

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

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

**FOR THE YEARS ENDED
JUNE 30, 2013 AND 2012**



LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

TABLE OF CONTENTS
For the Years Ended June 30, 2013 and 2012

	<u>Page(s)</u>
School District Officials	1
Independent Auditor's Report	2 - 3
BASIC FINANCIAL STATEMENTS	
<u>2013</u>	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	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 Position	10
Statement of Changes in Fiduciary Net Position	11
<u>2012</u>	
Statement of Net Position	12
Statement of Activities	13
Balance Sheet - Governmental Funds	14
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	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 Position	18
Statement of Changes in Fiduciary Net Position	19

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

	<u>Page(s)</u>
Notes to the Financial Statements	20 - 32
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	33 - 36
Notes to Required Supplementary Information	37
SUPPLEMENTARY INFORMATION	
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 - 46

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

SCHOOL OFFICIALS

June 30, 2013

Rory Lien	President
Tim Mairs	Vice-President
Mark Qual	Board Member
Cindy Nims	Board Member
Liz Anderson	Board Member
Steven Johnson	Superintendent
Lori Lyons	Business Manager

June 30, 2012

Rory Lien	President
Tim Mairs	Vice-President
Mark Qual	Board Member
Cindy Nims	Board Member
Liz Anderson	Board Member
Steven Johnson	Superintendent
Lori Lyons	Business Manager

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Lisbon Public School District No. 19, Lisbon, North Dakota, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Lisbon Public School District No. 19's basic financial statements as 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 accounting principles generally accepted in the United States of America; 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 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 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 entity'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 entity'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 that 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, and each major fund of the Lisbon Public School District No. 19, Libson, North Dakota, as of June 30, 2013 and 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on page 33-36 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 who 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 in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lisbon Public School District No. 19's basic financial statements. The *schedule of fund activity and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *schedule of fund activity and schedule of expenditures of federal awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 auditing standards generally accepted in the United States of America. In our opinion, the *schedule of fund activity and the schedule of expenditures of federal awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2014 on our consideration of the Lisbon Public School District No. 19'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 and compliance and the results of that testing, and not to provide an opinion on 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 the Lisbon Public School District No. 19's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
February 28, 2014

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

STATEMENT OF NET POSITION
June 30, 2013

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash	\$ 1,604,398
Investments	400,508
Intergovernmental Receivable	175,614
Due From County	19,234
Taxes Receivable	83,240
Capital Assets (not being depreciated)	
Land	46,882
Construction in Progress	88,943
Capital Assets (net of accumulated depreciation):	
Buildings & Building Improvements	5,397,891
Vehicles	377,815
Equipment	129,045
Total Capital Assets	<u>\$ 6,040,576</u>
Total Assets	<u>\$ 8,323,570</u>
<u>LIABILITIES:</u>	
Accounts Payable	\$ 27,818
Salaries Payable	509,166
Benefits Payable	17,571
Interest Payable	1,118
Long-Term Liabilities:	
Due Within One Year:	
General Obligation Bonds Payable	15,000
State School Construction Loan	18,002
Compensated Absences Payable	16,464
Due After One Year:	
General Obligation Bonds Payable	70,000
State School Construction Loan	166,985
Compensated Absences Payable	38,416
Total Liabilities	<u>\$ 880,540</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	\$ 5,770,589
Restricted for:	
Debt Service	32,228
Capital Projects	191,689
Special Purpose	24,073
Unrestricted	<u>1,424,451</u>
Total Net Position	<u>\$ 7,443,030</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, 2013

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<u>Governmental Activities:</u>				
Regular Instruction	\$ 2,689,811	\$ 83,477	\$ -	\$ (2,606,334)
Special Education	622,228	-	285,936	(336,292)
Vocational Education	356,613	-	-	(356,613)
Federal Programs	270,358	-	17,242	(253,116)
District Wide Services	281,833	-	-	(281,833)
Administration	712,829	-	228,544	(484,285)
School Food Services	285,754	-	147,806	(137,948)
Operations and Maintenance	649,691	-	-	(649,691)
Transportation	364,738	75,975	-	(288,763)
Co-Curricular Activities	230,269	-	-	(230,269)
Other Activities	77,865	-	-	(77,865)
Interest Expense	12,064	-	-	(12,064)
Fiscal Charges	1,281	-	-	(1,281)
Total Governmental Activities	\$ 6,555,334	\$ 159,452	\$ 679,528	\$ (5,716,354)
<u>General Revenues:</u>				
Property taxes; levied for general purposes				\$ 1,462,532
Property taxes; levied for debt service				31,865
Property taxes; levied for building purposes				265,271
State Grants/Aid - Unrestricted				4,247,858
Interest Income				7,060
Miscellaneous Income				76,205
Total General Revenues				\$ 6,090,791
Changes in Net Position				\$ 374,437
Net Position - July 1				\$ 7,068,593
Net Position - June 30				\$ 7,443,030

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, 2013

	General Fund	Food Service Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 1,369,483	\$ 24,162	\$ 178,240	\$ 32,513	\$ 1,604,398
Investments	400,508	-	-	-	400,508
Intergovernmental Receivable	175,614	-	-	-	175,614
Due from County Treasurer	16,518	-	2,519	197	19,234
Taxes Receivable	71,674	-	10,930	636	83,240
Total Assets	<u>\$ 2,033,797</u>	<u>\$ 24,162</u>	<u>\$ 191,689</u>	<u>\$ 33,346</u>	<u>\$ 2,282,994</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
<u>Liabilities:</u>					
Accounts Payable	\$ 11,934	\$ -	\$ 15,884	\$ -	\$ 27,818
Salaries Payable	509,166	-	-	-	509,166
Benefits Payable	17,482	89	-	-	17,571
Total Liabilities	<u>\$ 538,582</u>	<u>\$ 89</u>	<u>\$ 15,884</u>	<u>\$ -</u>	<u>\$ 554,555</u>
<u>Deferred Inflows of Resources:</u>					
Uncollected Taxes Receivable	\$ 71,674	\$ -	\$ 10,930	\$ 636	\$ 83,240
Total Liabilities and Deferred Inflows of Resources	<u>\$ 610,256</u>	<u>\$ 89</u>	<u>\$ 26,814</u>	<u>\$ 636</u>	<u>\$ 637,795</u>
<u>Fund Balances:</u>					
<u>Restricted for:</u>					
Debt Service	\$ -	\$ -	\$ -	\$ 32,710	\$ 32,710
Capital Projects	-	-	164,875	-	164,875
<u>Committed to:</u>					
Food Service	-	24,073	-	-	24,073
<u>Unassigned:</u>	<u>1,423,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,423,541</u>
Total Fund Balances	<u>\$ 1,423,541</u>	<u>\$ 24,073</u>	<u>\$ 164,875</u>	<u>\$ 32,710</u>	<u>\$ 1,645,199</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,033,797</u>	<u>\$ 24,162</u>	<u>\$ 191,689</u>	<u>\$ 33,346</u>	<u>\$ 2,282,994</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 POSITION
June 30, 2013

Total *Fund Balances* for Governmental Funds \$ 1,645,199

Total net position reported for governmental activities in the statement of net position 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	\$ 9,096,244	
Less Accumulated Depreciation	<u>(3,055,668)</u>	
Net Capital Assets		6,040,576

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 inflows of resource in the funds. 83,240

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 position. Balances at June 30, 2013 are:

General Obligation Bonds Payable	\$ (85,000)	
State School Construction Loan Payable	(184,987)	
Interest Payable	(1,118)	
Compensated Absences Payable	<u>(54,880)</u>	
Total Long-Term Liabilities		<u>(325,985)</u>

Total Net Position - Governmental Activities \$ 7,443,030

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, 2013

	General Fund	Food Service Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<u>Revenues:</u>					
Local Sources	\$ 1,691,973	\$ 137,533	\$ 201,041	\$ 34,391	\$ 2,064,938
State Sources	4,412,906	2,591	-	-	4,415,497
Federal Sources	285,936	88,420	-	-	374,356
Other Sources	75,976	-	244	966	77,186
Total Revenues	\$ 6,466,791	\$ 228,544	\$ 201,285	\$ 35,357	\$ 6,931,977
<u>Expenditures:</u>					
Current:					
Regular Instruction	\$ 2,585,584	\$ -	\$ -	\$ -	\$ 2,585,584
Special Education	622,228	-	-	-	622,228
Vocational Education	356,613	-	-	-	356,613
Federal Programs	270,358	-	-	-	270,358
District Wide Services	281,833	-	-	-	281,833
Administration	691,772	-	-	-	691,772
School Food Services	-	277,323	-	-	277,323
Operations and Maintenance	635,865	-	-	-	635,865
Transportation	396,261	-	-	-	396,261
Co-Curricular Activities	188,610	-	-	-	188,610
Other Activities	77,865	-	-	-	77,865
Capital Outlay	402,873	-	347,496	-	750,369
Debt Service:					
Principal	-	-	-	87,430	87,430
Interest	-	-	-	13,264	13,264
Fiscal Charges	-	-	218	1,063	1,281
Total Expenditures	\$ 6,509,862	\$ 277,323	\$ 347,714	\$ 101,757	\$ 7,236,656
Excess (Deficiency) of Revenues Over Expenditures	\$ (43,071)	\$ (48,779)	\$ (146,429)	\$ (66,400)	\$ (304,679)
<u>Other Financing Sources (Uses):</u>					
Transfers In	\$ -	\$ 50,000	\$ -	\$ 23,000	\$ 73,000
Transfers Out	(50,000)	-	(23,000)	-	(73,000)
Total Other Financing Sources and Uses	\$ (50,000)	\$ 50,000	\$ (23,000)	\$ 23,000	\$ -
Net Change in Fund Balances	\$ (93,071)	\$ 1,221	\$ (169,429)	\$ (43,400)	\$ (304,679)
Fund Balance - July 1	\$ 1,516,612	\$ 22,852	\$ 334,304	\$ 76,110	\$ 1,949,878
Fund Balance - June 30	\$ 1,423,541	\$ 24,073	\$ 164,875	\$ 32,710	\$ 1,645,199

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, 2013

Net Change in Fund Balances - Total Governmental Funds \$ (304,679)

The change in net position reported for governmental activities in the statement of net position 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	\$ 809,338	
Current Year Depreciation Expense	<u>(212,997)</u>	596,341

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of the repayment of debt. 87,430

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 Change in Compensated Absences Payable	\$ (3,649)	
Net Change in Interest Payable	<u>1,200</u>	(2,449)

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. (2,206)

Change in Net Position of Governmental Activities \$ 374,437

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 POSITION
June 30, 2013

	Agency Fund	Private Purpose Trust Funds
<u>Assets:</u>		
Cash	\$ 47,603	\$ 49,190
Investments	-	39,204
Total Assets	<u>\$ 47,603</u>	<u>\$ 88,394</u>
<u>Liabilities:</u>		
Due to Student Activities Groups	<u>\$ 47,603</u>	<u>\$ -</u>
<u>Nonexpendable Net Position:</u>		
Held in Trust for Others	<u>\$ -</u>	<u>\$ 88,394</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 POSITION
For the Year Ended June 30, 2013

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Investment Earnings:	
Interest	<u>\$ 4,192</u>
<u>DEDUCTIONS:</u>	
Scholarships	\$ 3,100
C. Doerin Grant	<u>4,600</u>
Total Deductions	<u>\$ 7,700</u>
Change in Net Position	<u>\$ (3,508)</u>
Net Position - July 1	<u>\$ 91,902</u>
Net Position - June 30	<u><u>\$ 88,394</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 POSITION
June 30, 2012

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash	\$ 1,709,994
Investments	400,508
Intergovernmental Receivable	269,426
Due From County	17,986
Taxes Receivable	85,446
Capital Assets (not being depreciated)	
Land	46,882
Capital Assets (net of accumulated depreciation):	
Buildings & Building Improvements	4,955,119
Vehicles	346,569
Equipment	95,665
Total Capital Assets	<u>\$ 5,444,235</u>
Total Assets	<u>\$ 7,927,595</u>
<u>LIABILITIES:</u>	
Accounts Payable	\$ 5,671
Salaries Payable	430,585
Benefits Payable	11,780
Interest Payable	2,318
Long-Term Liabilities:	
Due Within One Year:	
General Obligation Bonds Payable	70,000
State School Construction Loan	17,431
Compensated Absences Payable	15,369
Due After One Year:	
General Obligation Bonds Payable	85,000
State School Construction Loan	184,986
Compensated Absences Payable	35,862
Total Liabilities	<u>\$ 859,002</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	\$ 5,086,818
Restricted for:	
Debt Service	76,954
Capital Projects	345,172
Special Purpose	22,852
Unrestricted	<u>1,536,797</u>
Total Net Position	<u>\$ 7,068,593</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, 2012

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Governmental Activities:</u>					
Regular Instruction	\$ 2,643,878	\$ 70,335	\$ -	\$ 26,000	\$ (2,547,543)
Special Education	572,300	-	475,458	-	(96,842)
Vocational Education	250,777	-	-	-	(250,777)
Federal Programs	294,764	-	19,066	-	(275,698)
District Wide Services	297,513	-	-	-	(297,513)
Administration	668,611	142,009	109,888	-	(416,714)
School Food Services	281,409	-	142,472	-	(138,937)
Operations and Maintenance	556,647	-	-	-	(556,647)
Transportation	305,336	70,673	-	-	(234,663)
Co-Curricular Activities	221,093	-	-	-	(221,093)
Other Activities	71,330	-	-	-	(71,330)
Interest Expense	17,307	-	-	-	(17,307)
Fiscal Charges	1,162	-	-	-	(1,162)
Total Governmental Activities	\$ 6,182,127	\$ 283,017	\$ 746,884	\$ 26,000	\$ (5,126,226)
<u>General Revenues:</u>					
Property taxes; levied for general purposes					\$ 1,293,523
Property taxes; levied for debt service					90,915
Property taxes; levied for building purposes					281,114
State Grants/Aid - Unrestricted					4,048,341
Interest Income					9,366
Miscellaneous Income					67,053
Total General Revenues					\$ 5,790,312
Changes in Net Position					\$ 664,086
Net Position - July 1					\$ 6,404,507
Net Position - June 30					\$ 7,068,593

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, 2012

	General Fund	Food Service Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 1,279,675	\$ 22,852	\$ 332,015	\$ 75,452	\$ 1,709,994
Investments	400,508	-	-	-	400,508
Intergovernmental Receivable	269,426	-	-	-	269,426
Due from County Treasurer	15,039	-	2,289	658	17,986
Taxes Receivable	71,416	-	10,868	3,162	85,446
Total Assets	<u>\$ 2,036,064</u>	<u>\$ 22,852</u>	<u>\$ 345,172</u>	<u>\$ 79,272</u>	<u>\$ 2,483,360</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
<u>Liabilities:</u>					
Accounts Payable	\$ 5,671	\$ -	\$ -	\$ -	\$ 5,671
Salaries Payable	430,585	-	-	-	430,585
Benefits Payable	11,780	-	-	-	11,780
Total Liabilities	<u>\$ 448,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 448,036</u>
<u>Deferred Inflows of Resources:</u>					
Uncollected Taxes Receivable	\$ 71,416	\$ -	\$ 10,868	\$ 3,162	\$ 85,446
Total Liabilities and Deferred Inflows of Resources	<u>\$ 519,452</u>	<u>\$ -</u>	<u>\$ 10,868</u>	<u>\$ 3,162</u>	<u>\$ 533,482</u>
<u>Fund Balances:</u>					
<u>Restricted for:</u>					
Debt Service	\$ -	\$ -	\$ -	\$ 76,110	\$ 76,110
Capital Projects	-	-	334,304	-	334,304
<u>Committed to:</u>					
Food Service	-	22,852	-	-	22,852
<u>Unassigned:</u>	<u>1,516,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,516,612</u>
Total Fund Balances	<u>\$ 1,516,612</u>	<u>\$ 22,852</u>	<u>\$ 334,304</u>	<u>\$ 76,110</u>	<u>\$ 1,949,878</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,036,064</u>	<u>\$ 22,852</u>	<u>\$ 345,172</u>	<u>\$ 79,272</u>	<u>\$ 2,483,360</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 POSITION
June 30, 2012

Total *Fund Balances* for Governmental Funds \$ 1,949,878

Total net position reported for governmental activities in the statement of net position 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	\$ 8,286,906	
Less Accumulated Depreciation	<u>(2,842,671)</u>	
Net Capital Assets		5,444,235

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 inflows of resource in the funds. 85,446

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 position. Balances at June 30, 2012 are:

General Obligation Bonds Payable	\$ (155,000)	
State School Construction Loan Payable	(202,417)	
Interest Payable	(2,318)	
Compensated Absences Payable	<u>(51,231)</u>	
Total Long-Term Liabilities		<u>(410,966)</u>

Total Net Position- Governmental Activities \$ 7,068,593

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, 2012

	General Fund	Food Service Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<u>Revenues:</u>					
Local Sources	\$ 1,548,390	\$ 142,009	\$ 177,018	\$ 87,753	\$ 1,955,170
State Sources	4,209,879	1,660	-	-	4,211,539
Federal Sources	475,458	108,228	-	-	583,686
Other Sources	70,672	-	894	-	71,566
Total Revenues	\$ 6,304,399	\$ 251,897	\$ 177,912	\$ 87,753	\$ 6,821,961
<u>Expenditures:</u>					
Current:					
Regular Instruction	\$ 2,552,374	\$ -	\$ -	\$ -	\$ 2,552,374
Special Education	572,300	-	-	-	572,300
Vocational Education	250,777	-	-	-	250,777
Federal Programs	294,764	-	-	-	294,764
District Wide Services	297,513	-	-	-	297,513
Administration	658,977	-	-	-	658,977
School Food Services	-	274,039	-	-	274,039
Operations and Maintenance	543,096	-	-	-	543,096
Transportation	295,297	-	-	-	295,297
Co-Curricular Activities	180,907	-	-	-	180,907
Other Activities	71,330	-	-	-	71,330
Capital Outlay	637,977	-	92,393	-	730,370
Debt Service:					
Principal	-	-	-	131,877	131,877
Interest	-	-	-	18,443	18,443
Fiscal Charges	-	-	-	1,162	1,162
Total Expenditures	\$ 6,355,312	\$ 274,039	\$ 92,393	\$ 151,482	\$ 6,873,226
Excess (Deficiency) of Revenues Over Expenditures	\$ (50,913)	\$ (22,142)	\$ 85,519	\$ (63,729)	\$ (51,265)
<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	\$ (50,913)	\$ (22,142)	\$ 13,519	\$ 8,271	\$ (51,265)
Fund Balance - July 1	\$ 1,567,525	\$ 44,994	\$ 320,785	\$ 67,839	\$ 2,001,143
Fund Balance - June 30	\$ 1,516,612	\$ 22,852	\$ 334,304	\$ 76,110	\$ 1,949,878

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, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (51,265)

The change in net position 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 and capital contributions exceeded depreciation expense.

Current Year Capital Outlay	\$ 746,603	
Capital Contribution	26,000	
Current Year Depreciation Expense	<u>(190,893)</u>	581,710

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is amount of the repayment of debt. 131,877

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 Change in Compensated Absences Payable	\$ 2,376	
Net Change in Interest Payable	<u>1,136</u>	3,512

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. (1,748)

Change in Net Position of Governmental Activities \$ 664,086

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 POSITION
FIDUCIARY FUNDS
June 30, 2012

	Agency Fund	Private Purpose Trust Funds
<u>Assets:</u>		
Cash	\$ 71,526	\$ 41,491
Investments	-	50,411
Total Assets	<u>\$ 71,526</u>	<u>\$ 91,902</u>
<u>Liabilities:</u>		
Due to Student Activities Groups	<u>\$ 71,526</u>	<u>\$ -</u>
<u>Nonexpendable Net Position:</u>		
Held in Trust for Others	<u>\$ -</u>	<u>\$ 91,902</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 POSITION
For the Year Ended June 30, 2012

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Investment Earnings:	
Net (decrease) in fair value of investments	\$ (522)
Interest	<u>5,634</u>
Total Additions	<u>\$ 5,112</u>
<u>DEDUCTIONS:</u>	
Scholarships	\$ 5,700
C. Doerin Grant	<u>4,752</u>
Total Deductions	<u>\$ 10,452</u>
Change in Net Position	<u>\$ (5,340)</u>
Net Position - July 1	<u>\$ 97,242</u>
Net Position - June 30	<u><u>\$ 91,902</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, 2013 and 2012

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. 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 position and the statement of activities display information about the primary government (Lisbon Public School District No. 19). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, fees and other non-exchange 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 and unrestricted state grants operating contributions, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the school district's funds including its fiduciary funds. 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.

The School District reports the following major governmental funds:

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.

Food Service Fund. This fund is used to account for financial activity related to School District's lunch and breakfast programs. Primary revenue source in this fund is committed federal and state reimbursements and charges for services from food sales.

Debt Service Fund. This fund is used to account for financial resources to be used for payment of long-term debt principal, interest and related costs.

Capital Projects Fund. This fund is used to account for financial resources to be used for acquisition or construction of major capital facilities.

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 funds are used to account for various deposits of the student activity funds.

Private Purpose Trust Funds. These funds account for assets held by the School District received from private individuals used for scholarships and the school music and arts program.

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. Non-exchange 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 is both restricted and unrestricted net position available to finance the program. It is the School District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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 and money market accounts, as well as certificates of deposit with a maturity of 3 months or less. 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. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

Investments consist of certificates of deposits stated at cost and U.S. government-backed securities stated at fair market value with maturities in excess of 3 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. Compensated Absences

Vested or accumulated sick leave for qualified employees is reported in the government-wide statement of net position. Upon termination of employment with the school district, compensation for unused sick leave earned and available is administered as follows:

Sick leave benefits are earned at the rate of 10 days per year for teachers. Unused sick leave may accumulate to a maximum of 120 days. Employees accumulating sick leave in excess of 120 days as of the end of the school year are reimbursed at a rate equivalent to \$40 per day for all days exceeding 120 days. Employees may carry over a maximum of 120 days of sick leave at each year-end. Upon retirement or resignation, the school district will pay \$30 per day for accumulated sick days for all teachers in good standing with 15 or more years of service to the Lisbon School District.

Sick leave for support staff is accrued at the rate of 10 days per year cumulative to 40 days. The Superintendent, Business Manager, custodians, and office staff accrue sick leave at the rate of 10 days per year cumulative to 120 days. Upon retirement or resignation, the school district will pay \$30 per day for accumulated sick days for all support staff and administrators in good standing with 25 or more years of service to the Lisbon School District.

G. Long-Term Obligations

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. If amounts are not material, they are recognized in the current period.

In the fund financial statements, when applicable 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.

H. Fund Balances & Net Position

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.

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.
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.

Table continued on next page....

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

CLASSIFICATION	DEFINITION	EXAMPLES
Unassigned	<p>Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification.</p> <p>(a) The General Fund is the only fund that can report a positive unassigned fund balance;</p> <p>(b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes;</p>	Available for any remaining general fund expenditure.

Lisbon Public School District did not have any non-spendable balances reported in the balance sheet at June 30, 2013 or June 30, 2012.

Restricted Fund Balances – consist of the following items at June 30, 2013 and 2012:

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 (major fund - 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.

Committed Fund Balance – consists of the following at June 30, 2013 and 2012:

Food Service Fund (major fund – committed by board action):

a) Fund used only for Food Service purposes. The governing board committed funds to remain in this fund and used for food service purposes.

Unassigned Fund Balance – consists of the following item at June 30, 2013 and 2012:

General Fund (Major Fund) – Available for any legal purpose used to finance operating expenditures:

(a) The unassigned fund balance amounts of \$1,423,541 at June 30, 2013 and \$1,516,612 at June 30, 2012 is available to fund all other operating expenditures not already classified in other areas in accordance with governmental accounting standards as promulgated by the Governmental Accounting Standards Board.

Net Position:

The Lisbon Public School District implemented the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position during the years ended June 30, 2013 and June 30, 2012.

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.

Net investment in capital assets is reported for capital assets less accumulated depreciation and any related debt used to construct them. The resources needed to repay this related debt must be provided from other sources, since capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net position, shown in the Statement of Net Position, are due to restricted tax levies and bond indenture capital construction requirements for capital projects and special purposes.

Unrestricted net position is primarily unrestricted amounts related to the general fund and any negative fund balances. The unrestricted net position is available to meet the district's ongoing obligations.

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: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The school district amended the budget of various school funds during the 2012-2013 year:

	FY2013 - EXPENDITURES		
	Original Budget	Amendments	Amended Budget
<u>Major Fund:</u> General Fund	\$6,442,726	\$633	\$6,443,359

	FY2012 - EXPENDITURES		
	Original Budget	Amendments	Amended Budget
<u>Major Fund:</u> General Fund	\$6,403,509	\$92,552	\$6,496,061

NOTE 3: DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, Lisbon Public 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. 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 any other state of the United States or such other securities approved by the banking board.

At year ended June 30, 2013, the school district's carrying amount of deposits was \$2,136,743 and the bank balances were \$2,315,248. Of the bank balances, \$520,878 was covered by Federal Depository Insurance. The remaining bank balances totaling \$1,794,370 were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended June 30, 2012, the school district's carrying amount of deposits was \$2,269,847 and the bank balances were \$2,504,993. Of the bank balances, \$666,337 was covered by Federal Depository Insurance. The remaining bank balances totaling \$1,838,656 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.

As of June 30, 2013 and 2012, the school district held certificates of deposit in the amounts of \$400,508, and \$430,041, 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, 2013 and 2012, the market share of this investment was \$20,878 and \$20,878 respectively.

Interest Rate Risk:

The School District does not have a formal deposit policy that limits maturities as a means of managing exposure to fair-value losses arising from increasing interest rates.

Concentration of Credit Risk:

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

NOTE 4: INTERGOVERNMENTAL RECEIVABLE

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 5: DUE FROM COUNTY

Due from county represents the amount of taxes collected prior to year-end by Ransom County that remain on hand at the county that are distributed to the school district shortly after June 30, 2013 and 2012.

NOTE 6: TAXES RECEIVABLE

The taxes receivable represents the past three 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.

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

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 7: CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2013 and 2012:

Governmental Activities (FY2013):	Balance July 1	Increases	Transfers	Decreases	Balance June 30
<i>Capital assets not being depreciated:</i>					
Land	\$ 46,882	\$ -	\$ -	\$ -	\$ 46,882
Construction In Progress	-	88,943	-	-	88,943
Total Capital Assets, Not Being Depreciated	\$ 46,882	\$ 88,943	\$ -	\$ -	\$ 135,825
<i>Capital assets being depreciated:</i>					
Buildings and Building Improvements	\$7,390,577	\$591,913	\$ -	\$ -	\$7,982,490
Vehicles	635,258	77,477	-	-	712,735
Equipment	214,189	51,005	-	-	265,194
Total Capital Assets, Being Depreciated	\$8,240,024	\$720,395	\$ -	\$ -	\$8,960,419
<i>Less Accumulated Depreciation for:</i>					
Buildings and Building Improvements	\$2,435,458	\$149,141	\$ -	\$ -	\$2,584,599
Vehicles	288,689	46,231	-	-	334,920
Equipment	118,524	17,625	-	-	136,149
Total Accumulated Depreciation	\$2,842,671	\$212,997	\$ -	\$ -	\$3,055,668
Total Capital Assets Being Depreciated, Net	\$5,397,353	\$507,398	\$ -	\$ -	\$5,904,751
Governmental Activities - Capital Assets, Net	\$5,444,235	\$596,341	\$ -	\$ -	\$6,040,576

Governmental Activities (FY2012):	Balance July 1	Increases	Transfers	Decreases	Balance June 30
<i>Capital assets not being depreciated:</i>					
Land	\$ 46,882	\$ -	\$ -	\$ -	\$ 46,882
Construction In Progress	28,650	326,284	(354,934)	-	-
Total Capital Assets, Not Being Depreciated	\$ 75,532	\$326,284	\$(354,934)	\$ -	\$ 46,882
<i>Capital assets being depreciated:</i>					
Buildings and Building Improvements	\$6,638,992	\$396,651	\$ 354,934	\$ -	\$7,390,577
Vehicles	687,212	30,750	-	82,704	635,258
Equipment	195,272	18,917	-	-	214,189
Total Capital Assets, Being Depreciated	\$7,521,476	\$446,318	\$ 354,934	\$82,704	\$8,240,024
<i>Less Accumulated Depreciation for:</i>					
Buildings and Building Improvements	\$2,298,156	\$137,302	\$ -	\$ -	\$2,435,458
Vehicles	330,327	41,066	-	82,704	288,689
Equipment	105,999	12,525	-	-	118,524
Total Accumulated Depreciation	\$2,734,482	\$190,893	\$ -	\$82,704	\$2,842,671
Total Capital Assets Being Depreciated, Net	\$4,786,994	\$255,425	\$ 354,934	\$ -	\$5,397,353
Governmental Activities - Capital Assets, Net	\$4,862,526	\$581,709	\$ -	\$ -	\$5,444,235

Depreciation expense was charged to functions/programs of the School District as follows:

Depreciation by Function:	2013	2012
Administration	\$ 7,680	\$ 6,458
Instruction	104,179	96,637
Co-Curricular Activities	32,782	25,669
Food Service	8,431	7,370
Maintenance	13,971	13,971
Transportation	45,954	40,788
Total	\$212,997	\$190,893

NOTE 8: 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 9: SALARIES AND BENEFITS PAYABLE

Salaries and contracts payable consists of salaries earned by employees and teachers but not paid until after year-end. It also consists of benefits owed to federal, state, and private agencies for amounts withheld from teacher's salaries as of June 30, 2013 and June 30, 2012.

NOTE 10: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt outstanding at June 30, 2013 and June 30, 2012.

NOTE 11: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the years ended June 30, 2013 and 2012, the following changes occurred in liabilities reported in long-term liabilities:

Governmental Activities	Balance 7-1-12	Increases	Decreases	Balance 6-30-13	Due Within One Year
G.O. Bonds Payable	\$155,000	\$ -	\$70,000	\$ 85,000	\$15,000
State School Construction	202,417	-	17,430	184,987	18,002
Compensated Absences Payable	51,231	3,649	-	54,880	16,464
TOTAL	\$408,648	\$3,649	\$87,430	\$324,867	\$49,466

Governmental Activities	Balance 7-1-11	Increases	Decreases	Balance 6-30-12	Due Within One Year
G.O. Bonds Payable	\$220,000	\$ -	\$ 65,000	\$155,000	\$ 70,000
State School Construction	269,294	-	66,877	202,417	17,431
Compensated Absences Payable	53,607	-	2,376	51,231	15,369
TOTAL	\$542,901	\$ -	\$134,253	\$408,648	\$102,799

* - The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

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

Outstanding debt (excluding compensated absences) at June 30, 2013 consists of the following individual issues:

State School Construction Loans Payable:

\$349,000 State School Construction Loan with annual installments of \$24,070, through June 2022; interest at 3.28%. \$184,987

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%. 85,000

Total Debt Payable \$269,986

Debt service requirements (excluding compensated absences) on long-term debt at June 30, 2013 are as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending June 30	G.O. Bonds		State School Loan	
	Principal	Interest	Principal	Interest
2014	\$15,000	\$ 4,463	\$ 18,002	\$ 6,068
2015	15,000	3,675	18,593	5,477
2016	15,000	2,887	19,203	4,867
2017	20,000	2,100	19,832	4,237
2018	20,000	1,050	20,483	3,587
2019 - 2023	-	-	88,874	7,405
TOTALS	\$85,000	\$14,175	\$184,987	\$31,641

NOTE 12: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the fund financial statements consist of amounts 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 and include taxes receivable.

NOTE 13: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements of the governmental activities for the years ended June 30, 2013 and 2012:

FY2013		
	Transfers In	Transfers Out
General Fund	\$ -	\$50,000
Food Service Fund	50,000	-
<u>Debt Service Fund:</u>		
S&I 1998A GO Bonds	23,000	-
<u>Capital Project Fund:</u>		
Building Fund	-	23,000
TOTALS	\$73,000	\$73,000

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

FY2012		
	Transfers In	Transfers Out
<u>Debt Service Funds:</u>		
S&I 1998A GO Bonds	\$21,500	\$ -
State School GO Bonds - 1992	50,500	-
<u>Capital Project Fund:</u>		
Building Fund	-	72,000
TOTALS	\$72,000	\$72,000

NOTE 14: 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 (NDRIF), 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 NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF 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 \$1,800,000 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 15: 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.

During July 1, 2011 through June 30, 2012, plan members were required to contribute 7.75% of their annual covered salary and the school district is required to contribute 8.75% of the teacher's salary. During July 1, 2012 through June 30, 2013, plan members were required to contribute 9.75% of their annual covered salary and the school district is required to contribute 10.75% 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, 2013, 2012 and 2011 were \$331,664, \$264,699, and \$226,402, 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, P.O. Box 1657, Bismarck, North Dakota, 58502-1214.

During July 1, 2011 through December 31, 2011, plan members were required to contribute 4% of their annual covered salary. Lisbon Public School District elected to contribute the employees required contribution. The county was required to contribute 5.26% of the employee's salary, which consists of 4.12% for employee retirement and 1.14% for the retiree health benefits fund.

During January 1, 2012 through December 31, 2012, plan members were required to contribute 5% of their annual covered salary. Lisbon Public School District elected to contribute the employees required contribution. The county was required to contribute 6.26% of the employee's salary, which consists of 5.12% for employee retirement and 1.14% for the retiree health benefits fund.

During January 1, 2013 through June 30, 2013, plan members were required to contribute 6% of their annual covered salary. Lisbon Public School District elected to contribute the employees required contribution. The county was required to contribute 7.26% of the employee's salary, which consists of 6.12% for employee retirement and 1.14% for the retiree health benefits fund.

The school district's contributions to NDPERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$34,822, \$24,930, and \$17,068, respectively, equal to the required contributions for the year.

NOTE 16: COMMITMENTS

The Lisbon Public School District No. 19 had the following commitments for construction contracts as of June 30, 2013 and June 30, 2012.

Project	Contract	Total Completed	Remaining Commitment
MBN Engineering	\$ 22,500	\$19,500	\$ 3,000
Athletic Facility Enterprises	65,525	-	65,525
Dakota Fence	26,555	-	26,555
TMI Storage Systems	47,120	42,000	5,120
Paras Contracting, Inc.	104,490	-	104,490
Total Open Construction 6/30/13	\$266,190	\$61,500	\$204,690

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

Project	Contract	Total Completed	Remaining Commitment
Diversified Contractors of Fargo	\$362,700	\$ -	\$362,700
Dakota Heating	24,206	-	24,206
Horsley Specialties, Inc.	78,241	-	78,241
Hope Electric	71,000	-	71,000
Total Open Construction 6/30/12	\$536,147	\$ -	\$536,147

NOTE 17: OPERATING LEASES

The school district has entered into lease agreements as lessee for the rental of copiers. The lease payments made during June 30, 2013 and June 30, 2012 were \$46,270 and \$37,401, respectively. The remaining payments due on the copier operating leases totaling \$37,401 will be paid as follows:

Year Ending June 30	Total Payments
2014	\$37,401

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Local Sources	\$ 1,672,059	\$ 1,672,059	\$ 1,691,973	\$ 19,914
State Sources	4,337,810	4,337,810	4,412,906	75,096
Federal Sources	278,792	278,792	285,936	7,144
Other Sources	73,344	73,344	75,976	2,632
Total Revenues	\$ 6,362,005	\$ 6,362,005	\$ 6,466,791	\$ 104,786
<u>Expenditures:</u>				
Current:				
Regular Instruction	\$ 2,507,198	\$ 2,555,608	\$ 2,585,584	\$ (29,976)
Special Education	632,108	632,108	622,228	9,880
Vocational Education	400,671	400,671	356,613	44,058
Federal Programs	260,698	304,840	270,358	34,482
District Wide Services	277,945	277,945	281,833	(3,888)
Administration	709,268	709,268	691,772	17,496
Operations and Maintenance	591,026	591,026	635,865	(44,839)
Transportation	345,635	345,635	396,261	(50,626)
Co-Curricular Activities	196,800	196,800	188,610	8,190
Other Programs & Services	87,160	87,160	77,865	9,295
Capital Outlay	395,000	395,000	402,873	(7,873)
Total Expenditures	\$ 6,403,509	\$ 6,496,061	\$ 6,509,862	\$ (13,801)
Excess (Deficiency) of Revenues Over Expenditures	\$ (41,504)	\$ (134,056)	\$ (43,071)	\$ 90,985
<u>Other Financing Sources (Uses):</u>				
Operating Transfers Out	\$ -	\$ -	\$ (50,000)	\$ (50,000)
Net Changes in Fund Balances	\$ (41,504)	\$ (134,056)	\$ (93,071)	\$ 40,985
Fund Balance - July 1	\$ 1,516,612	\$ 1,516,612	\$ 1,516,612	\$ -
Fund Balance - June 30	\$ 1,475,108	\$ 1,382,556	\$ 1,423,541	\$ 40,985

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
FOOD SERVICE FUND
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Local Sources	\$ 150,000	\$ 150,000	\$ 137,533	\$ (12,467)
State Sources	2,000	2,000	2,591	591
Federal Sources	95,000	95,000	88,420	(6,580)
Total Revenues	<u>\$ 247,000</u>	<u>\$ 247,000</u>	<u>\$ 228,544</u>	<u>\$ (18,456)</u>
<u>Expenditures:</u>				
Current:				
Food Services	<u>\$ 278,811</u>	<u>\$ 278,811</u>	<u>\$ 277,323</u>	<u>\$ 1,488</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (31,811)</u>	<u>\$ (31,811)</u>	<u>\$ (48,779)</u>	<u>\$ (16,968)</u>
<u>Other Financing Sources (Uses):</u>				
Operating Transfers In	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>
Net Changes in Fund Balances	<u>\$ (31,811)</u>	<u>\$ (31,811)</u>	<u>\$ 1,221</u>	<u>\$ 33,032</u>
Fund Balance - July 1	<u>\$ 22,852</u>	<u>\$ 22,852</u>	<u>\$ 22,852</u>	<u>\$ -</u>
Fund Balance - June 30	<u>\$ (8,959)</u>	<u>\$ (8,959)</u>	<u>\$ 24,073</u>	<u>\$ 33,032</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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Local Sources	\$ 1,488,295	\$ 1,488,295	\$ 1,548,390	\$ 60,095
State Sources	4,019,007	4,019,007	4,209,879	190,872
Federal Sources	477,931	477,931	475,458	(2,473)
Other Sources	59,653	59,653	70,672	11,019
Total Revenues	\$ 6,044,886	\$ 6,044,886	\$ 6,304,399	\$ 259,513
<u>Expenditures:</u>				
<u>Current:</u>				
Regular Instruction	\$ 2,554,634	\$ 2,554,634	\$ 2,552,374	\$ 2,260
Special Education	574,885	574,885	572,300	2,585
Vocational Education	253,800	253,800	250,777	3,023
Federal Programs	299,691	300,334	294,764	5,570
District Wide Services	305,139	305,139	297,513	7,626
Administration	666,952	666,952	658,977	7,975
Operations and Maintenance	540,010	540,000	543,096	(3,096)
Transportation	298,432	298,432	295,297	3,135
Co-Curricular Activities	183,000	183,000	180,907	2,093
Other Programs & Services	114,183	114,183	71,330	42,853
Capital Outlay	652,000	652,000	637,977	14,023
Total Expenditures	\$ 6,442,726	\$ 6,443,359	\$ 6,355,312	\$ 88,047
Excess (Deficiency) of Revenues Over Expenditures	\$ (397,840)	\$ (398,473)	\$ (50,913)	\$ 347,560
Fund Balance - July 1	\$ 1,567,525	\$ 1,567,525	\$ 1,567,525	\$ -
Fund Balance - June 30	\$ 1,169,685	\$ 1,169,052	\$ 1,516,612	\$ 347,560

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
FOOD SERVICE FUND
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Local Sources	\$ 150,000	\$ 150,000	\$ 142,009	\$ (7,991)
State Sources	2,000	2,000	1,660	(340)
Federal Sources	95,000	95,000	108,228	13,228
Total Revenues	<u>\$ 247,000</u>	<u>\$ 247,000</u>	<u>\$ 251,897</u>	<u>\$ 4,897</u>
<u>Expenditures:</u>				
Food Services	<u>\$ 250,943</u>	<u>\$ 250,943</u>	<u>\$ 274,039</u>	<u>\$ (23,096)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (3,943)</u>	<u>\$ (3,943)</u>	<u>\$ (22,142)</u>	<u>\$ (18,199)</u>
Fund Balance - July 1	<u>\$ 44,994</u>	<u>\$ 44,994</u>	<u>\$ 44,994</u>	<u>\$ -</u>
Fund Balance - June 30	<u><u>\$ 41,051</u></u>	<u><u>\$ 41,051</u></u>	<u><u>\$ 22,852</u></u>	<u><u>\$ (18,199)</u></u>

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, 2013 and 2012

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 governing body of the school district may amend its tax levy and budget on or before the tenth day of October of each year but the certification must be filed with the county auditor within the time limitations as outlined in NDCC section 57-15-31.1.
- 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 funds for the years ended June 30, 2013 and 2012:

Overspent Fund - 2012:	Budget	Actual	Overspent
Food Service Fund	\$250,943	\$274,039	\$23,096

Overspent Fund - 2013:	Budget	Actual	Overspent
General Fund	\$6,496,061	\$6,509,862	\$13,801

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

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

SCHEDULE OF FUND ACTIVITY
For the Year Ended June 30, 2013

	Balance 7-1-12	Revenues	Transfers In	Transfers Out	Expenditures	Balance 6-30-13
<u>General Fund:</u>						
General Fund	\$ 945,585.19	\$ 6,469,622.46	\$ -	\$ 50,000.00	\$ 6,503,598.00	\$ 861,609.65
Special Reserve Fund	566,411.06	287.50	-	-	-	566,698.56
Total General Fund	\$ 1,511,996.25	\$ 6,469,909.96	\$ -	\$ 50,000.00	\$ 6,503,598.00	\$ 1,428,308.21
Food Service Fund	\$ 22,852.15	\$ 213,325.43	\$ 50,000.00	\$ -	\$ 262,104.81	\$ 24,072.77
<u>Debt Service Funds:</u>						
S&I 1998A GO Bonds	\$ 2,280.00	\$ -	\$ 23,000.00	\$ -	\$ 20,681.25	\$ 4,598.75
S&I 1998B GO Bonds	59,609.99	2,765.66	-	-	56,806.25	5,569.40
Asbestos Bonding Levy	13,534.75	33,052.49	-	-	24,269.74	22,317.50
State School GO Bonds - 1992	27.50	-	-	-	-	27.50
Total Debt Service Funds	\$ 75,452.24	\$ 35,818.15	\$ 23,000.00	\$ -	\$ 101,757.24	\$ 32,513.15
<u>Capital Project Funds:</u>						
Building Fund	\$ 331,819.49	\$ 198,478.33	\$ -	\$ 23,000.00	\$ 331,611.56	\$ 175,686.26
Special Assessment Fund	195.42	2,576.47	-	-	218.33	2,553.56
Total Capital Project Funds	\$ 332,014.91	\$ 201,054.80	\$ -	\$ 23,000.00	\$ 331,829.89	\$ 178,239.82
Total Major Funds	\$ 1,942,315.55	\$ 6,920,108.34	\$ 73,000.00	\$ 73,000.00	\$ 7,199,289.94	\$ 1,663,133.95
Total Governmental Funds	\$ 1,942,315.55	\$ 6,920,108.34	\$ 73,000.00	\$ 73,000.00	\$ 7,199,289.94	\$ 1,663,133.95
<u>Trust Fund:</u>						
Private Purpose Trust Fund	\$ 91,902.26	\$ 4,191.72	\$ -	\$ -	\$ 7,700.00	\$ 88,393.98
<u>Agency Fund:</u>						
Student Activity Fund	\$ 71,526.40	\$ 261,643.26	\$ -	\$ -	\$ 285,566.58	\$ 47,603.08
Total Trust and Agency Funds	\$ 163,428.66	\$ 265,834.98	\$ -	\$ -	\$ 293,266.58	\$ 135,997.06
Total All Funds	\$ 2,105,744.21	\$ 7,185,943.32	\$ 73,000.00	\$ 73,000.00	\$ 7,492,556.52	\$ 1,799,131.01

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

SCHEDULE OF FUND ACTIVITY
For the Year Ended June 30, 2012

	Balance 7-1-11	Revenues	Transfers In	Transfers Out	Expenditures	Balance 6-30-12
<u>General Fund:</u>						
General Fund	\$1,015,085.65	\$6,293,596.12	\$ -	\$ -	\$6,363,096.58	\$ 945,585.19
Special Reserve Fund	565,894.06	517.00	-	-	-	566,411.06
Total General Fund	<u>\$1,580,979.71</u>	<u>\$6,294,113.12</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,363,096.58</u>	<u>\$1,511,996.25</u>
Food Service Fund	\$ 44,994.28	\$ 232,881.25	\$ -	\$ -	\$ 255,023.38	\$ 22,852.15
<u>Debt Service Funds:</u>						
S&I 1998A GO Bonds	\$ 2,211.25	\$ -	\$ 21,500.00	\$ -	\$ 21,431.25	\$ 2,280.00
S&I 1998B GO Bonds	55,988.44	58,052.80	-	-	54,431.25	59,609.99
Asbestos Bonding Levy	8,762.01	29,042.48	-	-	24,269.74	13,534.75
State School GO Bonds - 1992	877.50	-	50,500.00	-	51,350.00	27.50
Total Debt Service Funds	<u>\$ 67,839.20</u>	<u>\$ 87,095.28</u>	<u>\$ 72,000.00</u>	<u>\$ -</u>	<u>\$ 151,482.24</u>	<u>\$ 75,452.24</u>
<u>Capital Project Funds:</u>						
Building Fund	\$ 320,955.92	\$ 175,256.44	\$ -	\$ 72,000.00	\$ 92,392.87	\$ 331,819.49
Special Assessment Fund	(170.75)	366.17	-	-	-	195.42
Total Capital Project Funds	<u>\$ 320,785.17</u>	<u>\$ 175,622.61</u>	<u>\$ -</u>	<u>\$ 72,000.00</u>	<u>\$ 92,392.87</u>	<u>\$ 332,014.91</u>
Total Major Funds	<u>\$2,014,598.36</u>	<u>\$6,789,712.26</u>	<u>\$ 72,000.00</u>	<u>\$ 72,000.00</u>	<u>\$6,861,995.07</u>	<u>\$1,942,315.55</u>
Total Governmental Funds	<u>\$2,014,598.36</u>	<u>\$6,789,712.26</u>	<u>\$ 72,000.00</u>	<u>\$ 72,000.00</u>	<u>\$6,861,995.07</u>	<u>\$1,942,315.55</u>
<u>Trust Fund:</u>						
Private Purpose Trust Funds	\$ 97,242.23	\$ 5,933.98	\$ -	\$ -	\$ 11,273.95	\$ 91,902.26
<u>Agency Fund:</u>						
Student Activity Fund	\$ 68,871.86	\$ 244,076.02	\$ -	\$ -	\$ 241,421.48	\$ 71,526.40
Total Trust and Agency Funds	<u>\$ 166,114.09</u>	<u>\$ 250,010.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,695.43</u>	<u>\$ 163,428.66</u>
Total All Funds	<u><u>\$2,180,712.45</u></u>	<u><u>\$7,039,722.26</u></u>	<u><u>\$ 72,000.00</u></u>	<u><u>\$ 72,000.00</u></u>	<u><u>\$7,114,690.50</u></u>	<u><u>\$2,105,744.21</u></u>

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2012

Federal Grantor/ Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	2013-2012 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	\$ 142,476
National School Lunch Program, Commodities - ***	10.555	34,234
School Breakfast Program	10.553	19,935
Child Nutrition Cluster		<u>\$ 196,645</u>
Total U.S. Department of Agriculture		<u>\$ 196,645</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	\$ 430,340
Title I Grants to Local Education Agencies, Recovery Act	84.389A	69,127
Title I Cluster - **		<u>\$ 499,467</u>
Education Jobs Fund	84.410	\$ 169,168
Improving Teacher Quality State Grants	84.367A	<u>84,041</u>
Total Department of Education		<u>\$ 752,676</u>
Total Expenditure of Federal Awards		<u>\$ 949,321</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 years ended June 30, 2013 and 2012. 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 position 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
Phone (701) 328-2241
Fax (701) 328-1406



Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

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, in accordance with the 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, the financial statements of the governmental activities, and each major fund of Lisbon Public School District No. 19, Lisbon, North Dakota, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Lisbon Public School District No. 19's basic financial statements, and have issued our report thereon dated February 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lisbon Public School District No. 19's internal control over financial reporting (internal control) to determine the audit procedures that are 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 Public School District No. 19's internal control. Accordingly, we do not express an opinion on the effectiveness of Lisbon Public School District No. 19's internal control.

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 and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency [2013-01].

LISBON PUBLIC SCHOOL DISTRICT NO. 19

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* - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lisbon Public School District No. 19's financial statements are free from 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*.

Lisbon Public School District's Response to Findings

Lisbon Public School District No. 19's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Lisbon Public School District No. 19's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Robert R. Peterson
State Auditor

Fargo, North Dakota
February 28, 2014

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT OF INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

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 years ended June 30, 2013 and 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Lisbon Public School District No. 19's major federal program based on our audit of the types of compliance requirements referred to above. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether 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 on compliance for the major federal program. However, our audit does not provide a legal determination of Lisbon Public School District No. 19's compliance.

Opinion on Each Major Federal Program

In our opinion, Lisbon Public School District No. 19 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the years ended June 30, 2013 and 2012.

LISBON PUBLIC SCHOOL DISTRICT NO. 19

Report on Compliance for Each Major Federal Programs; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 - Continued

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lisbon Public School District No. 19's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weakness or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Lisbon Public School District No. 19 as of and for the years ended June 30, 2013 and 2012, and have issued our report thereon dated February 28, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

Fargo, North Dakota
February 28, 2014

Section II - Financial Statement Findings

2013-01 – Lack of Segregation of Duties

Condition:

The Lisbon Public School District has one business manager responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, perform bank reconciliations, and prepare financial statements.

Effect:

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the school district's financial condition whether due to error of fraud.

Cause:

Due to the client's size, complexity, organizational structure and the economic realities Lisbon Public School District faces, it is presently not economically feasible to have more than one person responsible for the accounting functions.

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 Lisbon Public School District.

Recommendation:

Due to the size, complexity and the economic realities of the Lisbon Public School District, 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 concur there is inadequate segregation of duties. Given the number of employees and the size of the school district, it would be difficult to further segregate duties.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.