ 5,807,053	\$ 35,940	\$ 405,296	\$ 6,248,289
Excess (Deficiency) of Revenues Over Expenditures	\$ 172,251	\$ 127,605	\$ (64,306)	\$ 235,550
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 71,300	\$ 71,300
Transfers Out	-	(71,300)	-	(71,300)
Total Other Financing Sources and Uses	\$ -	\$ (71,300)	\$ 71,300	\$ -
Net Change in Fund Balances	\$ 172,251	\$ 56,305	\$ 6,994	\$ 235,550
Fund Balance - July 1	\$ 1,395,274	\$ 264,651	\$ 105,668	\$ 1,765,593
Fund Balance - June 30	\$ 1,567,525	\$ 320,956	\$ 112,662	\$ 2,001,143

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 235,550

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.

Current Year Capital Outlay	\$ 474,622	
Current Year Depreciation Expense	<u>(171,919)</u>	302,703

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is amount of the repayment of debt. 126,341

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Decrease in Compensated Absences Payable	\$ 1,055	
Net Decrease in Interest Payable	<u>986</u>	2,041

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the decrease in taxes receivable. (20,710)

Change in Net Assets of Governmental Activities \$ 645,925

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2011

	Agency Fund	Private Purpose Trust Funds
<u>Assets:</u>		
Cash	\$ 68,872	\$ 41,294
Investments	-	55,948
Total Assets	<u>\$ 68,872</u>	<u>\$ 97,242</u>
<u>Liabilities:</u>		
Due to Student Activities Groups	<u>\$ 68,872</u>	<u>\$ -</u>
<u>Nonexpendable Net Assets:</u>		
Held in Trust for Others	<u>\$ -</u>	<u>\$ 97,242</u>

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended June 30, 2011

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Investment Earnings:	
Interest	\$ 4,246
Gain on Investment	<u>2,128</u>
Total Additions	<u>\$ 6,374</u>
<u>DEDUCTIONS:</u>	
Scholarships	<u>\$ 9,350</u>
Change in Net Assets	<u>\$ (2,976)</u>
Net Assets - July 1	<u>\$ 100,218</u>
Net Assets - June 30	<u><u>\$ 97,242</u></u>

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

STATEMENT OF NET ASSETS
June 30, 2010

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash	\$ 1,128,747
Investments	383,059
Intergovernmental Receivable	291,534
Due From County	10,163
Taxes Receivable	107,904
Capital Assets (net of accumulated depreciation):	
Land	46,882
Buildings & Building Improvements	3,605,132
Vehicles	395,900
Equipment	88,785
Construction in Progress	423,123
Total Capital Assets	<u>\$ 4,559,822</u>
Total Assets	<u>\$ 6,481,229</u>
<u>LIABILITIES:</u>	
Retainages Payable	\$ 32,185
Benefits Payable	15,725
Interest Payable	4,440
Long-Term Liabilities:	
Due Within One Year:	
General Obligation Bonds Payable	60,000
State School Construction Loan	66,341
Compensated Absences Payable	5,466
Due After One Year:	
General Obligation Bonds Payable	220,000
State School Construction Loan	269,294
Compensated Absences Payable	49,196
Total Liabilities	<u>\$ 722,647</u>
<u>NET ASSETS:</u>	
Invested in Capital Assets, net of related debt	\$ 3,944,187
Restricted for:	
Debt Service	275,223
Building Projects	61,677
Special Purpose	39,684
Unrestricted	<u>1,437,811</u>
Total Net Assets	<u>\$ 5,758,582</u>

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Function/Program	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<u>Governmental Activities:</u>				
Regular Instruction	\$ 1,530,679	\$ 66,266	\$ -	\$ (1,464,413)
Special Education	350,236	-	-	(350,236)
Vocational Education	192,915	-	23,301	(169,614)
Federal Programs	350,469	-	349,618	(851)
District Wide Services	231,288	-	-	(231,288)
Administration	544,462	-	-	(544,462)
School Food Services	222,982	150,709	129,370	57,097
Operations and Maintenance	506,867	-	-	(506,867)
Transportation	246,949	-	129,486	(117,463)
Co-Curricular Activities	125,170	-	-	(125,170)
Other Activities	34,920	-	-	(34,920)
Capital Outlay	1,061,460	-	-	(1,061,460)
Interest Expense	27,939	-	-	(27,939)
Fiscal Charges	1,162	-	-	(1,162)
Total Governmental Activities	\$ 5,427,498	\$ 216,975	\$ 631,775	\$ (4,578,748)
<u>General Revenues:</u>				
Property taxes; levied for general purposes				\$ 1,186,126
Property taxes; levied for debt service				61,248
Property taxes; levied for building purposes				235,281
Grants & contributions not restricted to specific programs:				
Per pupil foundation aid				2,782,556
Mill levy reduction aid				757,807
Other grants and contributions not restricted				702,957
Interest Earnings				9,903
Miscellaneous Revenue				64,156
Total General Revenues				\$ 5,800,034
Changes in Net Assets				\$ 1,221,286
Net Assets - July 1				\$ 4,537,296
Net Assets - June 30				\$ 5,758,582

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010

	General	Building Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 758,428	\$ 264,518	\$ 105,801	\$ 1,128,747
Investments	383,059	-	-	383,059
Intergovernmental Receivable	291,534	-	-	291,534
Due From Other Funds	-	133	-	133
Due From County	10,163	-	-	10,163
Taxes Receivable	97,199	10,705	-	107,904
Total Assets	<u>\$ 1,540,383</u>	<u>\$ 275,356</u>	<u>\$ 105,801</u>	<u>\$ 1,921,540</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Retainages Payable	\$ 32,185	\$ -	\$ -	\$ 32,185
Salaries Payable	15,725	-	-	15,725
Due to Other Funds	-	-	133	133
Deferred Revenue	97,199	10,705	-	107,904
Total Liabilities	<u>\$ 145,109</u>	<u>\$ 10,705</u>	<u>\$ 133</u>	<u>\$ 155,947</u>
<u>Fund Balances:</u>				
<u>Restricted for:</u>				
Debt Service	\$ -	\$ -	\$ 66,117	\$ 66,117
Building Fund	-	264,651	-	264,651
<u>Assigned to:</u>				
Food Service	-	-	39,684	39,684
<u>Unassigned:</u>	<u>1,395,274</u>	<u>-</u>	<u>(133)</u>	<u>1,395,141</u>
Total Fund Balances	<u>\$ 1,395,274</u>	<u>\$ 264,651</u>	<u>\$ 105,668</u>	<u>\$ 1,765,593</u>
Total Liabilities and Fund Balances	<u>\$ 1,540,383</u>	<u>\$ 275,356</u>	<u>\$ 105,801</u>	<u>\$ 1,921,540</u>

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total *Fund Balances* for Governmental Funds \$ 1,765,593

Total *net assets* reported for governmental activities in the statement of net assets
is different because:

Capital assets used in governmental activities are not financial resources
and are not reported in the governmental funds.

Cost of Capital Assets	\$ 7,122,387	
Less Accumulated Depreciation	<u>(2,562,565)</u>	
Net Capital Assets		4,559,822

Property taxes receivable will be collected after year-end, but are not available
soon enough to pay for the current period's expenditures and therefore are
reported as deferred revenues in the funds. 107,904

Long-term liabilities applicable to the School District's governmental activities
are not due and payable in the current period and accordingly are not reported
as fund liabilities. Interest on long-term debt is not accrued in governmental
funds, but rather is recognized as an expenditure when due. All liabilities-
both current and long-term- are reported in the statement of net assets.
Balances at June 30, 2010 are:

General Obligation Bonds Payable	\$ (280,000)	
State School Construction Loan Payable	(335,635)	
Interest Payable	(4,440)	
Compensated Absences Payable	<u>(54,662)</u>	
Total Long-Term Liabilities		<u>(674,737)</u>

Total Net Assets of Governmental Activities \$ 5,758,582

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Local Sources	\$ 1,414,059	\$ 158,102	229,738	\$ 1,801,899
State Sources	4,396,107	-	2,577	4,398,684
Federal Sources	349,618	-	126,793	476,411
Other Sources	34,723	760	-	35,483
Total Revenues	\$ 6,194,507	\$ 158,862	\$ 359,108	\$ 6,712,477
<u>Expenditures:</u>				
Current:				
Regular Instruction	\$ 2,355,156	\$ -	\$ -	\$ 2,355,156
Special Education	350,236	-	-	350,236
Vocational Education	192,915	-	-	192,915
Federal Programs	350,469	-	-	350,469
District Wide Services	231,288	-	-	231,288
Administration	592,031	-	-	592,031
School Food Services	-	-	269,257	269,257
Operations and Maintenance	507,977	-	-	507,977
Transportation	313,048	-	-	313,048
Co-Curricular Activities	155,203	-	-	155,203
Other Activities	34,920	-	-	34,920
Capital Outlay	1,036,464	24,996	-	1,061,460
Debt Service:				
Principal	-	-	120,822	120,822
Interest	-	-	28,130	28,130
Fiscal Charges	-	-	1,162	1,162
Total Expenditures	\$ 6,119,707	\$ 24,996	\$ 419,371	\$ 6,564,074
Excess (Deficiency) of Revenues Over Expenditures	\$ 74,800	\$ 133,866	\$ (60,263)	\$ 148,403
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 72,000	\$ 72,000
Transfers Out	-	(72,000)	-	(72,000)
Total Other Financing Sources and Uses	\$ -	\$ (72,000)	\$ 72,000	\$ -
Net Change in Fund Balances	\$ 74,800	\$ 61,866	\$ 11,737	\$ 148,403
Fund Balance - July 1	\$ 1,320,474	\$ 202,785	\$ 93,931	\$ 1,617,190
Fund Balance - June 30	\$ 1,395,274	\$ 264,651	\$ 105,668	\$ 1,765,593

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$ 148,403

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.

Current Year Capital Outlay	\$ 1,171,152	
Current Year Depreciation Expense	<u>(157,351)</u>	1,013,801

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is amount of the repayment of debt. 120,822

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Decrease in Compensated Absences Payable	\$ 1,763	
Net Decrease in Interest Payable	<u>191</u>	1,954

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the decrease in taxes receivable. (63,694)

Change in Net Assets of Governmental Activities \$ 1,221,286

The notes to the financial statements are an integral part of this statement

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2010

	Agency Fund	Private Purpose Trust Funds
<u>Assets:</u>		
Cash	\$ 86,479	\$ 46,455
Investments	-	53,763
Total Assets	<u>\$ 86,479</u>	<u>\$ 100,218</u>
<u>Liabilities:</u>		
Due to Student Activities Groups	<u>\$ 86,479</u>	<u>\$ -</u>
<u>Nonexpendable Net Assets:</u>		
Held in Trust for Others	<u>\$ -</u>	<u>\$ 100,218</u>

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended June 30, 2010

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Investment Earnings:	
Interest	<u>\$ 3,142</u>
<u>DEDUCTIONS:</u>	
Scholarships	\$ 2,600
Loss on Investments	<u>15,728</u>
Total Deductions	<u>\$ 18,328</u>
Change in Net Assets	<u>\$ (15,186)</u>
Net Assets - July 1	<u>\$ 115,404</u>
Net Assets - June 30	<u><u>\$ 100,218</u></u>

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lisbon Public School District No. 19, Lisbon, North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Comparability with reports of all prior years will be affected. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of Lisbon Public School District No. 19. The school district has considered all potential component units for which the school district is financially accountable and other organizations for which the nature and significance of their relationships with the school district such that exclusion would cause the school 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. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of Lisbon Public School District No. 19 to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Lisbon Public School District No. 19.

Based on these criteria, there are no component units to be included within the Lisbon Public School District No. 19 reporting entity.

B. Basis of Presentation, Basis of Accounting

Government-wide statements: The statement of net assets and the statement of activities display information about the primary government, Lisbon Public School District No. 19, and the blended component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, interest and non-restricted grants and contributions are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the school district's funds including its fiduciary fund and blended component unit. Separate statements for each fund category-*governmental* and *fiduciary* are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The School District reports the following major governmental funds for each year under audit:

General Fund. This is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Building Fund. This is a fund used for construction of building additions and renovation projects.

The School District reports the following fiduciary fund types:

Agency Fund. This fund accounts for assets held by the School District in a custodial capacity as an agent on behalf of others. The School District's agency fund is used to account for various deposits of the student activity funds.

Expendable Trust Funds. Expendable trust funds are used to account for assets held under a formal trust agreement. The term "expendable" refers to the government not being under an obligation to maintain the trust principal.

Nonexpendable Trust Funds. Nonexpendable trust funds are used to account for assets held under a formal trust agreement, the principal of which may not be expended.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General 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 the terms of grant agreements, the School 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 School District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The school district has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Cash and Investments

Cash includes amounts in demand deposits, money market accounts and certificates of deposit with maturities of 90 days or less.

Investments consist of certificates of deposit stated at cost with maturities greater than three months.

E. Capital Assets

Capital assets which include property, plant and equipment are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. 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 assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Assets	Years
Permanent Buildings	50 Years
Temporary / Wood Structure Buildings	10 Years
Playground Equipment	20 Years
School Busses / Vehicles	15 Years
Servers / Computer Equipment	5 Years
Copiers	6 Years
Other Equipment	10 Years

F. Long-Term Obligations

In the government-wide financial statements, long term debt and other long-term obligations, such as early retirement payable, are reported as liabilities in the governmental activities statement of net assets. Bond premiums, discounts and issuance costs, when applicable, would be recognized in the current period if the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

G. Compensated Absence Liability

In the government-wide financial statements, compensated absences are reported as liabilities in the statement of net assets.

H. Fund Balances / Net Assets Equity

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

It is the policy of the Lisbon Public School District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Minimum Fund Balance Policy:

The Lisbon Public School District school board established a 15% general fund carryover balance target several years ago to help with financial stability. The 15% fund balance range is a part of the budget recommendation adopted by the school board each fiscal year. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district. Unassigned general fund balance of \$1,567,525 at June 30, 2011 represented 27% of FY2011 expenditures and balance of \$1,395,274 at June 30, 2010 represented 23% of FY2010 expenditures

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

On March 11, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal periods that begin after June 15, 2010. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School Board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Notes to the Financial Statements – Continued

CLASSIFICATION	DEFINITION	EXAMPLES
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance	Available for any remaining general fund expenditure.

Restricted Fund Balances – consist of the following items at June 30, 2011 and 2010:

Building Fund (major fund – restricted by enabling legislation, tax levy & bond indenture):

- (a) Fund used for construction of building additions and renovation projects – restricted by specified tax levy.

Debt Service Funds (restricted by enabling legislation - levy):

- (a) Bond payments restricted by bond indenture and specified tax levies reported in the debt service funds – consists of general obligation bonds 1998 Series A, 1998 Series B, and state school construction loans payable.

Assigned Fund Balances – consist of the following at June 30, 2011 and 2010:

Food Service fund – assigned by federal and state reimbursements for free and reduced meals and grants – reported in other governmental funds. Restricted state and federal resources are spent first and reimbursed by each year-end. Any remaining fund balance is normally left in the food service fund at each year-end, but may be spent at the discretion of the business manager (authority given from the governing board).

I. Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2: INTERNAL CONTROL - BUDGETS

BUDGET AMENDMENTS

The school district amended the following school funds during the 2010 year:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Fund:</u>			
General Fund	\$5,812,590	\$ 358,452	\$6,171,042
Building Fund	376,000	(250,000)	126,000
<u>Non-major Funds:</u>			
Food Service Fund	236,527	584	237,111

EXPENDITURES EXCEEDED BUDGETED AMOUNTS

Lisbon Public School District overspent the following special revenue funds for the years ended June 30, 2011 and 2010:

Overspent Fund - 2010:	Budget	Actual	Overspent
Food Service Fund	\$237,111	\$269,257	\$32,146
Special Assessments Fund	-	426	426

Overspent Fund - 2011:	Budget	Actual	Overspent
Special Assessments Fund	\$5,100	\$5,260	\$160

NOTE 3: DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the school district maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota. whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by an other state of the United States or such other securities approved by the banking board.

At year ended June 30, 2011, the school district's carrying amount of deposits was \$2,030,372 and the bank balances were \$2,456,043. Of the bank balances, \$434,225 was covered by Federal Depository Insurance. The remaining bank balances totaling \$2,021,818 were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended June 30, 2010, the school district's carrying amount of deposits was \$1,860,555 and the bank balances were \$2,500,550. Of the bank balances, \$412,612 was covered by Federal Depository Insurance. The remaining bank balances totaling \$2,087,937 were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

The School District may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Notes to the Financial Statements – Continued

As of June 30, 2011 and 2010, the school district held certificates of deposit in the amounts of \$424,984, and \$413,353, respectively, all of which are considered deposits.

The school district also had a stock market investment with Bank of New York Shareholder Services for RN Spolum Scholarship fund. As of June 30, 2011 and 2010, the market share of this investment was \$21,400 and \$19,272 respectively.

Concentration of Credit Risk:

The school district does not have a limit on the amount it may invest in any one issuer.

NOTE 4: TAXES RECEIVABLE

The taxes receivable represents the past four years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

NOTE 5: INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of reimbursements due for expenses in the operation of various school programs. These amounts consist of a mix of State and Federal dollars.

NOTE 6: CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2011 and 2010:

Governmental Activities (FY2011):	Balance July 1	Increases	Transfers	Decreases	Balance June 30
<i>Capital assets not being depreciated:</i>					
Land	\$ 46,882	\$ -	\$ -	\$ -	\$ 46,882
Construction In Progress	423,123	28,649	(423,123)	-	28,649
Total Capital Assets, Not Being Depreciated	\$ 470,005	\$ 28,649	\$(423,123)	\$ -	\$ 75,531
<i>Capital assets being depreciated:</i>					
Buildings and Building Improvements	\$5,781,019	\$434,850	\$ 423,123	\$ -	\$6,638,992
Vehicles	687,212	-	-	-	687,212
Equipment	184,151	11,121	-	-	195,272
Total Capital Assets, Being Depreciated	\$6,652,382	\$445,971	\$ 423,123	\$ -	\$7,521,476
<i>Less Accumulated Depreciation for:</i>					
Buildings and Building Improvements	\$2,175,887	\$122,269	\$ -	\$ -	\$2,298,156
Vehicles	291,312	39,016	-	-	330,328
Equipment	95,366	10,633	-	-	105,999
Total Accumulated Depreciation	\$2,562,565	\$171,918	\$ -	\$ -	\$2,734,483
Total Capital Assets Being Depreciated, Net	\$4,089,817	\$274,053	\$ 423,123	\$ -	\$4,786,993
Governmental Activities - Capital Assets, Net	\$4,559,822	\$302,702	\$ -	\$ -	\$4,862,524

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Notes to the Financial Statements – Continued

Governmental Activities (FY2010):	Balance July 1	Increases	Transfers	Decreases	Balance June 30
<i>Capital assets not being depreciated:</i>					
Land	\$ 21,886	\$ 24,996	\$ -	\$ -	\$ 46,882
Construction In Progress	236,888	423,123	(236,888)	-	423,123
Total Capital Assets, Not Being Depreciated	\$ 258,774	\$ 448,119	\$(236,888)	\$ -	\$ 470,005
<i>Capital assets being depreciated:</i>					
Buildings and Building Improvements	\$4,918,494	\$ 625,637	\$ 236,888	\$ -	\$5,781,019
Vehicles	644,485	83,140	-	40,413	687,212
Equipment	169,894	14,257	-	-	184,151
Total Capital Assets, Being Depreciated	\$5,732,873	\$ 723,034	\$ 236,888	\$40,413	\$6,652,382
<i>Less Accumulated Depreciation for:</i>					
Buildings and Building Improvements	\$2,070,778	\$ 105,109	\$ -	\$ -	\$2,175,887
Vehicles	289,411	42,314	-	40,413	291,312
Equipment	85,438	9,928	-	-	95,366
Total Accumulated Depreciation	\$2,445,627	\$ 157,351	\$ -	\$40,413	\$2,562,565
Total Capital Assets Being Depreciated, Net	\$3,287,246	\$ 565,683	\$ 236,888	\$ -	\$4,089,817
Governmental Activities - Capital Assets, Net	\$3,546,020	\$1,013,802	\$ -	\$ -	\$4,559,822

Depreciation expense was charged to functions/programs of the school district as follows:

Governmental Activities:	2011	2010
Regular Instruction	\$ 82,017	\$ 67,126
Administration	6,907	5,649
Operations and Maintenance	14,174	13,971
School Food Services	7,475	6,163
Student Transportation	38,739	42,037
Co-Curricular	22,606	22,405
Total Depreciation Expense - Governmental Activities	\$171,918	\$157,351

NOTE 7: ACCOUNTS PAYABLE

Accounts payable consists of amounts owed for goods and services received prior to or owed to taxing authorities at June 30 and chargeable to the appropriations for the year then ended, but paid subsequent to that date.

NOTE 8: SALARIES PAYABLE

Salaries and benefits payable consist of June salaries that are paid in July of the following fiscal year.

NOTE 9: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the years ended June 30, 2011 and 2010, the following changes occurred in liabilities reported in long-term liabilities:

Governmental Activities	Balance 7-1-10	Increases	Decreases	Balance 6-30-11	Due Within One Year
G.O. Bonds Payable	\$280,000	\$ -	\$ 60,000	\$220,000	\$ 65,000
State School Construction	335,635	-	66,341	269,294	66,877
Compensated Absences Payable	54,662	-	1,055	53,607	5,361
TOTAL	\$670,297	\$ -	\$127,396	\$542,901	\$137,238

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Notes to the Financial Statements – Continued

Governmental Activities	Balance 7-1-09	Increases	Decreases	Balance 6-30-10	Due Within One Year
G.O. Bonds Payable	\$335,000	\$ -	\$ 55,000	\$280,000	\$ 60,000
State School Construction	401,457	-	65,822	335,635	66,341
Compensated Absences Payable	56,423	-	1,761	54,662	5,466
TOTAL	\$792,880	\$ -	\$122,583	\$670,297	\$131,807

Outstanding long-term obligations at June 30, 2011 consist of the following individual items:

State School Construction Loans Payable:

\$349,000 State School Construction Loan with annual installments of \$24,070, through June 2022; interest at 3.28%.	\$219,294
\$800,000 State School Construction Loan with annual installments of \$40,000 to \$50,000 through June 2012; interest at 2.5%.	<u>50,000</u>
Total State School Construction Loans Payable	<u>\$269,294</u>

Bonds Payable:

\$250,000 School Building Bonds series 1998A, due in annual installments of \$10,000 to \$20,000 through May 2018; interest at 4.6% to 5.25%.	\$115,000
\$490,000 School Building Bonds series 1998B, due in annual installments of \$35,000 to \$55,000 through September 2012; interest at 4.2% to 5.0%.	<u>105,000</u>
Total Bonds Payable	<u>\$220,000</u>
Total Debt Payable	<u>\$489,294</u>

Debt service requirements on long-term debt related to bonds, contract payable and the state school construction loan at June 30, 2011 are as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending June 30	G.O. Bonds		State School Loan	
	Principal	Interest	Principal	Interest
2012	\$ 65,000	\$10,000	\$ 66,877	\$ 8,443
2013	70,000	6,625	17,430	6,639
2014	15,000	4,462	18,002	6,068
2015	15,000	3,675	18,593	5,477
2016	15,000	2,888	19,203	4,867
2017 - 2021	40,000	3,150	105,884	14,465
2022 - 2026	-	-	23,305	764
TOTALS	\$220,000	\$30,800	\$269,294	\$46,723

Operating Leases:

The school district has entered into lease agreements as lessee for the rental of copiers. The lease payments made during June 30, 2011 and June 30, 2010 were \$15,204 and \$21,438, respectively. The remaining payments due on the copier operating leases totaling \$114,839 will be paid as follows:

Year Ending June 30	Total Payments
2012	\$ 46,270
2013	37,401
2014	31,168
TOTALS	\$114,839

NOTE 10: DEFERRED REVENUES

Deferred revenues on the fund financial statements consist of amounts for taxes receivable for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available.

NOTE 11: RISK MANAGEMENT

The Lisbon Public School District No. 19 is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Lisbon Public School District pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile and \$63,046, for mobile equipment and portable property.

The Lisbon Public School District No. 19 participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a 3rd party carrier for losses on excess of two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the School District with blanket fidelity bond coverage in the amount of \$1,600,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Lisbon Public School District No. 19 has workers compensation with the North Dakota Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 12: PENSION PLANS

1. North Dakota Teacher's Fund For Retirement (TFFR)

The Lisbon Public School District No. 19 contributes to the North Dakota Teacher's Fund for Retirement (TFFR); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota for its certified staff. TFFR provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 15-39.1 of the North Dakota Century Code. TFFR issues a publicly available financial report that includes financial statements and required supplementary information for TFFR. That report may be obtained by writing to Teacher's Fund for Retirement, 1930 Burnt Boat Drive, PO Box 7100, Bismarck, North Dakota, 58507-7100.

Plan members are required to contribute 7.75% of their annual covered salary and the school district is required to contribute 7.75% of the teacher's salary. The school district has agreed to pay 100% of the member assessments under a salary reduction plan. The contribution requirements of plan members and the school district are established and may be amended by the State legislature. The school district's contributions to TFFR for the fiscal years ending June 30, 2011, 2010 and 2009 were \$226,402, \$205,117, and \$200,583, respectively, equal to the required contributions for the year.

2. North Dakota Public Employees' Retirement System

The Lisbon Public School District No. 19 contributes to the North Dakota Public Employees' Retirement System (NDPERS); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota for its non-certified staff. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, PO Box 1214, Bismarck, North Dakota, 58502-1214.

Plan members are required to contribute 4% of their annual covered salary. The School District is required to contribute 5.12% of the employee's salary which consists of 4.12% for employee retirement and 1% for the retiree health benefits fund. The contribution requirements of plan members and the school district are established and may be amended by the State legislature. The School District's contributions to NDPERS for the years ending June 30, 2011, 2010, and 2009 were \$17,068, \$19,989, and \$18,831, respectively, equal to the required contributions for the year.

NOTE 13: OPEN CONSTRUCTION COMMITMENTS

Lisbon Public School District has the following open construction commitments as of June 30, 2011 and 2010:

Project	Contract	Total Completed	Remaining Commitment	Retainage
Grotberg Electric	\$ 21,400	\$ 450	\$ 21,000	\$ 50
Country Restoration	118,310	43,860	79,324	4,873
CS DuBois Construction	309,250	59,544	253,096	3,390
A&R Roofing Co	130,990	46,269	89,862	5,141
Total Open Construction 6-30-11	\$579,950	\$150,123	\$443,282	\$13,454

Project	Contract	Total Completed	Remaining Commitment	Retainage
Diversified Contractors	\$250,100	\$ 54,225	\$201,900	\$ 6,025
Air Mechanical	379,900	205,830	196,940	22,870
Grotberg Electric	127,990	29,606	101,674	3,290
Total Open Construction 6-30-10	\$757,990	\$289,661	\$500,514	\$32,185

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Local Sources	\$ 1,384,900	\$ 1,384,900	\$ 1,457,695	\$ 72,795
State Sources	4,278,922	4,278,922	4,083,855	(195,067)
Federal Sources	413,492	413,492	400,702	(12,790)
Other Sources	38,800	38,800	37,052	(1,748)
Total Revenues	<u>\$ 6,116,114</u>	<u>\$ 6,116,114</u>	<u>\$ 5,979,304</u>	<u>\$ (136,810)</u>
<u>Expenditures:</u>				
Current:				
Regular Instruction	\$ 2,473,470	\$ 2,473,470	\$ 2,439,311	\$ 34,159
Special Education	402,500	402,500	390,317	12,183
Vocational Education	206,547	206,547	190,118	16,429
Federal Programs	410,373	410,373	395,652	14,721
District Wide Services	288,763	288,763	279,389	9,374
Administration	644,244	644,244	619,893	24,351
Operations and Maintenance	539,183	539,183	521,093	18,090
Transportation	308,142	308,142	220,681	87,461
Co-Curricular Activities	165,732	165,732	179,685	(13,953)
Other Programs & Services	24,274	24,274	24,198	76
Capital Outlay	584,710	584,710	546,716	37,994
Total Expenditures	<u>\$ 6,047,938</u>	<u>\$ 6,047,938</u>	<u>\$ 5,807,053</u>	<u>\$ 240,885</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 68,176</u>	<u>\$ 68,176</u>	<u>\$ 172,251</u>	<u>\$ 104,075</u>
Net Changes in Fund Balances	<u>\$ 68,176</u>	<u>\$ 68,176</u>	<u>\$ 172,251</u>	<u>\$ 104,075</u>
Fund Balance - July 1	<u>\$ 1,395,274</u>	<u>\$ 1,395,274</u>	<u>\$ 1,395,274</u>	<u>\$ -</u>
Fund Balance - June 30	<u><u>\$ 1,463,450</u></u>	<u><u>\$ 1,463,450</u></u>	<u><u>\$ 1,567,525</u></u>	<u><u>\$ 104,075</u></u>

The accompanying required supplementary information notes are an integral part of this schedule.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Local Sources	\$ 1,355,565	\$ 1,355,565	\$ 1,414,059	\$ 58,494
State Sources	4,356,260	4,356,260	4,396,107	39,847
Federal Sources	434,717	434,717	349,618	(85,099)
Other Sources	34,500	34,500	34,723	223
Total Revenues	\$ 6,181,042	\$ 6,181,042	\$ 6,194,507	\$ 13,465
<u>Expenditures:</u>				
Current:				
Regular Instruction	\$ 2,451,120	\$ 2,451,120	\$ 2,355,156	\$ 95,964
Special Education	345,500	345,500	350,236	(4,736)
Vocational Education	196,027	196,027	192,915	3,112
Federal Programs	432,435	432,435	350,469	81,966
District Wide Services	226,895	226,895	231,288	(4,393)
Administration	616,967	616,967	592,031	24,936
Operations and Maintenance	555,677	555,677	507,977	47,700
Transportation	287,964	287,964	313,048	(25,084)
Co-Curricular Activities	157,268	157,268	155,203	2,065
Other Programs & Services	26,189	26,189	34,920	(8,731)
Capital Outlay	875,000	875,000	1,036,464	(161,464)
Total Expenditures	\$ 6,171,042	\$ 6,171,042	\$ 6,119,707	\$ 51,335
Excess (Deficiency) of Revenues Over Expenditures	\$ 10,000	\$ 10,000	\$ 74,800	\$ 64,800
Net Changes in Fund Balances	\$ 10,000	\$ 10,000	\$ 74,800	\$ 64,800
Fund Balance - July 1	\$ 1,320,474	\$ 1,320,474	\$ 1,320,474	\$ -
Fund Balance - June 30	\$ 1,330,474	\$ 1,330,474	\$ 1,395,274	\$ 64,800

The accompanying required supplementary information notes are an integral part of this schedule.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2011 and 2010

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

The Board of Education adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund, special revenue funds, debt service funds, and capital project funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared and school district taxes must be levied on or before the fifteenth day of August of each year.
- The taxes levied must be certified to the county auditor by August twenty-fifth.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

NOTE 2: OVERSPENT FUNDS

Lisbon Public School District overspent the following special revenue funds for the years ended June 30, 2011 and 2010:

Overspent Fund - 2010:	Budget	Actual	Overspent
Food Service Fund	\$237,111	\$269,257	\$32,146
Special Assessments Fund	-	426	426

Overspent Fund - 2011:	Budget	Actual	Overspent
Special Assessments Fund	\$5,100	\$5,260	\$160

No remedial action is anticipated or required regarding these excess expenditures.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Fund 50 Food Service	Fund 48 Debt Service Funds	Fund 31 Special Assessment	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash	\$ 44,994	\$ 67,839	\$ -	\$ 112,833
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Due to Other Funds	\$ -	\$ -	\$ 171	\$ 171
<u>Fund Balances:</u>				
<u>Restricted for:</u>				
Debt Service	\$ -	\$ 67,839	\$ -	\$ 67,839
<u>Assigned to:</u>				
Food Service	44,994	-	-	44,994
Unassigned:	-	-	(171)	(171)
Total Fund Balances	\$ 44,994	\$ 67,839	\$ (171)	\$ 112,662
Total Liabilities and Fund Balances	\$ 44,994	\$ 67,839	\$ -	\$ 112,833

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

		Food Service	Debt Service Funds	Special Assessment	Total Nonmajor Governmental Funds
<u>ASSETS</u>					
Cash		\$ 39,684	\$ 66,117	\$ -	\$ 105,801
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities:</u>					
Due to Other Funds		\$ -	\$ -	\$ 133	\$ 133
<u>Fund Balances:</u>					
<u>Restricted for:</u>					
Debt Service		\$ -	\$ 66,117	\$ -	66,117
<u>Assigned to:</u>					
Food Service		39,684	-	-	39,684
<u>Unassigned:</u>		-	-	(133)	(133)
Total Fund Balances		\$ 39,684	\$ 66,117	\$ (133)	\$ 105,668
Total Liabilities and Fund Balances		\$ 39,684	\$ 66,117	\$ -	\$ 105,801

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	Food Service	Debt Service Funds	Special Assessment	Total Nonmajor Governmental Funds
<u>Revenues:</u>				
Local Sources	\$ 143,480	\$ 81,224	\$ 5,222	\$ 229,926
State Sources	2,334	-	-	2,334
Federal Sources	108,730	-	-	108,730
Total Revenues	\$ 254,544	\$ 81,224	\$ 5,222	\$ 340,990
<u>Expenditures:</u>				
Current:				
School Food Services	\$ 249,234	-	-	\$ 249,234
Debt Service:				
Principal	-	126,341	-	126,341
Interest	-	23,348	5,260	28,608
Fiscal Charges	-	1,113	-	1,113
Total Expenditures	\$ 249,234	\$ 150,802	\$ 5,260	\$ 405,296
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,310	\$ (69,578)	\$ (38)	\$ (64,306)
<u>Other Financing Sources (Uses):</u>				
Transfers In	-	71,300	-	71,300
Net Change in Fund Balances	\$ 5,310	\$ 1,722	\$ (38)	\$ 6,994
Fund Balances - July 1	\$ 39,684	\$ 66,117	\$ (133)	\$ 105,668
Fund Balances - June 30	\$ 44,994	\$ 67,839	\$ (171)	\$ 112,662

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	Food Service	Debt Service Funds	Special Assessment	Total Nonmajor Governmental Funds
<u>Revenues:</u>				
Local Sources	\$ 150,709	\$ 78,905	\$ 124	\$ 229,738
State Sources	2,577	-	-	2,577
Federal Sources	126,793	-	-	126,793
Total Revenues	\$ 280,079	\$ 78,905	\$ 124	\$ 359,108
<u>Expenditures:</u>				
Current:				
School Food Services	\$ 269,257	\$ -	\$ -	\$ 269,257
Debt Service:				
Principal	-	120,822	-	120,822
Interest	-	27,704	426	28,130
Fiscal Charges	-	1,162	-	1,162
Total Expenditures	\$ 269,257	\$ 149,688	\$ 426	\$ 419,371
Excess (Deficiency) of Revenues Over Expenditures	\$ 10,822	\$ (70,783)	\$ (302)	\$ (60,263)
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ 72,000	\$ -	\$ 72,000
Net Change in Fund Balances	\$ 10,822	\$ 1,217	\$ (302)	\$ 11,737
Fund Balances - July 1	\$ 28,862	\$ 64,900	\$ 169	\$ 93,931
Fund Balances - June 30	\$ 39,684	\$ 66,117	\$ (133)	\$ 105,668

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

SCHEDULE OF FUND ACTIVITY
For the Year Ended June 30, 2011

	Balance 7-1-10	Revenues	Transfers In	Transfers Out	Expenditures	Balance 6-30-11
Major Funds:						
General Fund	\$ 865,771.45	\$ 5,971,569.60	\$ -	\$ -	\$ 5,825,783.39	\$ 1,011,557.66
High School Tuition	3,527.99	-	-	-	-	3,527.99
Special Reserve Fund	547,997.21	17,896.85	-	-	-	565,894.06
Total General Fund	\$ 1,417,296.65	\$ 5,989,466.45	\$ -	\$ -	\$ 5,825,783.39	\$ 1,580,979.71
Other Major Funds:						
Building Fund	\$ 264,651.02	\$ 163,544.90	\$ -	\$ 71,300.00	\$ 35,940.00	\$ 320,955.92
Total Major Funds	\$ 1,681,947.67	\$ 6,153,011.35	\$ -	\$ 71,300.00	\$ 5,861,723.39	\$ 1,901,935.63
Nonmajor Funds:						
Food Service	\$ 39,685.48	\$ 234,541.01	\$ -	\$ -	\$ 229,232.21	\$ 44,994.28
S&I 1998A GO Bonds	3,392.50	-	21,000.00	-	22,181.25	2,211.25
S&I 1998B GO Bonds	53,648.81	54,089.63	-	-	51,750.00	55,988.44
Asbestos Bonding Levy	5,898.51	27,133.25	-	-	24,269.75	8,762.01
State School GO Bonds - 1992	3,177.50	-	50,300.00	-	52,600.00	877.50
Special Assessment Fund	(132.48)	5,221.53	-	-	5,259.80	(170.75)
Total Nonmajor Funds	\$ 105,670.32	\$ 320,985.42	\$ 71,300.00	\$ -	\$ 385,293.01	\$ 112,662.73
Total Governmental Funds	\$ 1,787,617.99	\$ 6,473,996.77	\$ 71,300.00	\$ 71,300.00	\$ 6,247,016.40	\$ 2,014,598.36
Trust and Agency Funds:						
Expendable Trust Funds:						
Dale Dahlstrom Scholarship	\$ (51.72)	\$ -	\$ -	\$ -	\$ -	\$ (51.72)
Glen Moore	7,200.00	-	-	-	-	7,200.00
Wiltse (from Comm. Endow)	(500.00)	800.00	-	-	300.00	-
Clara Doering Estate	42,987.86	55.00	-	-	5,050.00	37,992.86
Total Expendable Trust Funds	\$ 49,636.14	\$ 855.00	\$ -	\$ -	\$ 5,350.00	\$ 45,141.14
Nonexpendable Trust Funds:						
RC Ranes Scholarship	\$ 2,212.22	\$ 54.39	\$ -	\$ -	\$ -	\$ 2,266.61
Spolum-Gunville Scholarship	23,780.86	4,661.26	-	-	2,000.00	26,442.12
M. Marie Trumbull	24,588.83	803.53	-	-	2,000.00	23,392.36
Total Nonexpendable Trust Funds	\$ 50,581.91	\$ 5,519.18	\$ -	\$ -	\$ 4,000.00	\$ 52,101.09
Agency Fund:						
Student Activity Fund	\$ 86,478.93	\$ 205,653.23	\$ -	\$ -	\$ 223,260.30	\$ 68,871.86
Total Trust and Agency Funds	\$ 186,696.98	\$ 212,027.41	\$ -	\$ -	\$ 232,610.30	\$ 166,114.09
Total All Funds	\$ 1,974,314.97	\$ 6,686,024.18	\$ 71,300.00	\$ 71,300.00	\$ 6,479,626.70	\$ 2,180,712.45

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

SCHEDULE OF FUND ACTIVITY
For the Year Ended June 30, 2010

	Balance 7-1-09	Revenues	Transfers In	Transfers Out	Expenditures	Balance 6-30-10
<u>Major Funds:</u>						
General Fund	\$ 804,836.51	\$ 6,194,955.07	\$ -	\$ -	\$ 6,134,020.13	\$ 865,771.45
Special Reserve	547,395.45	601.76	-	-	-	547,997.21
High School Tuition	3,527.99	-	-	-	-	3,527.99
Total General Fund	\$ 1,355,759.95	\$ 6,195,556.83	\$ -	\$ -	\$ 6,134,020.13	\$ 1,417,296.65
<u>Other Major Funds:</u>						
Building Fund	\$ 202,784.02	\$ 158,862.52	\$ -	\$ 72,000.00	\$ 24,995.52	\$ 264,651.02
Total Major Funds	\$ 1,558,543.97	\$ 6,354,419.35	\$ -	\$ 72,000.00	\$ 6,159,015.65	\$ 1,681,947.67
<u>Nonmajor Funds:</u>						
Food Service	\$ 28,863.06	\$ 258,654.79	\$ -	\$ -	\$ 247,832.37	\$ 39,685.48
S&I 1998A GO Bonds	4,073.75	-	17,000.00	-	17,681.25	3,392.50
S&I 1998B GO Bonds	54,992.40	52,543.91	-	-	53,887.50	53,648.81
Asbestos Bonding Levy	3,807.40	26,360.86	-	-	24,269.75	5,898.51
State School GO Bonds - 1992	2,027.50	-	55,000.00	-	53,850.00	3,177.50
Special Assessment Fund	168.87	124.47	-	-	425.82	(132.48)
Total Nonmajor Funds	\$ 93,932.98	\$ 337,684.03	\$ 72,000.00	\$ -	\$ 397,946.69	\$ 105,670.32
Total Governmental Funds	\$ 1,652,476.95	\$ 6,692,103.38	\$ 72,000.00	\$ 72,000.00	\$ 6,556,962.34	\$ 1,787,617.99
<u>Trust and Agency Funds:</u>						
<u>Expendable Trust Funds:</u>						
Dale Dahlstrom Scholarship	\$ (151.72)	\$ 100.00	\$ -	\$ -	\$ -	\$ (51.72)
Glen Moore	7,200.00	-	-	-	-	7,200.00
Wiltse (from Comm. Endow)	-	-	-	-	500.00	(500.00)
Clara Doering Estate	42,999.63	88.23	-	-	100.00	42,987.86
Total Expendable Trust Funds	\$ 50,047.91	\$ 188.23	\$ -	\$ -	\$ 600.00	\$ 49,636.14
<u>Nonexpendable Trust Funds:</u>						
RC Ranes Scholarship	\$ 2,211.70	\$ 0.52	\$ -	\$ -	\$ -	\$ 2,212.22
Spolum-Gunville Scholarship	39,359.10	2,149.76	-	-	17,728.00	23,780.86
M. Marie Trumbull	23,785.30	803.53	-	-	-	24,588.83
Total Nonexpendable Trust Funds	\$ 65,356.10	\$ 2,953.81	\$ -	\$ -	\$ 17,728.00	\$ 50,581.91
<u>Agency Fund:</u>						
Student Activity Fund	\$ 103,247.28	\$ 282,834.84	\$ -	\$ -	\$ 299,603.19	\$ 86,478.93
Total Trust and Agency Funds	\$ 218,651.29	\$ 285,976.88	\$ -	\$ -	\$ 317,931.19	\$ 186,696.98
Total All Funds	\$ 1,871,128.24	\$ 6,978,080.26	\$ 72,000.00	\$ 72,000.00	\$ 6,874,893.53	\$ 1,974,314.97

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2011 and 2010

Federal Grantor/ Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	2011 Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>		
<u>Passed through the State Department of Public Instruction:</u>		
National School Lunch Program, Recovery	10.555	\$ 78,538
National School Lunch Program, Commodities - ***	10.555	20,002
School Breakfast Program	10.553	10,190
Child Nutrition Cluster		<u>\$ 108,730</u>
Total U.S. Department of Agriculture		<u>\$ 108,730</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>		
<u>Passed through the State Department of Public Instruction:</u>		
Title I Grants to Local Education Agencies	84.010	\$ 217,916
Title I Grants to Local Education Agencies, Recovery Act	84.389A	63,221
Title I Cluster - **		<u>\$ 281,137</u>
Title IID - Educational Technology State Grants	84.318	\$ 1,361
ARRA School Improvement	84.388A	75,517
Improving Teacher Quality State Grants	84.367A	50,228
Total Department of Education		<u>\$ 408,243</u>
Total Expenditure of Federal Awards		<u>\$ 516,973</u>

** - Major Program

*** - Noncash assistance

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lisbon Public School District No. 19 under programs of the federal government for the year ended June 30, 2011. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Lisbon Public School District, it is not intended to and does not present the financial position or changes in net assets of Lisbon Public School District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribe Governments*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

STATE AUDITOR

ROBERT R. PETERSON
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MANAGER – DAVID MIX
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

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*

School Board
Lisbon Public School District No. 19
Lisbon, North Dakota

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lisbon Public School District No. 19, Lisbon, North Dakota as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated May 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lisbon Public School District No. 19's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lisbon Public School District No. 19's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lisbon Public School District No. 19's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a 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 that a material misstatement of the entity's financial statements will not be prevented, or detected or corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, significant deficiencies or material weaknesses. We did not identify and deficiencies in internal control over financial reporting that we consider to be material weaknesses, as identified above. However, we identified one deficiency in internal control over financial reporting, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency in internal control over financial reporting [2011-01]. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lisbon Public School District No. 19's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Lisbon Public School District No. 19 in a separate letter dated May 1, 2012.

Lisbon Public School District No. 19's response to the finding identified in our audit is described in the accompanying *schedule of findings and responses*. We did not audit Lisbon Public School District No. 19's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, School Board, and others within the school district, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Bob Peterson".

Robert R. Peterson
State Auditor

May 1, 2012

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

School Board
Lisbon Public School District No. 19
Lisbon, North Dakota

Compliance

We have audited Lisbon Public School District No. 19's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Lisbon Public School District No. 19's major federal program for the year ended June 30, 2011. Lisbon Public School District No. 19's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Lisbon Public School District No. 19's management. Our responsibility is to express an opinion on Lisbon Public School District No. 19's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lisbon Public School District No. 19's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lisbon Public School District No. 19's compliance with those requirements.

In our opinion, Lisbon Public School District No. 19 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Lisbon Public School District No. 19 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lisbon Public School District No. 19's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lisbon Public School District No. 19's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, the School Board, others within the school district, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bob Peterson".

Robert R. Peterson
State Auditor

May 1, 2012

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Years Ended June 30, 2011 and 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued?

Governmental Activities	Unqualified
Major Governmental Funds	Unqualified
Aggregate Remaining Fund Information	Unqualified

Internal Control Over Financial Reporting:

Material weaknesses identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Section II - Financial Statement Findings

2011-01 - SEGREGATION OF DUTIES

Condition:

Lisbon Public School District No. 19 has one Business Manager and a part-time Assistant Business Manager responsible for the primary accounting functions. A lack of segregation of duties exists as two employees are responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, perform bank reconciliations, and prepare payroll.

Criteria:

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the school district.

Effect:

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of Lisbon PSD's financial condition, whether due to error or fraud.

Recommendation:

Due to the size, complexity and the economic realities of Lisbon PSD, it is presently not feasible to obtain proper separation of duties. We recommend that if it becomes feasible to segregate duties in the future, that duties are segregated to the extent possible to reduce the potential risk of loss.

Views of Responsible Officials:

We agree that duties aren't adequately segregated. However, due to the economic realities facing the school district, it is not feasible to hire staff to adequately segregate duties.

Section III - Federal Findings & Questioned Costs

There were no matters to report.