



**Auditor of State
Betty Montgomery**

**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountant's Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets	14
Statement of Activities.....	15
Balance Sheet - Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual - General Fund.....	20
Statement of Fund Net Assets – Internal Service Fund.....	21
Statement of Revenues, Expenses and Charges in Fund Net Assets – Internal Service Fund	22
Statement of Cash Flows – Internal Service Fund	23
Statement of Fiduciary Assets and Liabilities – Fiduciary Fund	24
Notes to the Basis Financial Statements	25
Schedule of Federal Awards Expenditures.....	45
Notes to the Schedule of Federal Awards Expenditures	46
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	47
Report of Independent Accountants on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133	49
Schedule of Findings.....	51

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT

Lisbon Exempted Village School District
Columbiana County
317 North Market Street
Lisbon, Ohio 44432

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lisbon Exempted Village School District, Columbiana County, Ohio (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lisbon Exempted Village School District, Columbiana County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 21, the District had a restatement of net assets due to an understatement of intergovernmental receivables.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 8, 2004

Lisbon Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

As the chief financial officer, it is with great pleasure that I present to you the financial status of Lisbon Exempted Village School District. The discussion and analysis in the following pages includes tables and graphic illustrations representing the management's view of the overall performance of the District's financial activities for the fiscal year ended June 30, 2004. The overall intent of this discussion and analysis is to look at the District's financial performance as a whole and how and why some facts may change that performance in the future. This is intended to be a clear presentation to our taxpayers and all others who may be interested in our District's finances.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2004 are as follows:

- ❑ The District's total net assets decreased from \$15,948,339 to \$15,737,312 for a loss of \$211,027 during this year's operations. The net assets of Governmental activities decreased 1.32 percent.
- ❑ Revenues for governmental activities totaled \$9,088,746 in 2004. This total was comprised of General revenues in the amount of \$6,347,788 and program revenues totaling \$2,740,958. Program revenues are grants, fees and donations; general (non-program) revenue is foundation from the State of Ohio and local taxes charged to residents of the District. In table 2 below, you will find the detailed cost of each program to our District.
- ❑ Program expenses totaled \$9,299,773. Instructional expenses made up 59.0 percent of this total while support services accounted for 30.3 percent. Other expenses rounded out the remaining 10.7 percent.
- ❑ Outstanding general obligation bonded debt decreased from \$2,320,000 to \$2,220,000 in 2004.

USING THIS ANNUAL REPORT (AFR)

This annual report is comprised of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand Lisbon Exempted Village School District as a financial whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and the *Statement of Activities* (on pages 14 and 15) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 16 and provide the next level of detail. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. In the case of Lisbon Exempted Village School District, the general fund, debt service fund and permanent Improvement fund are the most significant funds. The remaining statements provide financial information about activities for which the District acts solely as an agent for the benefit of those outside the government.

Reporting the School District as a Whole (district-wide)

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the District to provide programs and activities, the view of the District as a whole considers all financial transactions and asks the question, "How did we perform fiscally during 2004?" This is one of the most important issues when analyzing any financial enterprise. The *Statement of Net Assets* and the *Statement of Activities* answers this question. These are the only two

Lisbon Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

reports that display District-wide finances. Within these statements, we show the District divided into two distinct kinds of activities:

- **Governmental Activities** – All of the School District's instructional activities are reported here. Property Taxes, State and Federal Grants and fees finance the majority of activity in this group.
- **Business-Type Activities** – If the Board of Education sets a fee designed to offset the cost of operating a program, then this defines a business-type activity. The District does not have any of this type of activity.

Analysis of the District as a whole begins on page 4. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting method used by most private-sector companies. The most important aspect of accrual accounting is that it takes into account all of the current year's revenues and expenses regardless of when cash is received or paid out.

These statements also display the net assets of the District and note any changes that occurred during the year. Net assets are the difference between assets and liabilities and they tend to be the lead indicator of financial health. This change in net assets is important because it tells the reader whether, for the District as a whole, the financial position has improved or declined. The causes of this change may be the result of many factors, some financial and some not. Please investigate the financial factors which may include changes in property tax values, tax levies and renewals or State funding issues before reaching a final conclusion about our District's financial status. Non-financial factors may include the District's performance, demographic and socioeconomic factors and willingness of the community to support the District.

Reporting the School District's Most Significant Funds (fund financials)

Analysis of the District's major funds begins on page 8. The fund financial statements begin on page 16 and provide detailed information about each significant fund in contrast to the previously described District-wide reporting. Most of the funds are required to be established by State law. Using strict definitions the District's major governmental funds are the General fund, Debt Service fund, Permanent Improvement fund and Ohio School Facilities Commission Project fund.

Governmental funds - All of the District's funds are reported as governmental funds. These reports focus on how resources flow into and out of these funds and the balances left at year-end that are available for spending in future periods. These reports are done on a *modified accrual basis*, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. There are differences between governmental funds (as reported in this section) and Governmental Activities as reported in the Statement of Net Assets and the Statement of Activities. The relationships (or differences) are reconciled in the financial statements.

The School District as a Whole

The Statement of Net Assets looks at the District as a whole. The District's total net assets decreased from a year ago. Table 1, shows a decrease to \$15,737,312 from \$15,948,339. The decrease in Net Assets was primarily due to a decrease in Intergovernmental Receivables which does not indicate a weakening of the district's financial stability. The decrease in the receivable was revenue received for the Ohio School Facilities Commission Building Project which in turn increases the building asset value. There was a slight increase in the State foundation per pupil funding level, while both the State distributed parity aid allocation and the charge-off supplement funds provided to the District grew at a proportionally larger percentage. You will see this fact presented in a graph and a table during discussion of the change in net assets.

Lisbon Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

(Table 1)
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$19,328,077	\$19,927,993
Capital Assets	6,519,939	5,706,371
Total Assets	25,848,016	25,634,364
Liabilities		
Long-Term Liabilities	(6,567,983)	(6,659,888)
Other Liabilities	(3,542,721)	(3,026,137)
Total Liabilities	(10,110,704)	(9,686,025)
Net Assets		
Invested In Capital		
Assets, Net of Related Debt	530,414	2,449,013
Restricted	14,831,897	13,216,969
Unrestricted	375,001	282,357
Total Net Assets	\$15,737,312	\$15,948,339

Current and Other Assets increased due to the District's revenues exceeding expenses during the current year, which increased cash by \$589,091. The decline in Net Assets is primarily due to the receipt of Ohio School Facilities Commission Project funds. The District's State portion revenue totals \$1,458,879 with expenditures relating to the fund equaling \$725,719 as of the end of this financial period.

Total liabilities increased \$424,679 for this reporting period. The most significant factor contributing to the increase in liabilities was the increase in accounts payable of \$260,214 which were related to the Ohio School Facilities Commission Project funds.

Capital Assets overall show a decrease from the previous fiscal year. There was an increase in Capital Assets in the gross amount of \$1,168,206. The district invested \$279,000 in the purchase of property for the expansion of the District's facilities. The District also had a value \$444,000 in construction in progress in the non-depreciable fixed assets category. Some of the purchases of instructional equipment did not meet the District's capitalization threshold of \$2,000. The items that fall below the threshold level are tagged and tracked as movable equipment. To arrive at the net increase of \$813,568 in Capital Assets, you must subtract this year's depreciation expense of \$354,638 offset by additions to Capital Assets of \$1,168,206.

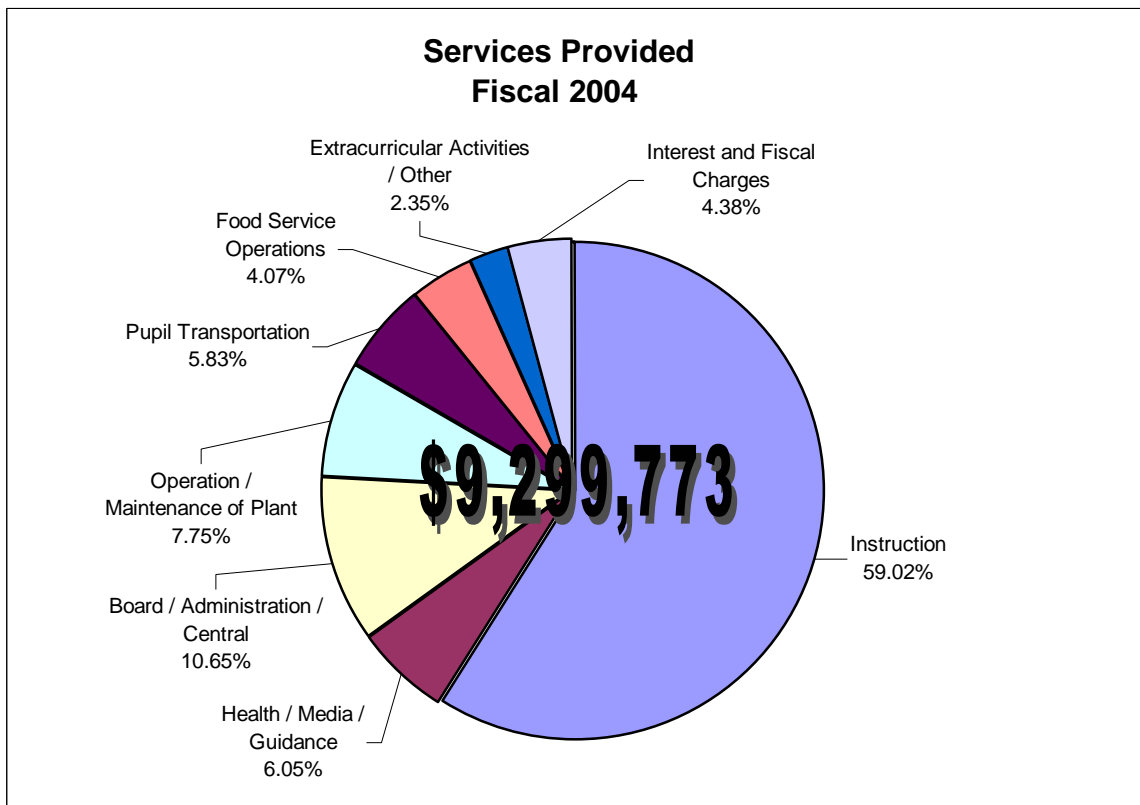
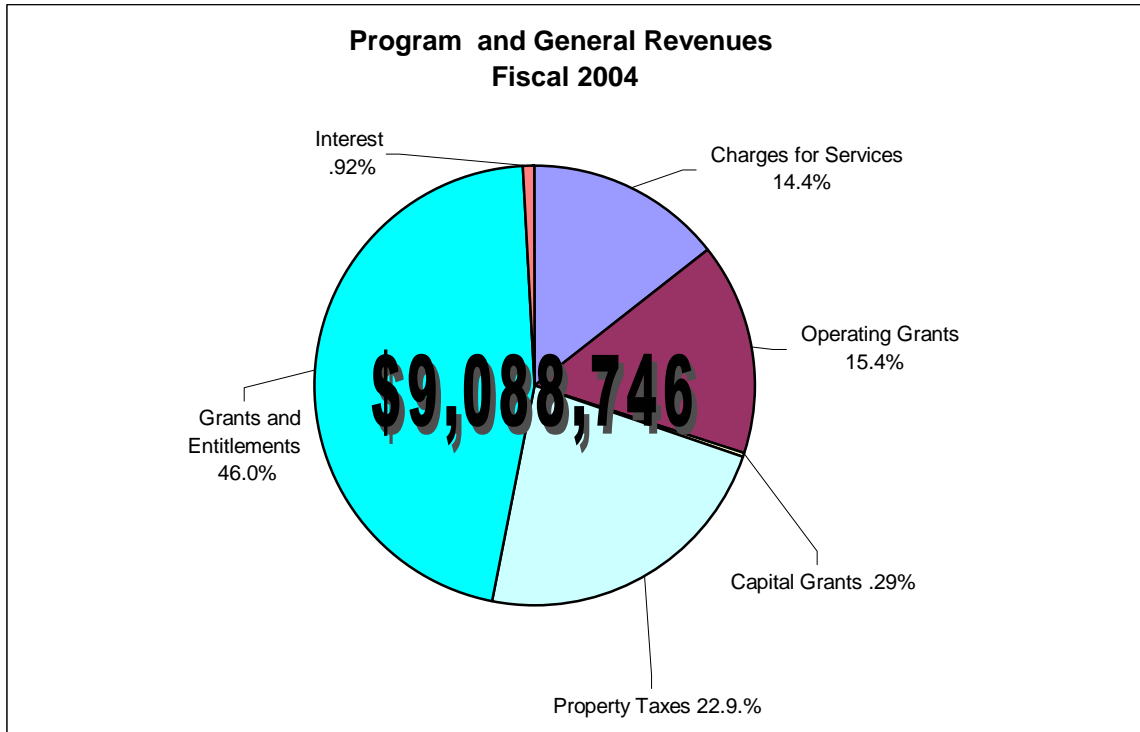
Table 2 highlights the District's revenues and expenses. These two main components are subtracted to yield the change in net assets. This table utilizes the full accrual method of accounting.

Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

A comparative analysis of fiscal year 2004 and 2003 follows:

Lisbon Exempted Village School District
Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2004
 Unaudited

(Chart 1)
Governmental Revenue and Program Expenses
Fiscal 2004



Lisbon Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

(Table 2)
Governmental Activities

	Governmental Activities 2004	Governmental Activities 2003
Revenues		
Program Revenues:		
Charges for Services	\$1,311,525	\$1,378,871
Operating Grants	1,403,033	1,328,281
Capital Grants	26,400	12,804,097
Total Program Revenues	<u>2,740,458</u>	<u>15,511,249</u>
General Revenue:		
Property Taxes	2,082,237	1,953,809
Grants and Entitlements	4,182,331	4,217,493
Interest	83,220	19,846
Total General Revenue	<u>6,347,788</u>	<u>6,191,148</u>
Total Revenues	<u>\$9,088,746</u>	<u>\$21,702,397</u>
Program Expenses		
Instruction:		
Regular	\$4,497,565	\$4,093,125
Special	915,590	848,691
Vocational	75,999	77,556
Adult	0	1,271
Support Services:		
Pupils	380,182	380,630
Instructional Staff	181,882	188,847
Board of Education	37,301	27,678
Administration	643,109	753,212
Fiscal	231,539	226,669
Business	37,457	36,871
Operation and Maintenance of Plant	720,600	557,530
Pupil Transportation	542,213	410,775
Central	40,909	37,436
Extracurricular Activities	218,440	216,486
Food Service Operations	378,492	426,201
Debt Service:		
Interest and Fiscal Charges	<u>398,495</u>	<u>178,240</u>
Total Expenses	<u>\$9,299,773</u>	<u>\$8,461,218</u>
Increase(Decrease) in Net Assets	<u>(\$211,027)</u>	<u>\$13,241,179</u>

Chart 1 graphically depicts the breakdown of both the District's revenue sources and the types of services provided. This chart shows grants and entitlements, which includes state foundation, comprising 46.0 percent of the program revenues with property taxes making up another 22.9 percent. The largest percentage of the services provided at 59.0 percent was instruction which would be appropriate.

Lisbon Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Analysis of overall financial position and results of operations

The financial position of the Lisbon Exempted Village School District has improved on the whole over the past fiscal year. Net Assets continue to increase showing improving fiscal health. The results of operations were excellent and within parameters established at the beginning of the fiscal year. Management was able to make improvements in services for children by spending more on both Regular and Special Instruction. The Ohio School Facilities building project contributed to an increase in Operation and Maintenance of Plant, and Transportation services for this reporting period. The addition of a new school bus resulted in an increase in the Transportation services. Though spending was increased in some areas, the administration was able to streamline the costs of services in other service areas. The cash balances were preserved and even improved slightly. The District enjoyed a successful financial year and operations improved.

The administration is aware of the fact that the increase in State funding will drop for the District over the next five years as demonstrated with the District's five-year forecast. The District is also experiencing a decline in student enrollment which results in less funding but proper planning by the administration reductions will occur if necessary. It will be important that all program expenses are monitored and controlled growth will be necessary to stay in line with the student population.

In table 3 below the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. The net costs are program costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, fees and donations.

(Table 3)
Total and Net Costs of Program Services
Governmental Activities

<u>Programs</u>	<u>Total Cost of Services 2004</u>	<u>Net Cost of Services 2004</u>
Instruction	\$5,489,154	\$3,618,945
Support Services:		
Pupils and Instructional Staff	562,064	555,276
Board of Education, Administration, Fiscal and Business Services	949,406	938,221
Operation and Maintenance of Plant	720,600	719,900
Pupil Transportation	542,213	192,463
Central	40,909	35,909
Extracurricular Activities	218,440	79,811
Food Service Operations	378,492	19,795
Interest and Fiscal Charges	398,495	398,495
 Total Expenses	 <u>\$9,299,773</u>	 <u>\$6,558,815</u>

THE DISTRICT'S FUNDS

As previously stated, these funds are accounted for using the modified accrual basis of accounting. All Governmental funds had total revenues of \$10,446,291 and expenditures of \$13,284,472. The net change in fund balance for the fiscal year was most significant in the Ohio School Facilities Commission Project Fund, an increase of \$733,160 due to the lag in the payment for expenses related to the project. The most significant decrease of \$742,481 in fund balance resulted in the Permanent Improvement fund due to the payment for the construction of a new administration office and purchase of land using revenue received in the prior fiscal year.

Lisbon Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

General Fund Financial Activity

The most significant Governmental Fund is the General Fund. The balance of the General Fund increased by \$167,395. Both State Foundation Revenue and Tax Revenue increased, while operational expenditures were controlled to facilitate a cash increase. Cash in the General Fund increased by twelve percent from \$1,409,559 in fiscal year 2003 to \$1,560,280 in the fiscal year 2004 which is an adjustment of \$96,872.

General Fund Budgetary Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the District, the General Fund. During the course of fiscal year 2004, the District amended its general fund budget numerous times. Many of the amendments reflect changes in expenditure priorities at the building level. For the general fund, the final budget basis revenue was \$7,140,420 representing a \$24,200 decrease from the original budget estimate of \$7,164,620. Most of this difference was due to a more optimistic estimate of the State foundation distribution as it relates to the pupil enrollment estimates. The general fund receipts were estimated within less than one percent of actual revenue. The District's general fund balance at end of year was \$1,506,432 reflecting additional funds budgeted but not expended or encumbered. The State of Ohio requires the District to submit a five-year-forecast on or before October 31st and a revised forecast between April 1st and May 31st regardless of the variance in the estimates versus actual activity. This is an additional process that ensures budgeting accuracies.

The District revises its budget throughout the fiscal year. During fiscal year 2004, there were no significant changes made in any of the expenditure line items. For the General Fund, the final budget basis expenditures reflected a decrease of \$23,773 which corresponded with the decrease in the revenue estimates. Modifications to the original budget included increases in instruction, board of education services, administrative salary and benefit accounts, business services benefit accounts, and central supplies. There were decreases in the original budget estimates in pupil and staff services salary accounts, fiscal services, operation and maintenance supplies accounts and pupil transportation accounts.

The District's building principals are given a per pupil allocation for textbook, instructional materials, services and equipment. HB412 requires the District to set aside three percent of certain general fund revenues for the purchase of textbooks and materials related to instruction which site-based budgets help to meet.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

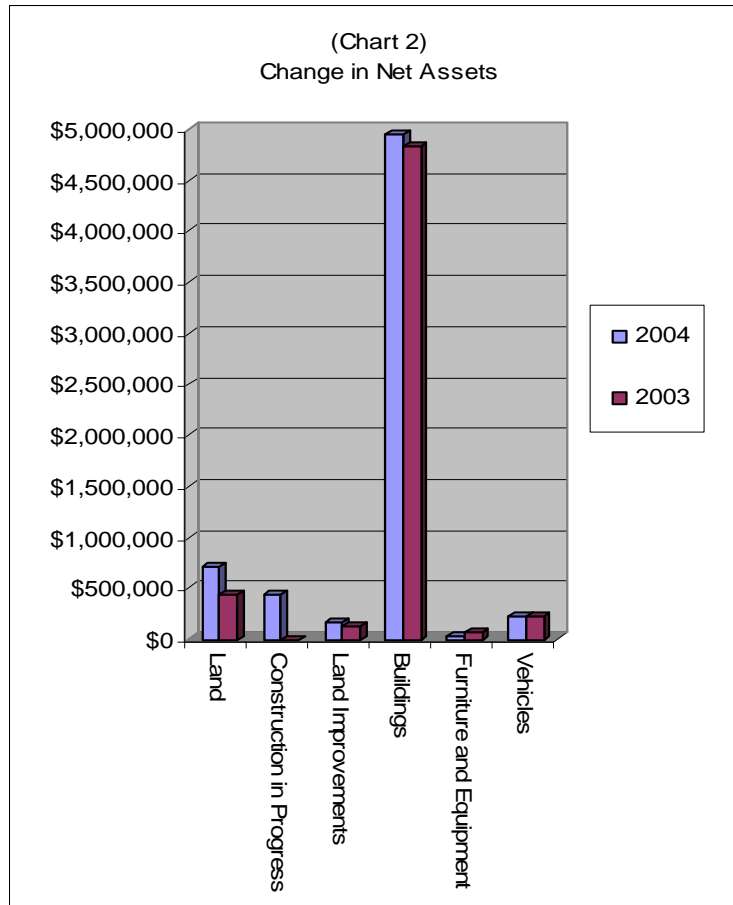
At the end of fiscal year 2004 the District has \$6,519,939 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. The following table shows ending balances of capital assets invested in various categories. Notice that we are showing a total increase of \$1,168,206 less the depreciation expense of \$354,638 which is a net increase of \$813,568. You may discern from the following table that there was a significant investment in capital assets during this accounting period. The District purchased a new school bus and completed the construction of a new administrative office building during the fiscal year. The District had also purchased additional property surrounding the high school and elementary school in order to facilitate the additions that will be part of the School Facilities Program. There was also an investment in the textbooks at both buildings. See Note 8 for further information on capital assets.

Lisbon Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Capital Assets
(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2004	2003
Land	\$713,800	\$434,800
Construction in Progress	444,000	0
Land Improvements	164,928	135,888
Buildings and Improvements	4,943,746	4,842,746
Furniture and Equipment	34,654	76,422
Vehicles	218,811	216,515
Totals	\$6,519,939	\$5,706,371

The graph below shows the category and depreciated value of our District's capital assets. It is apparent by reviewing this graph that the District has been investing heavily over the past in the two educational structures that make up the District along with the construction of a new administrative office. The capital asset threshold of the District is set at \$2,000 which eliminates the majority of the computers and other instructional support materials. The assets that fall below the threshold limit are tagged and tracked as movable equipment. This ensures that all assets of the District are being protected from theft or loss.



Lisbon Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

DEBT

At June 30th 2004 Lisbon Exempted Village School District had reduced its bonded debt to \$2,220,000. This year the District entered into an agreement with Fifth Third Securities, Inc. to purchase the 1992 General Obligation Bonds in the amount of \$2,220,000 which resulted in a net present value interest savings of \$226,894. The District paid \$100,000 in bond principal and \$145,793 in bond interest as well as reducing its note liability by \$50,000. There was a reduction in the capital lease obligation of \$108,833. See Note 13 and 14 for further information on debt.

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities 2004	Governmental Activities 2003
General Obligation Bonds:		
1992 Building Additions	\$0	\$2,320,000
Refunded General Obligation Bonds:		
Series, 2004	2,220,000	0
Unamortized Premium	168,139	0
Notes Payable:		
1997 Building Additions	750,000	800,000
Capital Lease	3,019,525	3,128,358
Total	\$6,157,664	\$6,248,358

As of June 30, 2004 the District's legal debt margin was \$3,946,323 with an unvoted debt margin of \$73,230. Capital leases do not count towards the District's legal debt margin. Neither Moody's nor Standard & Poor's currently rate the Lisbon Exempted Village School District.

School District Outlook

Lisbon Exempted Village School District is presently financially strong and trending toward maintaining its fiscal outlook. The Board of Education and administration closely monitor its revenue and expenditures in accordance with its financial forecast and the District Continuous Improvement Plan. The financial future of the District is not without its challenges though. These challenges are internal and external in nature. The internal challenges will continue to exist as the District must rely on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio determines how it will deal with the decision of the Ohio Supreme Court ruling the current funding system unconstitutional. Management is still optimistic about the future for this District; however the following facts could change this outlook for the better or worse.

The most recently filed five-year forecast shows that this District will not require the passage of any new additional operating millage over the next four years. The District has not requested any additional operating millage locally since 1980 which keeps the millage rate at 20 mills. The laws of Ohio require that voted millage remain above or at a 20 mill floor. Ohio also requires that the county auditor revalue all real estate every six years and an update every three years. The General fund tax collections have risen significantly over the last fourteen years due to the inflationary growth of the real estate tax base. House Bill 920 reduction of millage does not occur due to the fact that the District is at the 20 mill floor. There is no reason not to assume that this pattern of growth in real estate values will not continue into the future. Interestingly, state law exploits this local value increase by automatically decreasing the School Foundation revenue. The District will be in a position to continue to benefit from the real estate tax increases. Open enrollment funding comprises a major portion of the local revenue base. This source of revenue grows with

Lisbon Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

the per pupil allocation. The Board has discussed the fact that it may be necessary to go to the voters for additional operating funds, but many of the changes that have occurred in the state foundation system have begun to limit what options the District has in order to generate additional funding on a local level. The District receives funds that are called Charge-off Supplement (GAP) aid. This aid is called "GAP Aid" because its intent is to fill in any gap that exists between the local revenue raised by a district and the amount the foundation formula assumes the district should raise to meet its local share of formula aid, special education and vocational education weighted aid and transportation aid. Since this District's local revenue falls below the sum of the district's charge-off plus it's assumed local share of special education and vocational education weighted aid and transportation aid the state makes up the shortfall in charge-off supplemental aid. Local revenue consists of property taxes charged and payable for the current expenses for the tax year preceding the calendar year in which the fiscal year begins. This aid is suppose to guarantee that each pupil will receive the adequate base cost and categorical foundation amounts in state and local revenue combined. This source of funding equates to approximately 5.0 mills of the District's local tax base. Due to the structure of the funding calculation the District would loose those 5.0 mills if any other source of local funding was approved. This operates as a disincentive to pursue additional local funding due to the fact that the local residents would have to assume the first five 5.0 mills of taxation to break even and any additional funds would have to be added to the base. In the current political environment and the residents' reluctance to assume any additional taxation this becomes one of the most difficult external challenges to overcome.

We are dependent on outside factors for our future success. The Ohio School Funding Formula provides sixty percent of the revenue for Lisbon Exempted Village School District's General fund. The Governor has formulated a Blue Ribbon Task Force on Financing Student Success. This task force is comprised of gubernatorial appointees chosen for their knowledge and expertise in this area and includes legislators, school officials, state department representatives, business and union representatives. This task force was broken down into several committees one of which has been charged with developing a funding formula to provide equitable and adequate education for children throughout our State. Previous legislators' efforts added some revenue to the Lisbon Exempted Village Schools; however, much of the new revenue has restrictions that begin to inhibit the District's ability to spend for programs outside of the Continuous Improvement Plan objectives. While a significant increase in the State's financial efforts would be welcome, our forecasts do not take this possibility into account. We only anticipate a small increase in State revenue each year.

All insurance premiums and in particular health care premiums are slated to increase drastically. Management negotiated some significant changes in the medical program being offered to our staff and was able to see some savings in the premiums. The insurance industry is an area that is outside our control. Management has formed an insurance committee comprised of administrators, staff and industry experts to meet regularly to analyze the medical program and to attempt to control the costs. Health care cost containment has become a large issue for the future.

Lisbon Exempted Village Schools have eight teachers that are either currently eligible or approaching eligibility to retire over the next three years. When a veteran teacher retires, they are replaced by staff at a much lower cost if replaced at all. Due to the decline in the student enrollment being projected over the next five years there is a distinct possibility that not all of the eight staff would need to be replaced. This would have a positive affect on District finances.

As a result of the challenges mentioned above, it is imperative that the District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years.

In summary, the Lisbon Exempted Village School District has committed itself to financial and educational excellence for many years to come. The District has received the Government Finance Officers Association

Lisbon Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

(GFOA) Certificate of Achievement for Excellence in Financial Reporting and the Association of School Business Officials International (ASBO) Certificate of Excellence in Financial Reporting for the Comprehensive Annual Financial Report for the past three fiscal years.

Contacting the School District's Financial Management

These financial reports and discussions are designed to provide our students, citizens, taxpayers, investors and creditors with a complete disclosure of the School District's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us. If you have questions about this report or need additional financial information, please write Cynthia L. Altomare, Treasurer at Lisbon Exempted Village School District, 317 North Market Street, Lisbon, Ohio 44432 or call (330) 424-7714 or E-mail li_cindy@omeresanet.net.

Lisbon Exempted Village School District
Statement of Net Assets
June 30, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,660,401
Cash and Cash Equivalents	
With Fiscal Agents	1,673
Intergovernmental Receivable	10,342,714
Interest Receivable	15,840
Inventory Held for Resale	10,240
Prepaid Items	21,837
Property Taxes Receivable	2,275,372
Nondepreciable Capital Assets	1,157,800
Depreciable Capital Assets, Net	5,362,139
 <i>Total Assets</i>	 25,848,016
Liabilities	
Accounts Payable	283,015
Accrued Wages	800,600
Claims Payable	135,306
Intergovernmental Payable	182,784
Deferred Revenue	2,109,134
Matured Bonds Payable	1,000
Matured Interest Payable	673
Accrued Interest Payable	30,209
Long-Term Liabilities:	
Due Within One Year	1,018,573
Due In More Than One Year	5,549,410
 <i>Total Liabilities</i>	 10,110,704
Net Assets	
Invested in Capital Assets, Net of Related Debt	530,414
Restricted for:	
Capital Projects	14,432,535
Debt Service	165,596
Other Purposes	233,766
Unrestricted	375,001
 <i>Total Net Assets</i>	 \$15,737,312

See accompanying notes to the basic financial statements

Lisbon Exempted Village School District

Statement of Activities

For the Fiscal Year Ended June 30, 2004

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants, Contributions and Interest	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$4,497,565	\$950,576	\$438,703	\$26,400	(3,081,886)
Special	915,590	0	454,437	0	(461,153)
Vocational	75,999	93	0	0	(75,906)
Support Services:					
Pupils	380,182	0	6,788	0	(373,394)
Instructional Staff	181,882	0	0	0	(181,882)
Board of Education	37,301	0	0	0	(37,301)
Administration	643,109	0	11,185	0	(631,924)
Fiscal	231,539	0	0	0	(231,539)
Business	37,457	0	0	0	(37,457)
Operation and Maintenance of Plant	720,600	700	0	0	(719,900)
Pupil Transportation	542,213	49,985	299,765	0	(192,463)
Central	40,909	0	5,000	0	(35,909)
Extracurricular Activities	218,440	123,659	14,970	0	(79,811)
Food Service Operations	378,492	186,512	172,185	0	(19,795)
Interest and Fiscal Charges	398,495	0	0	0	(398,495)
Totals	\$9,299,773	\$1,311,525	\$1,403,033	\$26,400	(6,558,815)

General Revenues

Property Taxes Levied for:

General Purposes	1,423,747
Debt Service	357,704
Capital Projects	300,786
Grants and Entitlements not Restricted to Specific Programs	4,182,331
Investment Earnings	83,220

Total General Revenues 6,347,788

Change in Net Assets (211,027)

Net Assets Beginning of Year (Restated Note 21) 15,948,339

Net Assets End of Year \$15,737,312

See accompanying notes to the basic financial statements

Lisbon Exempted Village School District

*Balance Sheet
Governmental Funds
June 30, 2004*

	General	Debt Service	Permanent Improvement	Ohio School Facilities Commission Project	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$1,511,451	\$324,596	\$246,949	\$4,187,439	\$254,959	\$6,525,394
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	48,829	0	0	0	0	48,829
Cash and Cash Equivalents With Fiscal Agents	0	1,673	0	0	0	1,673
Taxes Receivable	1,537,921	367,763	333,294	0	36,394	2,275,372
Interest Receivable	0	0	0	15,840	0	15,840
Intergovernmental Receivable	13,750	0	0	10,250,612	78,352	10,342,714
Interfund Receivable	21,209	0	0	0	0	21,209
Inventory Held for Resale	0	0	0	0	10,240	10,240
Prepaid Items	21,837	0	0	0	0	21,837
Total Assets	\$3,154,997	\$694,032	\$580,243	\$14,453,891	\$379,945	\$19,263,108
Liabilities						
Accounts Payable	\$2,177	\$0	\$0	\$280,134	\$704	\$283,015
Accrued Wages	751,137	0	0	0	49,463	800,600
Accrued Interest Payable	0	10,429	12,441	0	0	22,870
Interfund Payable	0	0	0	0	21,209	21,209
Intergovernmental Payable	121,697	0	0	0	7,001	128,698
Deferred Revenue	1,486,716	356,347	322,997	10,250,612	111,283	12,527,955
Matured Bonds Payable	0	1,000	0	0	0	1,000
Matured Interest Payable	0	673	0	0	0	673
Total Liabilities	2,361,727	368,449	335,438	10,530,746	189,660	13,786,020
Fund Balances						
Reserved for Encumbrances	49,251	0	9,223	171,169	15,218	244,861
Reserved for Instructional Supplies	13,380	0	0	0	0	13,380
Reserved for Bus Purchases	1,991	0	0	0	0	1,991
Reserved for Property Taxes	51,205	11,416	10,297	0	1,119	74,037
Reserved for Budget Stabilization	33,458	0	0	0	0	33,458
Unreserved, Undesignated, Reported in:						
General Fund	643,985	0	0	0	0	643,985
Debt Service Funds	0	314,167	0	0	0	314,167
Special Revenue Funds	0	0	0	0	173,948	173,948
Capital Projects Funds	0	0	225,285	3,751,976	0	3,977,261
Total Fund Balances	793,270	325,583	244,805	3,923,145	190,285	5,477,088
Total Liabilities and Fund Balances	\$3,154,997	\$694,032	\$580,243	\$14,453,891	\$379,945	\$19,263,108

See accompanying notes to the basic financial statements

Lisbon Exempted Village School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2004*

Total Governmental Fund Balances	\$5,477,088
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	6,519,939
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property and Other Taxes	92,201
Intergovernmental	<u>10,326,620</u>
Total	10,418,821
An Internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	(49,128)
Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(54,086)
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(2,220,000)
General Obligation Bonds Premium	(168,139)
Notes Payable	(750,000)
Compensated Absences	(410,319)
Capital Lease	(3,019,525)
Accrued Interest Payable	<u>(7,339)</u>
Total	<u>(6,575,322)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$15,737,312</u></u>

See accompanying notes to the basic financial statements

Lisbon Exempted Village School District
Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2004

	General	Debt Service	Permanent Improvement	Ohio School Facilities Commission Project	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$1,379,079	\$357,515	\$299,997	\$0	\$33,932	\$2,070,523
Intergovernmental	4,719,903	52,628	39,747	1,410,000	714,323	6,936,601
Charges for Services	0	0	0	0	187,869	187,869
Interest	23,826	1,713	8,219	48,879	583	83,220
Tuition and Fees	983,202	0	0	0	0	983,202
Extracurricular Activities	0	0	0	0	133,140	133,140
Rentals	18,700	0	0	0	0	18,700
Contributions and Donations	17,362	0	0	0	15,674	33,036
Total Revenues	7,142,072	411,856	347,963	1,458,879	1,085,521	10,446,291
Expenditures						
Current:						
Instruction:						
Regular	3,722,137	0	0	0	279,720	4,001,857
Special	687,229	0	0	0	222,935	910,164
Vocational	74,770	0	0	0	0	74,770
Adult	0	0	0	0	0	0
Support Services:						
Pupils	361,975	0	0	0	22,140	384,115
Instructional Staff	145,755	0	0	0	23,582	169,337
Board of Education	37,547	0	0	0	0	37,547
Administration	536,182	0	0	0	71,696	607,878
Fiscal	225,264	0	0	0	3,347	228,611
Business	13,916	0	0	0	0	13,916
Operation and Maintenance of Plant	589,494	0	0	0	0	589,494
Pupil Transportation	415,822	0	0	0	3,704	419,526
Central	39,064	0	0	0	0	39,064
Food Service Operations	0	0	0	0	370,735	370,735
Extracurricular Activities	125,522	0	0	0	86,503	212,025
Capital Outlay	0	0	858,101	725,719	0	1,583,820
Debt Service:						
Principal Retirement	0	3,120,000	108,833	0	0	3,228,833
Interest and Fiscal Charges	0	289,270	123,510	0	0	412,780
Total Expenditures	6,974,677	3,409,270	1,090,444	725,719	1,084,362	13,284,472
<i>Excess of Revenues Over (Under) Expenditures</i>	167,395	(2,997,414)	(742,481)	733,160	1,159	(2,838,181)
Other Financing Sources						
Bonds Issued	0	2,220,000	0	0	0	2,220,000
Bond Premium	0	168,139	0	0	0	168,139
Long-Term Notes Issued	0	750,000	0	0	0	750,000
Total Other Financing Sources	0	3,138,139	0	0	0	3,138,139
Net Change in Fund Balances	167,395	140,725	(742,481)	733,160	1,159	299,958
Fund Balances Beginning of Year	625,875	184,858	987,286	3,189,985	189,126	5,177,130
Fund Balances End of Year	\$793,270	\$325,583	\$244,805	\$3,923,145	\$190,285	\$5,477,088

See accompanying notes to the basic financial statements

Lisbon Exempted Village School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds \$299,958

***Amounts reported for governmental activities in the
statement of activities are 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 as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	1,168,206	
Depreciation	(354,638)	
Total		813,568

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property and Other Local Taxes	11,714	
Grants	(1,369,259)	
Total		(1,357,545)

Some expenses reported in the statement of activities, such as compensated absences and contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	1,211	
Pension Obligation	10,610	
Total		11,821

Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.

Notes Issued	(750,000)	
Bonds Issued	(2,220,000)	
Total		(2,970,000)

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

General Obligation Bonds	2,320,000	
Long-term Notes	800,000	
Capital Lease	108,833	
Total		3,228,833

In the statement of activities interest is accrued on outstanding bonds, and notes, whereas in governmental funds an interest expenditure is reported when due.

Accrued Interest	14,285	
Bond Premium	(168,139)	
Total		(153,854)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue(expenses) of the internal service fund is allocated among the governmental activities.

(83,808)

Change in Net Assets of Governmental Activities (\$211,027)

See accompanying notes to the basic financial statements

Lisbon Exempted Village School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$1,401,961	\$1,381,550	\$1,381,550	\$0
Intergovernmental	4,727,779	4,720,258	4,720,451	193
Interest	14,000	21,071	23,826	2,755
Tuition and Fees	997,339	982,109	983,202	1,093
Rentals	20,000	18,450	18,700	250
Contributions and Donations	3,541	16,982	17,362	380
<i>Total Revenues</i>	<u>7,164,620</u>	<u>7,140,420</u>	<u>7,145,091</u>	<u>4,671</u>
Expenditures				
Current:				
Instruction:				
Regular	4,345,877	4,360,458	3,728,474	631,984
Special	993,058	995,783	691,416	304,367
Vocational	76,400	76,200	71,835	4,365
Adult Education	709	0	0	0
Support Services:				
Pupils	479,921	467,646	364,431	103,215
Instructional Staff	168,511	168,252	144,043	24,209
Board of Education	42,500	43,615	37,701	5,914
Administration	745,552	769,456	553,800	215,656
Fiscal	248,004	247,287	231,215	16,072
Business	14,615	15,170	13,870	1,300
Operation and Maintenance of Plant	708,673	681,389	600,684	80,705
Pupil Transportation	531,755	507,159	432,093	75,066
Central	42,086	42,283	39,639	2,644
Extracurricular Activities	154,880	154,070	117,808	36,262
<i>Total Expenditures</i>	<u>8,552,541</u>	<u>8,528,768</u>	<u>7,027,009</u>	<u>1,501,759</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,387,921)	(1,388,348)	118,082	1,506,430
Other Financing Uses				
Advance Out	0	(21,210)	(21,209)	1
<i>Net Change in Fund Balance</i>	(1,387,921)	(1,409,558)	96,873	1,506,431
<i>Fund Balance Beginning of Year</i>	1,289,844	1,289,844	1,289,844	0
Prior Year Encumbrances Appropriated	119,715	119,715	119,715	0
<i>Fund Balance End of Year</i>	<u>\$21,638</u>	<u>\$1</u>	<u>\$1,506,432</u>	<u>\$1,506,431</u>

See accompanying notes to the basic financial statements

Lisbon Exempted Village School District

Statement of Fund Net Assets

Internal Service Fund

June 30, 2004

	<u>Insurance</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$86,178
Liabilities	
Claims Payable	<u>135,306</u>
Net Assets	
Unrestricted (Deficit)	<u><u>(\$49,128)</u></u>

See accompanying notes to the basic financial statements

Lisbon Exempted Village School District
*Statement of Revenues,
 Expenses and Changes in Fund Net Assets
 Internal Service Fund
 For the Fiscal Year Ended June 30, 2004*

	Insurance
Operating Revenues	
Charges for Services	\$830,749
Operating Expenses	
Purchased Services	229,096
Claims	685,461
<i>Total Operating Expenses</i>	914,557
<i>Change in Net Assets</i>	(83,808)
<i>Net Assets Beginning of Year</i>	34,680
<i>Net Assets (Deficit) End of Year</i>	(\$49,128)

See accompanying notes to the basic financial statements

Lisbon Exempted Village School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2004

	Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$830,749
Cash Payments for Goods and Services	(229,096)
Cash Payments for Claims	(638,006)
<i>Net Decrease in Cash and Cash Equivalents</i>	(36,353)
<i>Cash and Cash Equivalents Beginning of Year</i>	122,531
<i>Cash and Cash Equivalents End of Year</i>	\$86,178
 Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$83,808)
Adjustments:	
Decrease in Claims Receivable	1,766
Increase in Claims Payable	45,689
<i>Net Cash Used for Operating Activities</i>	(\$36,353)

See accompanying notes to the basic financial statements

Lisbon Exempted Village School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2004

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$28,601</u>
Liabilities	
Due to Students	<u>\$28,601</u>

See accompanying notes to the basic financial statements

Lisbon Exempted Village School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 1 - Description of the District and Reporting Entity

Lisbon Exempted Village School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District operates under a locally-elected five member Board form of government and provides educational services as authorized by its charter and further mandated by state and federal agencies.

The District is located in Lisbon, Ohio, Columbiana County. The Board of Education controls the District's four instructional/support facilities staffed by 51 classified employees, 75 certificated full-time teaching personnel and 4 administrators who provide services to 1,156 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Lisbon Exempted Village School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Lisbon Exempted Village School District.

The District participates in two organizations which are defined as jointly governed organizations and two insurance purchasing pools. These organizations include the Columbiana County Career and Technical Center, the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Ohio School Business Officials' Association Workers' Compensation Group Rating Program and the Ohio School Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Lisbon Exempted Village School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund. The more significant of the District's accounting policies are described below.

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly

Lisbon Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. The fiduciary funds are reported by type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund - the general fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund -The debt service fund receives property taxes for the payment of general obligation bonds issued for additions to both the elementary and high schools.

Permanent Improvement Fund – The permanent improvement fund receives property taxes for the payment of the construction of a new administration building, lease-purchase of a bus garage facility and the rental for District's copier equipment.

Ohio School Facilities Commission Project Fund – The Ohio School Facilities Commission Project fund receives both State and local funds for the payment of the building renovations and additions to both the elementary and high schools.

The other governmental funds of the District account for grants and other resources whose uses are restricted to a particular purpose.

Proprietary Funds Proprietary funds reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal Service Fund – This fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost-reimbursement basis. The only internal service fund carried on the financial records of the District is related to self insurance. This fund accounts for the revenues and expenses related to the provision of medical, surgical, prescription drug and dental benefits to the District employees.

Fiduciary Fund Type - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds,

Lisbon Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student managed activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g., revenues and other financing sources) and uses (e.g., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of net assets. The statement of revenue, expenses and changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of the internal service fund activity.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Lisbon Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, fees and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures/Expenses On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. Budgetary allocations at the function and object level are made by the District Treasurer.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

Lisbon Exempted Village School District has invested funds during fiscal year 2004 in repurchase agreements, which are reported at cost, and in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2004.

Lisbon Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$23,826, which includes \$3,953 assigned from other District funds.

The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in these accounts are presented as "Cash and Cash Equivalents with Fiscal Agents" and represent deposits or short-term investments in certificates of deposits.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents.

G. Restricted Assets

Assets are reported as restricted when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund represent cash and cash equivalents required by statute to be set-aside by the District for the creation of a reserve for budget stabilization and unexpended revenues restricted to the purchase of school buses. See note 15 for additional information regarding set-asides.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

I. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in first-out basis and are expensed when used.

On fund financial statements, inventories of the governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventories in governmental funds consist of purchased and donated food held for resale. The cost of inventory items is recorded as expenditure in the governmental fund types when used.

J. Capital Assets

All of the District's capitalized assets are general capitalized assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land Improvements	20 years
Buildings and Improvements	50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	10 years

Lisbon Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the internal service fund financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes include food service operations and student activities.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, instructional supplies, bus purchases, property taxes, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principals but not available for appropriation under State Statute. The reserve for budget stabilization represents monies required to be set-aside by state statute to protect against cyclical changes in revenues and expenditures.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenue and expenses not meeting these definitions are reported as non-operating.

Lisbon Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and expenditures/expenses in the purchaser funds. Flow of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditure/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

R. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 – Accountability

The deficit balances in the following special revenue funds as of June 30, 2004 resulted from adjustments for accrued liabilities.

Reading Intervention	\$ 7,435
Title I	25,138
Title II-A	4,465

The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

The deficit of \$49,128 in the employee benefits self insurance fund was due to accrued liabilities adjustments. Management is currently analyzing ways to alleviate the deficit.

Note 4 - Budgetary Basis of Accounting

While the District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Lisbon Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balance	
GAAP Basis	\$167,395
Net Adjustment for Revenue Accruals	3,019
Net Adjustment for Expenditure Accruals	1,516
Advance Out	(21,209)
Adjustment for Encumbrances	(53,848)
Budget Basis	<u>\$96,873</u>

Note 5 - Deposits and Investments

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

Lisbon Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements".

Deposits At fiscal year-end, the carrying amount of the District's deposits was \$6,426,504 and the bank balance was \$65,972. The entire bank balance was covered by federal depository insurance.

Investments GASB Statement No. 3 requires the District's investments to be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Fair Value
Repurchase Agreement	\$133,284	\$133,284
STAROhio		130,887
Totals		\$264,171

The classification of cash and cash equivalents, and investments on the combined basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$6,690,675	\$0
Repurchase Agreement	(133,284)	133,284
STAROhio	(130,887)	130,887
<i>GASB Statement No. 3</i>	\$6,426,504	\$264,171

Note 6 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Lisbon Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property tax revenue received during calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternative payment dates to be established.

Public utility property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed as twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes received includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance of real property taxes at June 30, 2004, was \$23,841 in the general fund, \$6,069 in the bond retirement fund, \$5,474 in the permanent improvement fund, and \$595 in the OSFC maintenance levy fund. The amount available for advance of personal property taxes at June 30, 2004, was \$27,364 in the general fund, \$5,347 in the bond retirement fund, \$4,823 in the permanent improvement fund and \$524 in the OSFC maintenance levy fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$61,458,270	84.52%	\$62,697,120	85.62%
Public Utility	5,476,110	7.53	5,517,919	7.53
Tangible Personal Property	5,777,770	7.95	5,015,400	6.83
Total Assessed Value	<u>\$72,712,150</u>	<u>100.00%</u>	<u>\$73,230,439</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$37.12		\$36.30	

Lisbon Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 7 - Receivables

Receivables at June 30, 2004, consisted of taxes, accounts (rent), interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year except for the Ohio School Facilities Commission Project grant.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund:	
Special Education Transportation	\$13,464
Transportation Reimbursement	286
Total General Fund	<u>13,750</u>
Special Revenue Funds:	
Ohio School Facilities Commission Project	10,250,612
Food Service	2,344
Title I	54,800
Title II-A	7,586
Title II-D	1,514
Title IV	4,423
Reading Intervention	7,685
Total Special Revenue Funds	<u>10,328,964</u>
Total All Funds	<u>\$10,342,714</u>

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance			Balance
	June 30, 2003	Additions	Deletions	June 30, 2004
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$434,800	\$279,000	\$0	\$713,800
Construction in Progress	0	444,000	0	444,000
	<u>434,800</u>	<u>723,000</u>	<u>0</u>	<u>1,157,800</u>
Depreciable Capital Assets				
Land Improvements	496,484	51,017	0	547,501
Buildings and Improvements	7,542,357	330,417	(10,647)	7,862,127
Furniture, Fixtures and Equipment	637,347	9,822	0	647,169
Vehicles	726,092	53,950	(45,452)	734,590
Total at Historical Cost	<u>9,402,280</u>	<u>445,206</u>	<u>(56,099)</u>	<u>9,791,387</u>
Less Accumulated Depreciation:				
Land Improvements	(360,596)	(21,977)	0	(382,573)
Buildings and Improvements	(2,699,611)	(229,417)	(10,647)	(2,918,381)
Furniture, Fixtures and Equipment	(560,925)	(51,590)	0	(612,515)
Vehicles	(509,577)	(51,654)	(45,452)	(515,779)
Total Accumulated Depreciation	<u>(4,130,709)</u>	<u>(354,638) *</u>	<u>(56,099)</u>	<u>(4,429,248)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>5,271,571</u>	<u>90,568</u>	<u>0</u>	<u>5,362,139</u>
Governmental Activities Capital Assets, Net	<u>\$5,706,371</u>	<u>\$813,568</u>	<u>\$0</u>	<u>\$6,519,939</u>

Lisbon Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

- Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$251,206
Vocational	50
Support Services:	
Instructional Staff	9,555
Administration	8,262
Fiscal	515
Operations and Maintenance of Plant	4,339
Pupil Transportation	60,611
Central	130
Extracurricular Activities	8,164
Food Service Operations	11,806
	<hr/>
Total Depreciation Expenses	<u>\$354,638</u>

Note 9 - Risk Management

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the District contracted with Holloway Insurance which provided for property insurance coverage through Cincinnati Insurance Companies. The District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool to obtain liability coverage. Each individual school district enters into an agreement with the OSP and its premium is based on the types of coverage and limits of coverage, and deductibles that it selects. The District obtains its automotive coverage through the Ohio School Insurance Program through the Selective Insurance Company of South Carolina. The levels of coverage is listed below :

Type of Coverage	Amount
Building and Contents – replacement costs	17,223,792
Inland Marine Coverage	61,064
Crime Insurance	10,000
Extra Expense	500,000
Automobile Liability	2,000,000
Auto Medical Payments	5,000
Uninsured Motorists	1,000,000
General Liability	
Per Occurrence	1,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

B. Workers' Compensation

The District participates in the Ohio School Business Officials Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays

Lisbon Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost controls, and actuarial services to the GRP.

C. Other Employee Benefits

The District has elected to provide medical, surgical, prescription drugs and dental benefits through a self-insurance program. The District provides these benefits to all eligible District employees through a self funded insurance program. The District contracted with Benefit Services, Inc. to pay all claims incurred beginning January 1, 2003. The District pays 100 percent of the insurance premium costs for 94 percent of the staff. For the period covering July 1, 2003 through December 31, 2003 the District paid into the self-insurance internal service fund \$815.55 per family coverage per month and \$383.54 per single coverage per month. For the period of January 1 through June 30, 2004 the District contributed \$1,101.16 per family coverage per month and \$467.19 per single coverage per month. The premiums are paid by the fund that pays the salary for the employee and are based on historical cost information.

The claims liability of \$135,306 reported in the internal service fund at June 30, 2004 is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustments expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability for 2004 were:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2003	\$0	\$260,007	\$(172,156)	\$ 87,851
2004	87,851	685,461	(638,006)	135,306

Note 10 - Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614)222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS's Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$68,072, \$66,133, and \$66,010 respectively; 44.7 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

Lisbon Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. STRS issues a publicly available, stand-alone financial report that may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614)227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance base on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to allocate all of their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decisions to transfer their account balances from the existing DB Plan into the DC Plan or the combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Contributions to the DC and Combined Plans for fiscal year 2004 were \$2,099 made by the District and \$5,664 made by the plan members. The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$480,079, \$472,576, and \$498,514, respectively; 83.5 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

Note 11 - Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly

Lisbon Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$36,929 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll a decrease of .92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400 with a cap of 2% of total payroll. For the District, the amount to fund health care benefits, including surcharge, during the 2004 fiscal year equaled \$65,239.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003, (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 12 - Other Employee Benefits

A. *Compensated Absences*

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and the treasurer earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and the treasurer upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for both certified and classified employees. Upon retirement, payment is made according to negotiated agreements.

B. *Life Insurance*

The District provides term life and accidental death and dismemberment insurance to most employees through Sun Life Financial. Both full time certified and classified employees receive \$30,000, and District administrators receive \$50,000.

Note 13 - Long-term Obligations

The changes in the District's long-term obligations during fiscal year 2004 were as follows:

Lisbon Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

	Principal Outstanding 6/30/03	Additions	Deductions	Principal Outstanding 6/30/04	Amounts due in One Year
Governmental Activities					
General Obligation Bonds, 1992, 6.25%	\$2,320,000	\$0	\$2,320,000	\$0	\$0
Refunded General Obligation Bonds	0	2,220,000	0	2,220,000	155,000
Unamortized Premium	0	168,139	0	168,139	815
Bond Anticipation Notes, 2002, 1.675%	800,000	750,000	800,000	750,000	750,000
Compensated Absences	411,530	0	1,211	410,319	0
Capital Leases	3,128,358	0	108,833	3,019,525	112,758
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$6,659,888</u>	<u>\$3,138,139</u>	<u>\$3,230,044</u>	<u>\$6,567,983</u>	<u>\$1,018,573</u>

The 1992 General Obligation Bonds were originally issued in the amount \$3,085,000. These bonds were issued for the purpose of facility additions and remodeling. The District entered into an agreement with Fifth Third Securities, Inc. to purchase the 1992 General Obligation Bonds in the amount of \$2,220,000 dated April 1, 2004. The School Improvement Refunding Bonds, Series 2004 average interest rate was 3.85% compared to the rate of 6.25% on the 1992 General Obligation Bonds. This reduction in interest rate resulted in a net present value savings of \$226,984 to the District.

The \$800,000 bond anticipation note was rolled over into another note with a principal balance of \$750,000 on August 28, 2003. The new note will be paid from the debt service fund. The note matures on August 26, 2004. The interest payment will be \$12,565. This note was issued to add to existing buildings.

Capital lease obligations will be paid from the permanent improvement fund. The general obligation bonds will be paid from the debt service fund. Proceeds from the bond issue were used to add classrooms at both buildings and an auditorium at the high school. Compensated absences will be paid from the general, food service, Title I and Title II-A funds.

The District's overall legal debt margin was \$3,946,323 with an unvoted debt margin of \$73,230 at June 30, 2004.

Principal requirements to retire general obligation bonds outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2005	\$155,000	\$86,517	\$241,517
2006	130,000	83,667	213,667
2007	130,000	81,068	211,068
2008	135,000	78,418	213,418
2009	135,000	75,380	210,380
2010-2014	770,000	279,113	1,049,113
2015-2018	765,000	70,374	835,374
<i>Total</i>	<u>\$2,220,000</u>	<u>\$754,537</u>	<u>\$2,974,537</u>

Note 14 - Capital Leases - Lessee Disclosure

The District entered into a capital lease representing the local share obligation for Ohio School Facilities Commission Project participation, construction of a new administrative building and the purchase of property. At the time that the District entered into the lease, the buildings had not been constructed nor had the land been purchased. The entire amount will be paid to trade contractors for the construction of additions and renovations to the two District school buildings and has paid for the completion of the

Lisbon Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

administration building and to individual owners of property adjacent to District sites. The lease meets the criteria of a capitalized lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

This capital assets acquired by lease have been originally capitalized in the amount of \$933,000 with the balance of the \$2,058,000 for the local share obligation and deposited it into the Ohio School Facilities Commission Projects Fund until needed for the payment of contractors. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on this lease was \$6,207 leaving a current book value of \$926,793 as of June 30, 2004. Principal payments in fiscal year 2004 totaled \$58,000 in the governmental funds. The amount owed on the lease is \$2,933,000.

In prior years, the District entered into a capitalized lease for a bus garage. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets acquired by lease have been originally capitalized in the amount of \$350,000. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on this lease was \$46,200 leaving a current book value of \$303,800 as of June 30, 2004. Principal payments in fiscal year 2004 totaled \$50,833 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004:

	Amount
Fiscal Year Ending June 30, 2005	\$264,684
2006	241,005
2007	207,480
2008	208,033
2009	207,258
2010 - 2014	1,036,629
2015 - 2019	1,033,784
2020 - 2024	995,902
2025 - 2029	858,402
2030 - 2032	513,331
Total minimum lease payments	<u>5,566,508</u>
Less: Amount Representing Interest	2,546,983
Present Value of Minimum Lease Payments	<u>\$3,019,525</u>

Note 15 - Set-Aside Calculations and Fund Reserves

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. At June 30, 2004, only the unspent portion of certain workers' compensation refunds continues to be set aside.

Lisbon Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Improvements	Budget Stabilization
Set-Aside Reserve Balance as of June 30, 2003	\$0	\$0	\$33,458
Current Year Set-Aside Requirement	146,621	146,621	0
Reduction Authorized by Legislative Restrictions	0	0	0
Qualifying Disbursements	(133,241)	(146,621)	0
Current year offsets	0	0	0
Totals	<u>\$13,380</u>	<u>\$0</u>	<u>\$33,458</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$13,380</u>	<u>\$0</u>	<u>\$33,458</u>
Set-Aside Reserve Balance as of June 30, 2004	<u>\$13,380</u>	<u>\$0</u>	<u>\$33,458</u>

The District had qualifying disbursements during the fiscal year that reduced the capital improvement set-aside amount to zero. The total reserve balance for the three set-asides at the end of fiscal year was \$46,838.

Note 16 - Jointly Governed Organizations

Columbiana County Career and Technical Center - The Columbiana County Career and Technical Center is a distinct political subdivision of the State of Ohio. The Center is operated under the direction of a Board, consisting of one representative from each of the eight participating Districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Columbiana County Career and Technical Center, Office of the Treasurer, at 9364 State Route 45, Lisbon, Ohio 44432.

Ohio Mid-Eastern Regional Educational Service Agency – The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) is a computer service agency whose primary function is to provide information technology to its member school districts with the emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by OME-RESA include pupil scheduling, attendance and grade reporting; career guidance services; special education records; test scoring and EMIS.

OME-RESA is one of twenty-five regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code and their member school districts.

OME-RESA is owned and operated by forty-five member districts in eleven different counties. The superintendents from each member school district comprise the General Assembly. The General Assembly elects the Board of Directors consisting of a representative from each county within the approved geographic area. The superintendent of the fiscal agent district serves as chairman and the board elects a vice-chair annually. The Jefferson County Educational Service Center, Steubenville, Ohio acts as the fiscal agent for OME-RESA and assumes the budgetary responsibility. The District contributed \$19,138 for various fees associated with the agency's services during the 2004 fiscal year. To obtain financial information write to Jefferson County Educational Service Center, Office of the Treasurer, 2023 Sunset Boulevard, Steubenville, Ohio 43952.

Lisbon Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 17 - Insurance Purchasing Pools

Ohio School Business Officials' Association Workers' Compensation Group Rating Program - The District participates in the Ohio School Business Officials Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OASBO. The Executive Director of the OASBO, or his designee, serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Ohio School Plan - The District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Note 18 - State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding system is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding decision scheme that is thorough and efficient..."

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Note 19 - Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

B. Litigation

The District was not a party to any legal proceedings during the 2004 fiscal year.

Note 20 - Subsequent Event

On August 25, 2004 the District issued a bond anticipation note in the amount of \$600,000. The new note has an effective rate of interest of 2.48 percent and will mature on August 26, 2004.

Note 21 - Restatement of Net Assets

Net assets were understated by \$11,660,612 from \$4,287,727 to \$15,948,339 due to an understatement of intergovernmental receivables.

LISBON EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$40,968		\$40,968
National School Breakfast Program	2003 05-PU	10.553	6,559		6,559	
	2004 05-PU		22,311		22,311	
Total National School Breakfast Program			28,870		28,870	
National School Lunch Program	2003 LL-P4	10.555	35,660		35,660	
	2004 LL-P4		118,871		118,871	
Total National School Lunch Program			154,531		154,531	
Total U.S. Department of Agriculture - Nutrition Cluster			183,401	40,968	183,401	40,968
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1 2003	84.010	18,806		39,857	
	C1-S1 2004		199,623		188,487	
Total Title I Grants to Local Educational Agencies			218,429		228,344	
Title V Grant	C2-S1 2004	84.298	6,788		6,788	
Title II-D Grant	TJ-S1 2004	84.318	4,927		4,606	
Drug Free School Grant	DR-S1 2004	84.186	2,360		2,092	
(Title VI-R Grant	CR-S1 2003	84.340	0		8,066	
Assistive Tech Infusion Program	AT-S3 2004	84.352A	2,190		2,190	
Title II-A Grant	TR-S1-2004	84.367	54,919		51,476	
Total Department of Education			289,613		303,562	
Total Federal Receipts and Expenditures			\$473,014	\$40,968	\$486,963	\$40,968

The accompanying notes to this schedule are an integral part of this schedule.

**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2004**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B -- FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants and local receipts. It is assumed federal monies are expended first.

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Auditor of State Betty Montgomery

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Lisbon Exempted Village School District
Columbiana County
317 North Market Street
Lisbon, Ohio 44432

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lisbon Exempted Village School District, Columbiana County, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated November 8, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to the District's management in a separate letter dated November 8, 2004.

Lisbon Exempted Village School District
Columbiana County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 8, 2004



Auditor of State Betty Montgomery

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Lisbon Exempted Village School District
317 North Market Street
Lisbon, Ohio 44432

Compliance

We have audited the compliance of the Lisbon Exempted Village School District, Columbiana County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 8, 2004

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 ' .505**

**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under ' .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I (CFDA# 84.010)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 5, 2005**