



OHIO AUDITOR OF STATE  
**KEITH FABER**





**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY  
JUNE 30, 2018**

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COLUMBIANA COUNTY  
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# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lisbon Exempted Village School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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 Lisbon Exempted Village School District, Columbiana County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2019, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive style with a large, stylized "K" and "F".

Keith Faber  
Auditor of State

Columbus, Ohio

February 22, 2019

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**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*Unaudited*

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The discussion and analysis in the following pages includes tables and graphic illustrations representing the management's view of the overall performance of the Lisbon Exempted Village School District's (the "School District") financial activities for the fiscal year ended June 30, 2018. It is the Treasurer's responsibility to report annually on the status of operations and it is with great pleasure that I present to you this overview of the financial position of the School District. The overall intent of this discussion and analysis is to look at the School District's financial activities as a whole and how and why some facts may change its performance in the future. This is intended to be a clear presentation to our taxpayers and any others who may be interested in our School District's finances.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2018 are as follows:

- ✘ Net position increased significantly in fiscal year 2018 due mainly to changes in the net pension liability and net OPEB liability and the deferred outflows and deferred inflows of resources associated with these liabilities. The increase in net position was partially offset by a drop in property taxes receivable as well as a decrease in net capital assets resulting from current year depreciation outpacing capital asset additions.
- ✘ Total program expenses decreased in fiscal year 2018 due to changes in the net pension liability and net OPEB liability. Program expenses excluding amounts related to the net pension and net OPEB liabilities actually increased due to higher purchased service costs and higher capital outlay/maintenance expenditures during fiscal year 2018. Salaries and benefits remained consistent with the prior fiscal year largely attributable to certified and classified employees not receiving any base wage increases in fiscal year 2018.
- ✘ The School District's enrollment decreased from 915 students in fiscal year 2017 to 893 students in fiscal year 2018.

## **USING THIS ANNUAL REPORT**

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 Position* and the *Statement of Activities* provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Fund financial statements 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 School District's operations in more detail than the government-wide statements by providing information about the School District's most significant funds. In the case of Lisbon Exempted Village School District, the general and permanent improvement funds are the only significant funds.

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

#### *Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include *all assets and deferred outflows of resources* and

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*liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and non-instructional services.

### **Reporting the School District's Most Significant Funds**

Analysis of the School District's major funds begins on page 13. The fund financial statements 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. The School District's major governmental funds are the general fund and the permanent improvement fund.

***Governmental Funds*** Most of the School 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 School 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 Position and the Statement of Activities. The relationships (or differences) are reconciled in the financial statements.

***Proprietary Funds*** The School District maintains one proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District's internal service fund accounts for revenues used to account for the expenses related to the employer reimbursement to the employee for costs associated with spousal coverage medical insurance premiums.

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

### **The School District as a Whole**

The Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2018 compared to fiscal year 2017.

**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

**Table 1**  
 Net Position - Governmental Activities

	2018	2017	Change
<b>Assets</b>			
Current and Other Assets	\$8,057,961	\$8,156,897	(\$98,936)
Capital Assets	15,385,108	15,994,756	(609,648)
Total Assets	<u>23,443,069</u>	<u>24,151,653</u>	<u>(708,584)</u>
<b>Deferred Outflows of Resources</b>			
Pension	2,782,682	2,322,965	459,717
OPEB	91,996	14,325	77,671
Total Deferred Outflows of Resources	<u>2,874,678</u>	<u>2,337,290</u>	<u>537,388</u>
<b>Liabilities</b>			
Current and Other Liabilities	914,449	816,875	(97,574)
Long-term Liabilities:			
Due Within One Year	239,580	431,298	191,718
Due In More Than One year:			
Net Pension Liability	9,334,902	13,531,930	4,197,028
Net OPEB Liability	1,976,709	2,651,510	674,801
Other Amounts	3,681,239	3,896,811	215,572
Total Liabilities	<u>16,146,879</u>	<u>21,328,424</u>	<u>5,181,545</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,968,887	2,044,589	75,702
Pension	1,610,887	1,193,203	(417,684)
OPEB	350,483	0	(350,483)
Total Deferred Inflows of Resources	<u>3,930,257</u>	<u>3,237,792</u>	<u>(692,465)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	11,931,648	12,117,303	(185,655)
Restricted	1,957,528	2,221,420	(263,892)
Unrestricted (Deficit)	(7,648,565)	(12,415,996)	4,767,431
Total Net Position	<u>\$6,240,611</u>	<u>\$1,922,727</u>	<u>\$4,317,884</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$4,559,912 to \$1,922,727.

Total current and other assets decreased due mainly to a drop in property taxes receivable resulting from lower estimates certified by the County. Net capital assets decreased as a result of current year depreciation outpacing capital asset additions. Current liabilities increased due to higher accrued wages and benefits resulting from the timing of payroll dates. As of June 30, 2018, there were five payrolls remaining on the teacher contracts versus only four payrolls remaining at the end of the prior fiscal year. Net position increased significantly due to changes in the net pension liability and net OPEB liability and the deferred outflows and deferred inflows of resources associated with these liabilities.

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Table 2 shows the change in net position for fiscal years 2018 and 2017.

**Table 2**  
 Changes in Net Position  
 Governmental Activities

	2018	2017	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$1,259,039	\$1,310,232	(\$51,193)
Operating Grants and Contributions	1,404,060	1,497,372	(93,312)
Capital Grants	50,655	68,156	(17,501)
Total Program Revenues	<u>2,713,754</u>	<u>2,875,760</u>	<u>(162,006)</u>
General Revenues			
Property Taxes	2,074,035	2,163,576	(89,541)
Grants and Entitlements	5,906,176	5,862,803	43,373
Unrestricted Contributions	3,542	50	3,492
Interest	29,880	16,293	13,587
Miscellaneous	54,317	4,540	49,777
Total General Revenues	<u>8,067,950</u>	<u>8,047,262</u>	<u>20,688</u>
Total Revenues	<u>\$10,781,704</u>	<u>\$10,923,022</u>	<u>(\$141,318)</u>
<b>Program Expenses</b>			
Instruction:			
Regular	2,467,876	5,140,783	2,672,907
Special	945,571	1,272,709	327,138
Vocational	5,473	22,372	16,899
Intervention	3,255	1,943	(1,312)
Support Services:			
Pupils	521,240	691,708	170,468
Instructional Staff	129,218	325,990	196,772
Board of Education	43,836	34,762	(9,074)
Administration	301,225	772,823	471,598
Fiscal	222,302	296,006	73,704
Business	8,580	0	(8,580)
Operation and Maintenance of Plant	674,553	722,045	47,492
Pupil Transportation	217,992	318,514	100,522
Central	6,816	5,461	(1,355)
Operation of Non-Instructional Services:			
Food Service Operations	445,530	413,937	(31,593)
Other	0	415	415
Extracurricular Activities	283,549	283,920	371
Interest and Fiscal Charges	186,804	188,543	1,739
Total Expenses	<u>6,463,820</u>	<u>10,491,931</u>	<u>4,028,111</u>
Change in Net Position	4,317,884	431,091	3,886,793
Net Position Beginning of Year	1,922,727	N/A	
Net Position End of Year	<u>\$6,240,611</u>	<u>\$1,922,727</u>	<u>\$4,317,884</u>

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The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$14,325 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$384,126. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

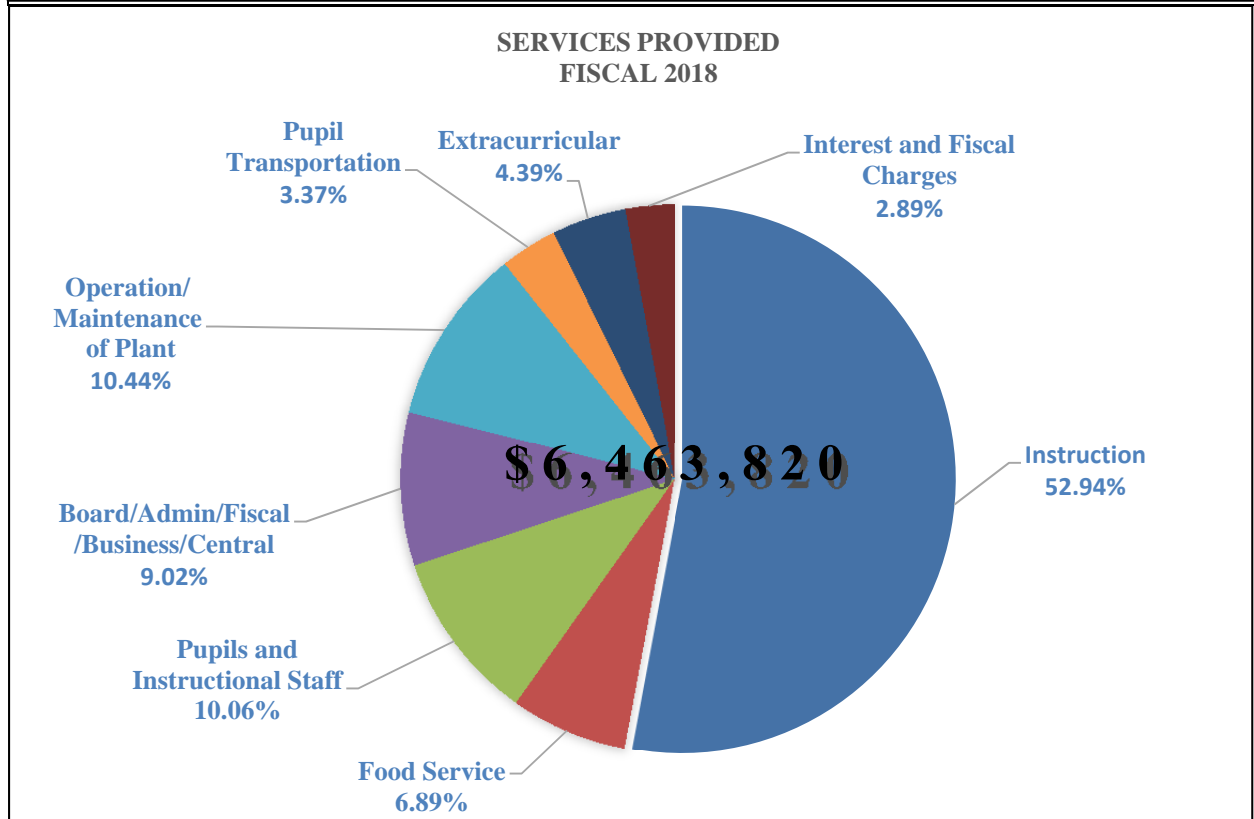
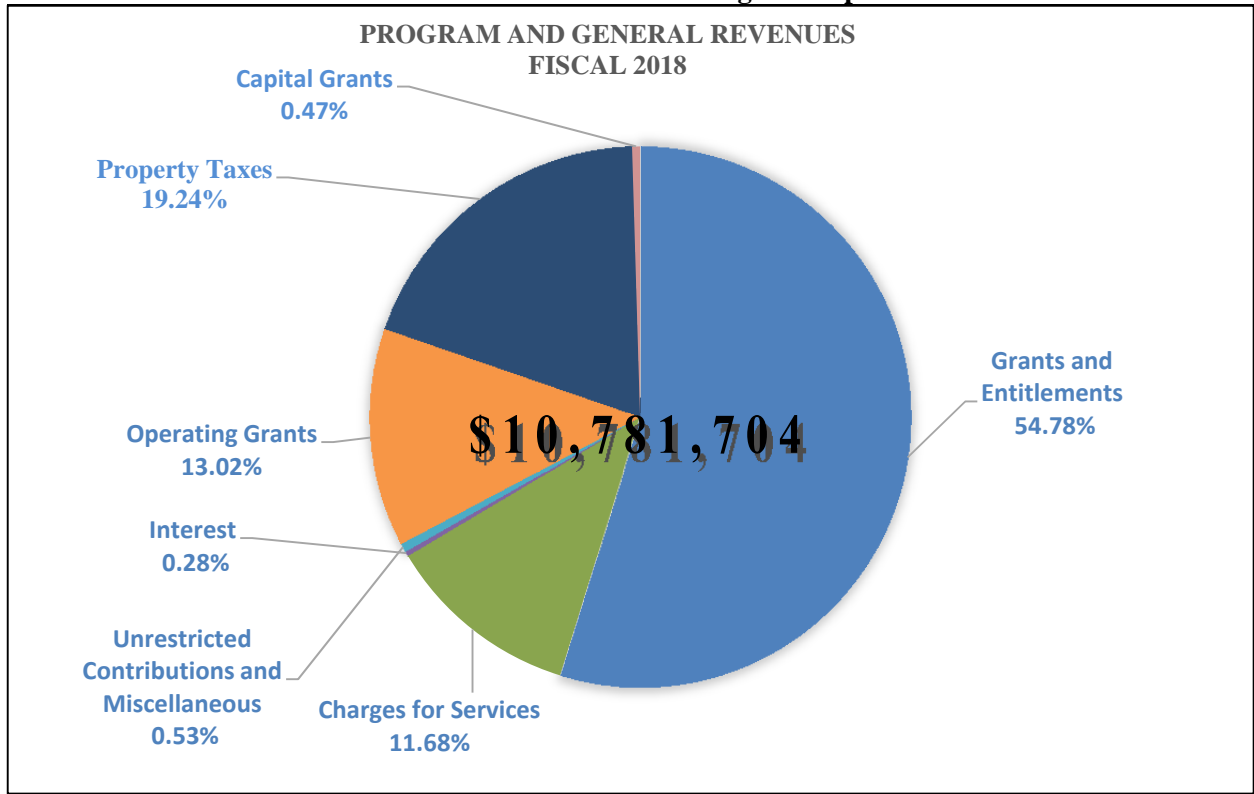
Total 2018 program expenses under GASB 75	\$6,463,820
Negative OPEB expense under GASB 75	384,126
2018 contractually required contribution	17,863
Adjusted 2018 program expenses	6,865,809
Total 2017 program expenses under GASB 45	10,491,931
Decrease in program expenses not related to OPEB	(\$3,626,122)

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 12) As a result of these changes, pension expense decreased from \$709,860 in fiscal year 2017 to a negative pension expense of \$3,612,035 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

<b>Program Expenses</b>	<b>2018 Program Expenses Related to Negative Pension Expense</b>
Instruction:	
Regular	(\$2,344,756)
Special	(394,912)
Vocational	(14,660)
Support Services:	
Pupils	(198,878)
Instructional Staff	(112,832)
Administration	(389,725)
Fiscal	(47,410)
Operation and Maintenance of Plant	(79,990)
Pupil Transportation	(26,589)
Operation of Non-Instructional Services:	
Food Service Operations	(2,283)
Total Expenses	(\$3,612,035)

**Lisbon Exempted Village School District**  
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**Chart 1**  
**Governmental Revenue and Program Expenses**



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Chart 1 graphically depicts the breakdown of both the School District's revenue sources and the types of services provided. The School District's reliance upon State funds is demonstrated by this chart which indicates that grants and entitlements, which include State foundation, compose 54.78 percent of the total revenue with property taxes making up 19.24 percent of total revenues. The largest percentage of the services provided at 52.94 percent was instruction, which would be appropriate.

**Analysis of overall financial position and results of operations**

All program revenues decreased for governmental activities in fiscal year 2018. Charges for services program revenues dropped as a result of lower rentals and extracurricular revenue. Operating grants and capital grants decreased due to reductions in restricted grant monies and e-rate reimbursements. General revenues increased in fiscal year 2018 primarily resulting from higher grants and entitlements received through State Foundation as well as to higher miscellaneous revenues which included an insurance claim settlement. Property taxes went down in fiscal year 2018 as a result of the bond retirement levy ending and the School District no longer collecting taxes on the levy.

Program expenses decreased in fiscal year 2018 due to changes in the net pension liability and net OPEB liability. As mentioned previously, pension expense decreased from \$709,860 in fiscal year 2017 to a negative pension expense of \$3,612,035 for fiscal year 2018, representing a total change of (\$4,321,895) attributable to changes in the net pension liability. The recording of a net OPEB liability resulted in a (\$384,126) change to program expenses.

Program expenses excluding amounts related to the net pension and net OPEB liabilities actually increased due to higher purchased service costs and higher capital outlay/maintenance expenditures during fiscal year 2018.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services for governmental activities. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
 Total and Net Cost of Program Services  
 Governmental Activities

	2018		2017	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$3,422,175	\$1,355,112	\$6,437,807	\$4,221,340
Support Services:				
Pupils and Instructional Staff	650,458	634,049	1,017,698	1,017,698
Board of Education, Administration, Fiscal and Business Services	575,943	575,943	1,103,591	1,103,591
Operation and Maintenance of Plant	674,553	591,156	722,045	670,158
Pupil Transportation	217,992	212,145	318,514	254,861
Central	6,816	6,816	5,461	5,461
Food Service Operations	445,530	(3,012)	413,937	(16,486)
Other Non-Instructional Services	0	0	415	415
Extracurricular Activities	283,549	191,053	283,920	170,590
Interest and Fiscal Charges	186,804	186,804	188,543	188,543
<b>Total</b>	<b>\$6,463,820</b>	<b>\$3,750,066</b>	<b>\$10,491,931</b>	<b>\$7,616,171</b>



**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

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**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 \$10,891,773 and total expenditures of \$10,904,814. Overall total revenues decreased by \$27,769 resulting from decreases in property taxes, rentals and extracurricular revenue. Total expenditures increased by \$766,404 due mainly to (1) increases in purchased services relating to professional and technical services, repairs and maintenance and open enrollment tuition payments to other districts and also to (2) increases in capital outlay expenditures relating to technical/computer equipment and the purchase of new school buses.

Despite an increase in expenditures, the general fund increased its fund balance by \$228,410 aided by an increase in intergovernmental monies received through State Foundation which helped to enable total revenues to continue exceeding total expenditures. Cash in the general fund increased by approximately 7.6 percent from \$3,408,822 in fiscal year 2017 to \$3,666,421 in fiscal year 2018 which is an increase of \$257,599. Despite an increase in capital outlay expenditures, the fund balance in the permanent improvement fund increased as property taxes and intergovernmental monies continued to outpace expenditures.

***General Fund Budgetary Highlights***

The School 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 School District, the general fund. During the course of fiscal year 2018, the School District amended its general fund budget numerous times which reflected changes in expenditure priorities at the building level. For the general fund, the final budget basis revenue was \$9,211,250 representing an \$181,900 increase from the original budget estimate of \$9,029,350 due mainly to higher estimated property taxes and intergovernmental revenue. The School District's general fund balance at end of year was \$3,596,787 reflecting additional funds budgeted but not expended or encumbered. The State of Ohio requires the School District to submit a five-year-forecast on or before October 31<sup>st</sup> and a revised forecast between April 1<sup>st</sup> and May 31<sup>st</sup> regardless of the variance in the estimates versus actual activity. This is an additional process that ensures budgeting accuracies.

The School District revises its budget throughout the fiscal year. During fiscal year 2018, there were some significant changes made in the different expenditure line items. For the general fund, final budget basis expenditures were higher than the original budget basis expenditures mainly due to increases in regular instruction and various support services. Total actual expenditures on the budget basis were less than final budgeted amounts. This is largely attributable to the School District's cost cutting measures.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of fiscal year 2018 the School District has \$15,385,108 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 depreciation expense of \$758,539 which accounts for the total decrease for the period. You may discern from the following table that there were additional investments in capital assets of \$148,891 during this accounting period. Capital asset additions for fiscal year 2018 included a new boiler, equipment for the food service and athletic departments and the purchase of two new school buses. See Note 10 for further information on capital assets.

**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*Unaudited*

**Table 4**

Capital Assets at June 30  
(Net of Depreciation)  
Governmental Activities

	2018	2017
Land	\$962,729	\$962,729
Land Improvements	211,665	243,387
Buildings and Improvements	13,167,535	13,719,569
Furniture and Equipment	929,051	1,059,921
Vehicles	114,128	9,150
<i>Total Capital Assets</i>	<b>\$15,385,108</b>	<b>\$15,994,756</b>

The capital asset threshold of the School District is set at \$2,500 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 helps ensure that all assets of the School District are being protected from theft or loss.

*Debt*

At June 30, 2018, the Lisbon Exempted Village School District had fully paid off its bonded debt. The School District paid \$205,000 in bond principal and \$3,946 in bond interest. See Notes 15 and 16 for further information on debt.

**Table 5**

Outstanding Debt at Fiscal Year End  
Governmental Activities

	2018	2017
Refunded General Obligation Bonds		
Series 2004	\$0	\$205,000
Capital Leases	3,453,460	3,672,453
<i>Total</i>	<b>\$3,453,460</b>	<b>\$3,877,453</b>

As of June 30, 2018, the School District's legal debt margin was \$8,610,947 with an unvoted debt margin of \$92,163. Capital leases do not count towards the School District's legal debt margin.

**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*Unaudited*

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**School District Outlook**

Lisbon Exempted Village School District is presently financially stable and working on maintaining its financial stability. 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 School District could possibly face financial challenges. These challenges are internal and external in nature. The internal challenges will continue to exist as the School District must attempt to contain operating costs while providing a fair wage to its employees and maintain the level of benefits guaranteed by contractual agreements. The economic conditions that exist today make it a challenge to forecast revenues too far into the future. The local external influences revolve around the local economy and the ability of the residents of the School District to support the existing programming. The reliance on the local property tax base has not changed. Other external challenges continue to evolve as the State of Ohio implements a new method for funding education in Ohio. Management is still optimistic about the future for this School District; however the following facts could change this outlook for the better or worse.

The School 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 regularly 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 School District is at the 20 mill floor. Due to the economy and the amount of home foreclosures experienced in the School District, it is being assumed that the normal inflationary growth will slow and possibly begin to trend to either zero or very minimal value increases. The slow or negative local tax value growth shifts the reliance more on the State funds. Open enrollment funding comprises a major portion of the local revenue base. This source of revenue grows with the per pupil allocation.

We are dependent on outside factors for our future success. The State Formula provides sixty-two percent of the revenue for Lisbon Exempted Village School District's general fund. The legislature has developed a new funding model that was put in place during fiscal year 2018. At this time, projections show the School District receiving an increase in the Capacity Aid portion of the State funding model for fiscal year 2019 and not any new additional State funding over the next two fiscal years. The School District is currently being capped in the amount of State funds that it can receive based on the previous fiscal year. Due to this fact, any changes in enrollment will not affect our State funding amounts received.

All insurance premiums and in particular health care premiums are estimated to increase by double digits over the next five years. 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 has five teachers that are either currently eligible or approaching eligibility to retire over the next five years. When a veteran teacher retires, they are replaced by staff at a much lower cost if replaced at all. The staffing needs are assessed each year over the summer months when the majority of new enrollments occur and the decision is made at that time whether a new staff member needs to be hired or not.

**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*Unaudited*

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As a result of the challenges mentioned above, it is imperative that the School 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. It will become necessary to develop strategies to be able to cope with the increasing needs of the School District's student population and matching those costs with the financial structure that exists that combines local revenue and the State foundation funding. Both sources of revenues will be limited in their growth potential over time. Locally it is becoming more of a financial strain on School District households to consider increasing the local property taxes it pays to support education. The current economic condition in the State affects the ability to increase funding for education. The School District administration acknowledges that fact and knows that it must be creative in managing a stagnate budget.

In summary, the Board of Education of the Lisbon Exempted Village School District has committed itself to financial and educational excellence for many years into the future.

**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 Vickie Browning-Prowitt, Treasurer at Lisbon Exempted Village School District, 317 North Market Street, Lisbon, Ohio 44432 or call (330) 424-7714 or E-mail [vickie.prowitt@omeresanet.net](mailto:vickie.prowitt@omeresanet.net).

## **Basic Financial Statements**

**Lisbon Exempted Village School District**

*Statement of Net Position*

*June 30, 2018*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,669,821
Accounts Receivable	2,534
Intergovernmental Receivable	202,790
Accrued Interest Receivable	10,563
Materials and Supplies Inventory	3,130
Inventory Held for Resale	10,601
Prepaid Items	12,579
Property Taxes Receivable	2,145,943
Nondepreciable Capital Assets	962,729
Depreciable Capital Assets, Net	<u>14,422,379</u>
<i>Total Assets</i>	<u>23,443,069</u>
<b>Deferred Outflows of Resources</b>	
Pension	2,782,682
OPEB	<u>91,996</u>
<i>Total Deferred Outflows of Resources</i>	<u>2,874,678</u>
<b>Liabilities</b>	
Accounts Payable	32,364
Accrued Wages and Benefits	757,631
Intergovernmental Payable	106,730
Accrued Interest Payable	17,724
Long-Term Liabilities:	
Due Within One Year	239,580
Due In More Than One Year:	
Net Pension Liability (See Note 12)	9,334,902
Net OPEB Liability (See Note 13)	1,976,709
Other Amounts	<u>3,681,239</u>
<i>Total Liabilities</i>	<u>16,146,879</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	1,968,887
Pension	1,610,887
OPEB	<u>350,483</u>
<i>Total Deferred Inflows of Resources</i>	<u>3,930,257</u>
<b>Net Position</b>	
Net Investment in Capital Assets	11,931,648
Restricted for:	
Debt Service	298,561
Capital Projects	812,413
Other Purposes	846,554
Unrestricted (Deficit)	<u>(7,648,565)</u>
<i>Total Net Position</i>	<u>\$6,240,611</u>

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2018*

	Program Revenues			Capital Grants	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions		
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$2,467,876	\$831,980	\$267,121	\$0	(\$1,368,775)
Special	945,571	222,071	743,669	0	20,169
Vocational	5,473	0	2,222	0	(3,251)
Intervention	3,255	0	0	0	(3,255)
Support Services:					
Pupils	521,240	0	0	0	(521,240)
Instructional Staff	129,218	0	16,409	0	(112,809)
Board of Education	43,836	0	0	0	(43,836)
Administration	301,225	0	0	0	(301,225)
Fiscal	222,302	0	0	0	(222,302)
Business	8,580	0	0	0	(8,580)
Operation and Maintenance of Plant	674,553	850	31,892	50,655	(591,156)
Pupil Transportation	217,992	5,847	0	0	(212,145)
Central	6,816	0	0	0	(6,816)
Food Service Operations	445,530	117,035	331,507	0	3,012
Extracurricular Activities	283,549	81,256	11,240	0	(191,053)
Interest and Fiscal Charges	186,804	0	0	0	(186,804)
<b>Totals</b>	<b>\$6,463,820</b>	<b>\$1,259,039</b>	<b>\$1,404,060</b>	<b>\$50,655</b>	<b>(3,750,066)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	1,670,361
Other Purposes	34,123
Capital Projects	369,551

Grants and Entitlements not Restricted

to Specific Programs	5,906,176
Unrestricted Contributions	3,542
Investment Earnings	29,880
Miscellaneous	54,317

**Total General Revenues** **8,067,950**

Change in Net Position 4,317,884

*Net Position Beginning of Year - Restated (See Note 3)* 1,922,727

*Net Position End of Year* \$6,240,611

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2018*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,666,421	\$608,708	\$1,263,048	\$5,538,177
Property Taxes Receivable	1,728,481	381,797	35,665	2,145,943
Accounts Receivable	2,534	0	0	2,534
Intergovernmental Receivable	87,835	0	114,955	202,790
Accrued Interest Receivable	10,563	0	0	10,563
Materials and Supplies Inventory	0	0	3,130	3,130
Inventory Held for Resale	0	0	10,601	10,601
Prepaid Items	12,350	0	229	12,579
<i>Total Assets</i>	<u>\$5,508,184</u>	<u>\$990,505</u>	<u>\$1,427,628</u>	<u>\$7,926,317</u>
<b>Liabilities</b>				
Accounts Payable	\$22,143	\$0	\$10,221	\$32,364
Accrued Wages and Benefits	720,106	0	37,525	757,631
Intergovernmental Payable	98,838	0	7,892	106,730
<i>Total Liabilities</i>	<u>841,087</u>	<u>0</u>	<u>55,638</u>	<u>896,725</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	1,586,810	349,335	32,742	1,968,887
Unavailable Revenue	97,613	22,369	96,316	216,298
<i>Total Deferred Inflows of Resources</i>	<u>1,684,423</u>	<u>371,704</u>	<u>129,058</u>	<u>2,185,185</u>
<b>Fund Balances</b>				
Nonspendable	12,350	0	3,359	15,709
Restricted	0	618,801	1,261,029	1,879,830
Committed	44,229	0	0	44,229
Assigned	1,187,392	0	0	1,187,392
Unassigned (Deficit)	1,738,703	0	(21,456)	1,717,247
<i>Total Fund Balances</i>	<u>2,982,674</u>	<u>618,801</u>	<u>1,242,932</u>	<u>4,844,407</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$5,508,184</u>	<u>\$990,505</u>	<u>\$1,427,628</u>	<u>\$7,926,317</u>

See accompanying notes to the basic financial statements



**Lisbon Exempted Village School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2018*

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<b>Total Governmental Fund Balances</b>	<b>\$4,844,407</b>
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*Amounts reported for governmental activities in the  
 statement of net position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	15,385,108
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Other long-term assets are not available to pay for current period expenditures and therefore are unavailable revenues in the funds:

Delinquent Property Taxes	121,996
Intergovernmental	94,302
	121,996

Total	216,298
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In the statement of activities, interest is accrued on outstanding leases, whereas in governmental funds, an interest expenditure is reported when due.	(17,724)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences	(467,359)
Capital Leases	(3,453,460)
	(3,453,460)

Total	(3,920,819)
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The net pension liability and net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	2,782,682
Deferred Outflows - OPEB	91,996
Net Pension Liability	(9,334,902)
Net OPEB Liability	(1,976,709)
Deferred Inflows - Pension	(1,610,887)
Deferred Inflows - OPEB	(350,483)
	(350,483)

Total	(10,398,303)
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The 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 is included in governmental activities in the statement of net position.

	131,644
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<i>Net Position of Governmental Activities</i>	<b><u><u>\$6,240,611</u></u></b>
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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, 2018*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$1,717,651	\$378,967	\$35,061	\$2,131,679
Intergovernmental	6,479,632	50,655	859,283	7,389,570
Interest	29,880	0	4,647	34,527
Tuition and Fees	1,053,925	0	0	1,053,925
Charges for Services	8,093	0	118,997	127,090
Extracurricular Activities	24,270	0	52,904	77,174
Contributions and Donations	3,542	0	19,099	22,641
Rentals	850	0	0	850
Miscellaneous	54,317	0	0	54,317
<i>Total Revenues</i>	<u>9,372,160</u>	<u>429,622</u>	<u>1,089,991</u>	<u>10,891,773</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,477,623	0	247,906	4,725,529
Special	1,201,332	0	240,402	1,441,734
Vocational	24,107	0	0	24,107
Student Intervention Services	3,255	0	0	3,255
Support Services:				
Pupils	777,753	0	0	777,753
Instructional Staff	249,833	0	25,755	275,588
Board of Education	42,010	0	0	42,010
Administration	790,269	0	0	790,269
Fiscal	282,136	0	815	282,951
Operation and Maintenance of Plant	703,972	0	99,464	803,436
Pupil Transportation	260,753	0	0	260,753
Central	6,816	0	0	6,816
Food Service Operations	0	0	438,944	438,944
Extracurricular Activities	198,603	0	82,085	280,688
Capital Outlay	0	128,325	9,557	137,882
Debt Service:				
Principal Retirement	77,993	141,000	205,000	423,993
Interest and Fiscal Charges	47,295	137,865	3,946	189,106
<i>Total Expenditures</i>	<u>9,143,750</u>	<u>407,190</u>	<u>1,353,874</u>	<u>10,904,814</u>
<i>Net Change in Fund Balances</i>	228,410	22,432	(263,883)	(13,041)
<i>Fund Balances Beginning of Year</i>	<u>2,754,264</u>	<u>596,369</u>	<u>1,506,815</u>	<u>4,857,448</u>
<i>Fund Balances End of Year</i>	<u>\$2,982,674</u>	<u>\$618,801</u>	<u>\$1,242,932</u>	<u>\$4,844,407</u>

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, 2018*

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**Net Change in Fund Balances - Total Governmental Funds** (\$13,041)

*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 depreciation exceeded capital outlay in the current period:

Capital Outlay	148,891
Current Year Depreciation	<u>(758,539)</u>

Total (609,648)

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

Delinquent Property Taxes	(57,644)
Intergovernmental	<u>(52,425)</u>

Total (110,069)

Repayment of bond principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

423,993

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

2,302

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

(16,703)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:

Pension	627,026
OPEB	<u>17,863</u>

Total 644,889

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities:

Pension	3,612,035
OPEB	<u>384,126</u>

Total 3,996,161

*Change in Net Position of Governmental Activities* \$4,317,884

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, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,690,795	\$1,711,000	\$1,712,418	\$1,418
Intergovernmental	6,228,767	6,377,200	6,420,468	43,268
Interest	34,587	35,000	40,915	5,915
Tuition and Fees	1,035,031	1,047,400	1,058,408	11,008
Charges for Services	3,115	3,150	7,393	4,243
Rentals	1,000	1,000	1,384	384
Miscellaneous	36,055	36,500	54,317	17,817
<i>Total Revenues</i>	9,029,350	9,211,250	9,295,303	84,053
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,872,750	5,037,100	4,416,911	620,189
Special	1,543,260	1,549,885	1,180,608	369,277
Vocational	30,720	35,605	23,494	12,111
Student Intervention Services	11,500	4,425	3,556	869
Support Services:				
Pupils	795,325	907,015	770,495	136,520
Instructional Staff	293,650	312,700	249,767	62,933
Board of Education	40,390	50,340	41,998	8,342
Administration	880,732	947,190	801,197	145,993
Fiscal	326,955	349,305	285,360	63,945
Operation and Maintenance of Plant	965,250	1,086,520	820,691	265,829
Pupil Transportation	510,080	430,510	319,794	110,716
Central	8,250	8,250	6,731	1,519
Extracurricular Activities	210,590	215,265	164,825	50,440
<i>Total Expenditures</i>	10,489,452	10,934,110	9,085,427	1,848,683
<i>Net Change in Fund Balance</i>	(1,460,102)	(1,722,860)	209,876	1,932,736
<i>Fund Balance Beginning of Year</i>	3,253,987	3,253,987	3,253,987	0
Prior Year Encumbrances Appropriated	132,924	132,924	132,924	0
<i>Fund Balance End of Year</i>	\$1,926,809	\$1,664,051	\$3,596,787	\$1,932,736

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**

*Statement of Fund Net Position*

*Internal Service Fund*

*June 30, 2018*

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	<u>Insurance</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$131,644</u>
<b>Net Position</b>	
Unrestricted	<u>\$131,644</u>

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2018*

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	<u>Insurance</u>
<b>Operating Revenues</b>	\$0
<b>Operating Expenses</b>	<u>0</u>
<i>Change in Net Position</i>	0
<i>Net Position Beginning of Year</i>	<u>131,644</u>
<i>Net Position End of Year</i>	<u><u>\$131,644</u></u>

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, 2018*

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	<u>Insurance</u>
<i><b>Increase (Decrease) in Cash and Cash Equivalents</b></i>	
<b>Cash Flows from Operating Activities</b>	\$0
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>131,644</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$131,644</u></u>

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**

*Statement of Fiduciary Assets and Liabilities*

*Agency Fund*

*June 30, 2018*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$49,177</u>
<b>Liabilities</b>	
Due to Students	<u>\$49,177</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, 2018*

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### **Note 1 – Description of the School District and Reporting Entity**

Lisbon Exempted Village School District (the “School District”) operates under a locally elected Board form of government and provides educational services as authorized by state and federal agencies. This Board controls the School District’s 5 instructional/support facilities staffed by 59 certificated employees, 36 non-certificated employees and 6 administrative employees to provide services to 893 students and other community members. The School District was organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District is located in Columbiana County and serves an area of approximately 25 square miles including all of the territory of the Village of Lisbon, and portions of Center and Elkrun Townships.

#### *Reporting Entity*

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School 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 School District participates in three jointly governed organizations, one insurance purchasing pool and one risk sharing pool. These organizations include the Columbiana County Career and Technical Center, the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Ohio Schools’ Council, Sheakley/Better Business Bureau of Central Ohio Group Rating Program and the Portage Area School Consortium. These organizations are presented in Notes 18 and 19 to the basic financial statements.

### **Note 2 – Summary of Significant Accounting Policies**

The financial statements of School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District’s accounting policies.

## **Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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### ***Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net position 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 position and the statement of activities display information about the School 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" revenue and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School 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 School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly 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 School District, with certain limited 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 School District.

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School 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 School 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

### ***Fund Accounting***

The School 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. The various funds of the School District are grouped into the categories 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

## **Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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

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

***Proprietary Funds*** Proprietary funds reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds. The following is a description of the School 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 School District on a cost-reimbursement basis. The School District utilizes an internal service fund to account for any unanticipated run-off claims not covered by their Shared Risk Pool's reserve as well as monies paid as reimbursement to employees for costs associated with spousal coverage medical insurance premiums.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student managed activities.

### ***Measurement Focus***

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

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources 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 a reconciliation 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of the internal service fund activity.

## **Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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### ***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 and the statement of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, 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 are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School 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 8). 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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 Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 12 and 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 21. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13)

## **Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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**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.

### ***Budgetary Data***

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. The Treasurer has been given authority to allocate board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and 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.

### ***Cash and Investments***

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

The School District has invested funds during fiscal year 2018 in the State Treasury Asset Reserve of Ohio (STAR Ohio), First American Treasury Obligations Fund money market, negotiable certificates of deposit, federal national mortgage association notes, federal home loan mortgage corporation notes and US Treasury bills. Except STAR Ohio, investments are reported at fair value.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

## **Lisbon Exempted Village School District**

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018*

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For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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 2018 amounted to \$29,880, which includes \$7,553 assigned from other School District funds.

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 School District are presented on the financial statements as cash equivalents.

#### ***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which the services are consumed.

#### ***Inventory***

Inventories are presented at cost and donated commodities are presented at their entitlement value. Inventories are presented on a first-in, first-out basis and are expended/expensed when used. Inventories consist of donated and purchased food held for resale.

#### ***Capital Assets***

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net position but are not reported on the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting assets by backtrending (i.e. estimating the current replacement cost of the asset to be capitalized and using an appropriate price-index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School 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.

## **Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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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:

<u>Descriptions</u>	<u>Governmental Activities Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	40 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	10 years

### ***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 School District will compensate the employees for the benefits through paid time off or some other means.

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 School District's past experience of making termination payments.

### ***Pensions/Other Postemployment Benefits (OPEB)***

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

### ***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Capital leases are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

## Lisbon Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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### ***Net Position***

Net position represents the difference between all other elements in the financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position restricted for other purposes include food service operations, student activities and facilities maintenance.

The School District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

### ***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the Board of Education. In the general fund, assigned amounts represent intended uses established by the Board of Education or by a School District official delegated that authority by resolution or State Statute. State Statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Board of Education has assigned fund balance for support services and to cover a gap between revenues and appropriations in fiscal year 2019’s appropriated budget.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.



## Lisbon Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

### ***Operating Revenues and Expenses***

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

### ***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 – Change in Accounting Principle and Restatement of Net Position**

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	\$4,559,912
Adjustments:	
Net OPEB Liability	(2,651,510)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>14,325</u>
Restated Net Position June 30, 2017	<u><u>\$1,922,727</u></u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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**Note 4 – Budgetary Basis of Accounting**

While the School 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) as opposed to when susceptible to accrual (GAAP).
2. Investments are reported at cost (budget basis) rather than fair value (GAAP basis).
3. Budgetary revenues and expenditures of the public school support fund are reclassified to the general fund for GAAP Reporting.
4. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
5. Encumbrances are treated as expenditures (budget) rather than restricted, committed, or assigned fund balance (GAAP).

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

Net Change in Fund Balance	
GAAP Basis	\$228,410
Net Adjustment for Revenue Accruals	(69,387)
Beginning Fair Value Adjustment for Investments	(3,787)
Ending Fair Value Adjustment for Investments	25,385
Perspective Difference:	
Public School Support	2,010
Net Adjustment for Expenditure Accruals	93,865
Encumbrances	(66,620)
Budget Basis	<u><u>\$209,876</u></u>

**Note 5 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

Fund Balances	General	Permanent Improvement	Other Governmental Funds	Total
Nonspendable:				
Prepays	\$12,350	\$0	\$229	\$12,579
Materials and Supplies Inventory	0	0	3,130	3,130
<i>Total Nonspendable</i>	<u>12,350</u>	<u>0</u>	<u>3,359</u>	<u>15,709</u>
Restricted for:				
Debt Service	0	0	316,285	316,285
Capital Projects	0	618,801	171,243	790,044
Food Service	0	0	620,520	620,520
Facilities Maintenance	0	0	115,937	115,937
Student Activities	0	0	37,044	37,044
<i>Total Restricted</i>	<u>0</u>	<u>618,801</u>	<u>1,261,029</u>	<u>1,879,830</u>
Committed to:				
ESC Services	44,229	0	0	44,229
Assigned to:				
Support Services	28,399	0	0	28,399
Purchases on Order:				
Personal Services	2,151	0	0	2,151
Purchased Services	9,229	0	0	9,229
Materials and Supplies	9,503	0	0	9,503
FY 2019 Operations	1,138,110	0	0	1,138,110
<i>Total Assigned</i>	<u>1,187,392</u>	<u>0</u>	<u>0</u>	<u>1,187,392</u>
Unassigned (Deficit)	1,738,703	0	(21,456)	1,717,247
<b>Total Fund Balance</b>	<u><u>\$2,982,674</u></u>	<u><u>\$618,801</u></u>	<u><u>\$1,242,932</u></u>	<u><u>\$4,844,407</u></u>

**Note 6 – Fund Deficits**

The deficit balances in the following special revenue funds as of June 30, 2018, resulted from adjustments for accrued liabilities.

ECE Preschool Grant	\$3,360
Title I Grant	14,330
Title II-A Grant	3,766

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

**Note 7 – Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

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

## **Lisbon Exempted Village School District**

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018*

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Inactive deposits are public deposits that the Board 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.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to 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, and Government National Mortgage 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 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 daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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 School 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

## Lisbon Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

### ***Deposits***

***Custodial credit risk*** for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2018, \$840,014 of the School District's total bank balance of \$2,531,656 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The School District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 58.65 percent resulting in the uninsured and uncollateralized balance.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

### ***Investments***

Investments are reported at fair value. As of June 30, 2018, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percentage of Total Investments
Net Asset Value (NAV) per share:				
STAR Ohio	\$5,222	Average 48.9 Days	AAAm	N/A
Fair Value - Level One Inputs:				
Treasury Obligations Money Market	8,602	Less than one year	AAAm	N/A
Fair Value - Level Two Inputs:				
Negotiable Certificates of Deposit	346,266	Less than one year	N/A	9.94%
Negotiable Certificates of Deposit	1,346,129	More than one year	N/A	38.63%
Federal National Mortgage Association Notes	307,035	Less than one year	AA+	8.81%
Federal National Mortgage Association Notes	341,222	Less than three years	AA+	9.79%
Federal Home Loan Mortgage Corporation Notes	278,302	Less than two years	AA+	7.99%
US Treasury Bills	851,747	Less than one year	AA+	24.44%
<b>Total</b>	<b><u><u>\$3,484,525</u></u></b>			

## **Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2018. The treasury obligations money market is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

**Interest Rate Risk** As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Credit Risk** Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

**Concentration of Credit Risk** The School District places no limit on the amount it may invest in any one issuer.

### **Note 8 – Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Columbiana County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2018, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

## Lisbon Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2018, 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 inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance of real property taxes at June 30, 2018, was \$44,058 in the general fund, \$10,093 in the permanent improvement fund and \$909 in the OSFC maintenance levy fund. The amount available as an advance of real property taxes at June 30, 2017, was \$38,825 in the general fund, \$8,918 in the permanent improvement fund and \$803 in the OSFC maintenance levy fund.

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$80,842,100	88.59 %	\$81,099,340	88.00 %
Public Utility Personal	10,415,950	11.41	11,063,570	12.00
Total	<u>\$91,258,050</u>	<u>100.00 %</u>	<u>\$92,162,910</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$31.20		\$31.20	

### ***Tax Abatements***

The School District's property taxes were reduced by \$5,441 for fiscal year 2018 under community urban redevelopment agreements entered into by Columbiana County.

### **Note 9 – Receivables**

Receivables at June 30, 2018, consisted of taxes, accrued interest, accounts 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, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectable, include some portion of delinquencies that will not be collected within one year.

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Title I Grant	\$57,830
School Employees Retirement System Refund	45,151
Title VI-B Rural and Low Income Grant	22,006
IDEA-B Special Education Grant	20,467
Bureau of Workers' Compensation Rebate	17,956
School Foundation Payment Report Adjustments	14,572
Medicaid Reimbursement	10,156
Improving Teacher Quality Grant	6,093
ECE Preschool Grant	6,070
Federal Lunch Subsidy	2,489
Total	\$202,790

**Note 10 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$962,729	\$0	\$0	\$962,729
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,023,944	0	0	1,023,944
Buildings and Improvements	23,750,260	20,000	0	23,770,260
Furniture, Fixtures and Equipment	2,918,049	7,155	0	2,925,204
Vehicles	528,313	121,736	(157,612)	492,437
<i>Total Capital Assets, being depreciated</i>	28,220,566	148,891	(157,612)	28,211,845
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(780,557)	(31,722)	0	(812,279)
Buildings and Improvements	(10,030,691)	(572,034)	0	(10,602,725)
Furniture, Fixtures and Equipment	(1,858,128)	(138,025)	0	(1,996,153)
Vehicles	(519,163)	(16,758)	157,612	(378,309)
<i>Total Accumulated Depreciation</i>	(13,188,539)	(758,539) *	157,612	(13,789,466)
<i>Total Capital Assets, being depreciated, net</i>	15,032,027	(609,648)	0	14,422,379
<b>Governmental Activities Capital Assets, Net</b>	\$15,994,756	(\$609,648)	\$0	\$15,385,108



## Lisbon Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$701,108
Special	885
Support Services:	
Instructional Staff	11,109
Board of Education	1,826
Operation and Maintenance of Plant	6,068
Pupil Transportation	16,932
Food Service Operations	13,905
Extracurricular Activities	6,706
Total Depreciation Expense	<u><u>\$758,539</u></u>

### Note 11 – Risk Management

#### *Property and Liability*

The School 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 2018, the School District contracted with Holloway Insurance Company which provided for property, fleet and liability insurance coverage through Indiana Insurance Company. The levels of coverage are listed as follows:

<u>Type of Coverage</u>	<u>Amount</u>
Building and Contents – replacement costs	\$41,736,541
Inland Marine Coverage	894,470
Crime Insurance	10,000
Automobile Liability	1,000,000
Auto Medical Payments	5,000
Uninsured Motorists	1,000,000
General Liability	
Per Occurrence	1,000,000
Total per year	2,000,000
Umbrella Liability	5,000,000

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

#### *Workers' Compensation*

For fiscal year 2018 the School District participated in the Sheakley/Better Business Bureau of Central Ohio Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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 its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

## **Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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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.

### ***Employee Health Benefits***

The School District is a member of the Portage Area School Consortium (the "Consortium"), a risk sharing pool (see Note 19), through which a cooperative Health Benefit Program was created for the benefits of its members. The Health Benefit Program (the "Program") is an employee health benefit plan which covers the participating members' employees. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purposes of paying health benefit claims of employees and their covered dependents, administrative expenses of the program and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the School District were to withdraw from the pool. If the reserve would not cover such claims, the School District would be liable for any costs above the reserve.

The School District pays 88 percent of the insurance premium costs for all of the participating staff. For the period covering July 1, 2017, through June 30, 2018, the School District paid premiums in the amount of \$1,479.76 for family coverage per month and \$604.93 per single coverage per month for eligible full-time employees. The premiums are paid by the fund that pays the salary for the employee and are based on historical cost information.

Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance or the Directors have the right to hold monies for an exiting school district subsequent to the settlement of all expenses and claims.

### **Note 12 – Defined Benefit Pension Plans**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

#### ***Net Pension Liability/Net OPEB Liability***

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

## Lisbon Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

### ***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

## **Lisbon Exempted Village School District**

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018*

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Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$106,603 for fiscal year 2018. Of this amount \$1,516 is reported as an intergovernmental payable.

#### ***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and

## Lisbon Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$520,423 for fiscal year 2018. Of this amount \$88,914 is reported as an intergovernmental payable.

### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.02845430%	0.03420468%	
Proportion of the Net Pension Liability			
Current Measurement Date	0.02537230%	0.03291473%	
Change in Proportionate Share	<u>-0.00308200%</u>	<u>-0.00128995%</u>	
Proportionate Share of the Net			
Pension Liability	\$1,515,938	\$7,818,964	\$9,334,902
Pension Expense	(\$210,343)	(\$3,401,692)	(\$3,612,035)

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$65,241	\$301,932	\$367,173
Changes of assumptions	78,390	1,710,093	1,788,483
School District contributions subsequent to the measurement date	106,603	520,423	627,026
Total Deferred Outflows of Resources	\$250,234	\$2,532,448	\$2,782,682
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$63,018	\$63,018
Net difference between projected and actual earnings on pension plan investments	7,196	258,035	265,231
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	203,883	1,078,755	1,282,638
Total Deferred Inflows of Resources	\$211,079	\$1,399,808	\$1,610,887

\$627,026 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	(\$39,326)	(\$30,729)	(\$70,055)
2020	22,572	320,289	342,861
2021	(15,355)	262,339	246,984
2022	(35,339)	60,318	24,979
Total	(\$67,448)	\$612,217	\$544,769

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

## Lisbon Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
 Total	 100.00 %	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$2,103,729	\$1,515,938	\$1,023,545

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:



**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

	<u>July 1, 2017</u>	<u>July 1, 2016</u>
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$11,208,220	\$7,818,964	\$4,964,025

## **Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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### **Note 13 - Defined Benefit OPEB Plans**

See Note 12 for a description of the net OPEB liability.

#### ***Plan Description - School Employees Retirement System (SERS)***

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$13,915.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$17,863 for fiscal year 2018. Of this amount \$13,971 is reported as an intergovernmental payable.

## Lisbon Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

### **Plan Description - State Teachers Retirement System (STRS)**

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

### **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.02884660%	0.03420468%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.02580350%</u>	<u>0.03291473%</u>	
Change in Proportionate Share	<u>-0.00304310%</u>	<u>-0.00128995%</u>	
Proportionate Share of the Net			
OPEB Liability	\$692,497	\$1,284,212	\$1,976,709
OPEB Expense	\$17,601	(\$401,727)	(\$384,126)

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$0	\$74,133	\$74,133
School District contributions subsequent to the measurement date	17,863	0	17,863
Total Deferred Outflows of Resources	\$17,863	\$74,133	\$91,996
<b>Deferred Inflows of Resources</b>			
Changes of assumptions	\$65,715	\$103,447	\$169,162
Net difference between projected and actual earnings on OPEB plan investments	1,829	54,890	56,719
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	65,470	59,132	124,602
Total Deferred Inflows of Resources	\$133,014	\$217,469	\$350,483

\$17,863 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	(\$47,988)	(\$28,463)	(\$76,451)
2020	(47,988)	(28,463)	(76,451)
2021	(36,580)	(28,463)	(65,043)
2022	(458)	(28,463)	(28,921)
2023	0	(14,740)	(14,740)
Thereafter	0	(14,744)	(14,744)
Total	(\$133,014)	(\$143,336)	(\$276,350)

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

## Lisbon Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

## Lisbon Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5 percent decreasing to 4.0 percent) and higher (8.5 percent decreasing to 6.0 percent) than the current rate

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$836,280	\$692,497	\$578,586
	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$561,910	\$692,497	\$865,333

## Lisbon Exempted Village School District

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018*

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#### **Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.



**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

**Discount Rate** The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$1,724,033	\$1,284,212	\$936,608

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$892,215	\$1,284,212	\$1,800,124

**Note 14 – Other Employee Benefits**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year depending upon length of service. Accumulated, unused vacation time is paid to classified employees 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 260 days for both certified and classified employees. Upon retirement, payment is made according to negotiated agreements.

## Lisbon Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

### Life Insurance

The School District provides term life and accidental death and dismemberment insurance to full-time employees through Mutual of Omaha. Both full time certified and classified employees receive \$30,000, and School District administrators receive \$50,000.

### Note 15 – Long-term Obligations

The changes in the School District's long-term obligations during fiscal year 2018 were as follows:

	Oustanding 6/30/2017	Additions	Deductions	Oustanding 6/30/2018	Due in One year
<b>Governmental Activities:</b>					
Refunded General Obligation Bonds	\$205,000	\$0	(\$205,000)	\$0	\$0
Net Pension Liability					
SERS	2,082,592	0	(566,654)	1,515,938	0
STRS	11,449,338	0	(3,630,374)	7,818,964	0
Total Net Pension Liability	13,531,930	0	(4,197,028)	9,334,902	0
Net OPEB Liability					
SERS	822,235	0	(129,738)	692,497	0
STRS	1,829,275	0	(545,063)	1,284,212	0
Total Net OPEB Liability	2,651,510	0	(674,801)	1,976,709	0
Compensated Absences	450,656	25,237	(8,534)	467,359	5,974
Capital Leases	3,672,453	0	(218,993)	3,453,460	233,606
Total Long-term Liabilities	\$20,511,549	\$25,237	(\$5,304,356)	\$15,232,430	\$239,580

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 School 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 percent compared to the rate of 6.25 percent on the 1992 General Obligation Bonds. This reduction in interest rate resulted in a net present value savings of \$226,984 to the School District. The bonds were fully paid off in fiscal year 2018.

Capital lease I & II obligations will be paid from the permanent improvement fund. Capital lease III, HB264 borrowing, will be paid from the general fund. Compensated absences will be paid from the general, food service, ECE Preschool and Title I funds. There are no repayment schedules for the net pension liability and net OPEB liability. However, employer pension and OPEB contributions are made from following funds: general, food service, ECE Preschool, Title I and Title II-A funds. For additional information related to the net pension and net OPEB liabilities see Notes 12 and 13.

The School District's overall legal debt margin was \$8,610,947 with an unvoted debt margin of \$92,163 at June 30, 2018.

## Lisbon Exempted Village School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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### Note 16 – Capital Leases – Lessee Disclosure

The School 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 School District entered into the lease, the buildings had not been constructed nor had the land been purchased. The entire amount has been paid to trade contractors for the construction of additions and renovations to the two School District school buildings and has paid for the completion of the administration building and to individual owners of property adjacent to School District sites. The lease meets the criteria of a capitalized lease. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the general fund 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 of the Ohio School Facilities Commission Project used for the payment of contractors added three years later upon completion of the project. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on this lease was \$693,652 leaving a current book value of \$2,297,348 as of June 30, 2018. Principal payments in fiscal year 2018 totaled \$104,000 in the governmental funds.

In the period ending June 30, 2008 the School District entered into another lease for the purchase of two school buses and the construction of a locker room and concession stand facility at the stadium in the amount of \$1,177,000. Principal payments for the second lease totaled \$37,000 for the period. Accumulated depreciation for this lease is \$294,250 leaving a current book value of \$882,750 as of this reporting period.

The third lease was used for energy conservation measures in the School District's educational buildings with the project being completed in December 2011. The accumulated depreciation on this lease was \$454,922 leaving a book value of \$760,078. Principal payments for the third lease total \$77,993 for the period. The total amount owed on the three leases as of June 30, 2018 is \$3,453,460.

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, 2018:

	Amount
Fiscal Year Ending June 30:	
2019	\$406,968
2020	406,264
2021	405,208
2022	404,764
2023	405,067
2024-2028	1,475,571
2029-2033	993,997
2034-2037	246,984
Total Minimum Lease Payments	4,744,823
Less: Amount Representing Interest	1,291,363
Present Value of Minimum Lease Payments	\$3,453,460

## Lisbon Exempted Village School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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### Note 17 – Set-Aside

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula 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.

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

	<u>Capital Improvement</u>
Set-aside Balance as of June 30, 2017	\$0
Current Year Set-aside Requirement	160,659
Offsets	(428,447)
Qualifying Disbursements	<u>(379,259)</u>
Totals	<u>(\$647,047)</u>
Set-aside Balance as of June 30, 2018	<u>\$0</u>

Although the School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

### Note 18 – Jointly Governed Organizations

#### *Columbiana County Career and Technical Center*

The Columbiana County Career and Technical Center (the 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 School 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 with the emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by OME-RESA include pupil scheduling, attendance, grade reporting; career guidance services; special education records; test scoring and EMIS.

OME-RESA is one of twenty-five regional service organizations serving over six hundred 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.

## **Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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OME-RESA is owned and operated by forty-eight member School 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 School District serves as chairman and the board elects a vice-chair annually. The School District contributed \$65,683 for various fees associated with the agency's services during the 2018 fiscal year. To obtain financial information write to OME-RESA, Office of the Treasurer, 2230 Sunset Boulevard, Suite 2, Steubenville, Ohio 43952.

### ***Ohio Schools' Council***

The Ohio Schools' Council Association (the Council) is jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. This organization formed Power4Schools, an electric generation program in cooperation with Ohio School Boards Association, Buckeye Association of School Administrators and the Ohio Association of School Business Administrators.

The School District participates in the Power4School electric purchase program which was implemented during fiscal year 2013. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. Currently in the Ohio Edison Illuminating Company, Toledo Edison and Duke Energy service areas, the program operates in partnership with FirstEnergy Solutions. FirstEnergy Solutions Corp., based in Akron, is a leading energy supplier, serving residential, commercial and industrial customers throughout the Northeast, Midwest and Mid-Atlantic regions of the United States. By contracting through Power4Schools, the School District could save an average of 16 percent over the next year. The participants make monthly payments based on actual usage with the discount being applied.

## **Note 19 – Public Entity Risk Pools**

### ***Insurance Purchasing Pool***

The School District participates in the Sheakley/Better Business Bureau of Central Ohio Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-three member Board of directors lead by four elected officers consisting of the President, Chair, Vice-Chair and the Secretary/Treasurer. The Chair of the Better Business Bureau of Central Ohio, Inc., or his designee, serves as coordinator of the program. Each year, the participating entities pay an enrollment fee to the GRP to cover the costs of administering the program.

### ***Risk Sharing Pool***

The Portage Area School Consortium (the Consortium) was established in 1981 so that twelve educational-service providers in Portage County could manage risk exposures and purchase necessary insurance coverage as a group. As of June 30, 2018, there were 25 educational service providers participating in the health and welfare pool. The Health and Welfare Trust is organized under the provisions of Section 501(c)(9) of the Internal Revenue Code. Its purpose is to facilitate the management of risks associated with providing employee benefits coverage such as health insurance, disability insurance and life insurance. A third party administrator is retained by the consortium to facilitate the operation of the Health and Welfare Trust. The School District pays all insurance premiums directly to the consortium. Also, the insurance agreement with Portage Area School Consortium provides that the consortium will reinsure through commercial companies for claims over \$150,000 per employee. Although the School District does not participate in the day-to-day

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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management of the consortium, one of its administrators serves as a trustee of the consortium’s governing board as provided in the consortium’s enabling authority. The Field Local School District acts as the fiscal agent for the consortium. To obtain financial information, write to the Field Local School District, Todd Carpenter, who serves as Treasurer, at 2900 State Route 43, Mogadore, Ohio 44260.

**Note 20 – Contingencies**

*Grants*

The School 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, 2018.

*School Foundation*

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. The final adjustment was not material and is not reflected in the accompanying financial statements.

*Litigation*

The School District was not a party to any legal proceedings during the 2018 fiscal year.

**Note 21 – Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	\$66,620
Other Governmental Funds	52,480
Agency Funds	<u>6,251</u>
Total	<u><u>\$125,351</u></u>

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## Required Supplementary Information

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**Lisbon Exempted Village School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Five Fiscal Years (1)*

	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.02537230%	0.02845430%	0.02959500%
School District's Proportionate Share of the Net Pension Liability	\$1,515,938	\$2,082,592	\$1,688,719
School District's Covered Payroll	\$816,636	\$852,821	\$916,419
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	185.63%	244.20%	184.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%

(1) Information prior to 2014 is not available.

\*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information



<u>2015</u>	<u>2014</u>
0.03168300%	0.03168300%
\$1,603,458	\$1,884,086
\$879,168	\$854,183
182.38%	220.57%
71.70%	65.52%

**Lisbon Exempted Village School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability*  
*School Employees Retirement System of Ohio*  
*Last Two Fiscal Years (1)*

	2018	2017
School District's Proportion of the Net OPEB Liability	0.02580350%	0.02884660%
School District's Proportionate Share of the Net OPEB Liability	\$692,497	\$822,235
School District's Covered Payroll	\$816,636	\$852,821
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	84.80%	96.41%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

\*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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**Lisbon Exempted Village School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Five Fiscal Years (1)*

	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.03291473%	0.03420468%	0.03698656%
School District's Proportionate Share of the Net Pension Liability	\$7,818,964	\$11,449,338	\$10,222,003
School District's Covered Payroll	\$3,626,443	\$3,556,279	\$3,813,699
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	215.61%	321.95%	268.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%

(1) Information prior to 2014 is not available.

\*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2015	2014
0.03948139%	0.03948139%
\$9,603,240	\$11,439,317
\$4,033,036	\$4,170,900
238.11%	274.26%
74.70%	69.30%

**Lisbon Exempted Village School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability*  
*State Teachers Retirement System of Ohio*  
*Last Two Fiscal Years (1)*

	2018	2017
School District's Proportion of the Net OPEB Liability	0.03291473%	0.03420468%
School District's Proportionate Share of the Net OPEB Liability	\$1,284,212	\$1,829,275
School District's Covered Payroll	\$3,626,443	\$3,556,279
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	35.41%	51.44%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

\*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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**Lisbon Exempted Village School District**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$106,603	\$114,329	\$119,395	\$120,784
Contributions in Relation to the Contractually Required Contribution	<u>(106,603)</u>	<u>(114,329)</u>	<u>(119,395)</u>	<u>(120,784)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$789,652	\$816,636	\$852,521	\$916,416
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	17,863	14,325	14,645	21,492
Contributions in Relation to the Contractually Required Contribution	<u>(17,863)</u>	<u>(14,325)</u>	<u>(14,645)</u>	<u>(21,492)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.26%</u>	<u>1.75%</u>	<u>1.72%</u>	<u>2.35%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.76%</u>	<u>15.75%</u>	<u>15.72%</u>	<u>15.53%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information



2014	2013	2012	2011	2010	2009
\$121,853	\$118,219	\$122,017	\$108,564	\$122,639	\$104,478
<u>(121,853)</u>	<u>(118,219)</u>	<u>(122,017)</u>	<u>(108,564)</u>	<u>(122,639)</u>	<u>(104,478)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$879,168	\$854,183	\$907,189	\$863,675	\$905,751	\$1,061,771
<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>	<u>12.57%</u>	<u>13.54%</u>	<u>9.84%</u>
18,399	19,018	20,433	28,847	20,560	64,556
<u>(18,399)</u>	<u>(19,018)</u>	<u>(20,433)</u>	<u>(28,847)</u>	<u>(20,560)</u>	<u>(64,556)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>2.09%</u>	<u>2.23%</u>	<u>2.25%</u>	<u>3.34%</u>	<u>2.27%</u>	<u>6.08%</u>
<u>15.95%</u>	<u>16.07%</u>	<u>15.70%</u>	<u>15.91%</u>	<u>15.81%</u>	<u>15.92%</u>

**Lisbon Exempted Village School District**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$520,423	\$507,702	\$497,879	\$533,918
Contributions in Relation to the Contractually Required Contribution	<u>(520,423)</u>	<u>(507,702)</u>	<u>(497,879)</u>	<u>(533,918)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$3,717,307	\$3,626,443	\$3,556,279	\$3,813,699
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
\$524,295	\$542,217	\$586,137	\$588,802	\$580,416	\$547,174
(524,295)	(542,217)	(586,137)	(588,802)	(580,416)	(547,174)
\$0	\$0	\$0	\$0	\$0	\$0
\$4,033,036	\$4,170,900	\$4,508,746	\$4,529,246	\$4,464,738	\$4,209,031
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$40,330	\$41,709	\$45,087	\$45,292	\$44,647	\$42,090
(40,330)	(41,709)	(45,087)	(45,292)	(44,647)	(42,090)
\$0	\$0	\$0	\$0	\$0	\$0
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

## Lisbon Exempted Village School District, Ohio

Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2018

### Net Pension Liability

#### Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

#### Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70% of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014

## Lisbon Exempted Village School District, Ohio

Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2018

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Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

### Net OPEB Liability

#### Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

#### Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
National School Lunch Program	10.555	006	\$219,113
National School Lunch Program - Commodities	10.555	006	29,226
School Breakfast Program	10.553	006	<u>62,737</u>
Total Child Nutrition Cluster			<u>311,076</u>
Total U.S. Department of Agriculture			<u><b>311,076</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	572-9517	20,288
Title I Grants to Local Educational Agencies	84.010	572-9518	<u>194,028</u>
Total Title I Grants to Local Educational Agencies			<u>214,316</u>
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	84.027	516-9518	<u>193,434</u>
Total Special Education Cluster			<u>193,434</u>
Improving Teacher Quality - State Grants	84.367	590-9517	6,456
Improving Teacher Quality - State Grants	84.367	590-9518	<u>29,778</u>
Total Improving Teacher Quality - State Grants			<u>36,234</u>
Rural Education Grant	84.358	599-9518	<u>4,998</u>
Total Rural Education Grant			<u>4,998</u>
Student Support and Academic Enrichment Program	84.424	599-9118	<u>7,616</u>
Total Student Support and Academic Enrichment Program			<u>7,616</u>
Total U.S. Department of Education			<u><b>456,598</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$767,674</b></u>

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

**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Lisbon Exempted Village School District (the School District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - CHILD NUTRITION CLUSTER**

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

**NOTE E – FOOD DONATION PROGRAM**

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 22, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

February 22, 2019

# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited Lisbon Exempted Village School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Lisbon Exempted Village School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. 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 our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the Major Federal Program***

In our opinion, Lisbon Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

February 22, 2019

**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2018**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under 2 CFR §200.516(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I Grants to Local Educational Agencies - CFDA #84.010
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	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

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# OHIO AUDITOR OF STATE KEITH FABER



**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT**

**UNION 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  
MARCH 28, 2019**