



Mary Taylor, CPA  
Auditor of State



**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lisbon Exempted Village School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lisbon Exempted Village School District, Columbiana County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

**Mary Taylor, CPA**  
Auditor of State

August 16, 2010

**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*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 financial activities for the fiscal year ended June 30, 2010. It is the chief financial officer'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 2010 are as follows:

- ✧ The School District's total net assets increased from \$20,103,793 to \$20,568,921 for a gain of \$465,128 during this year's operations. The net assets of Governmental activities increased 2.31 percent.
- ✧ Revenues for governmental activities totaled \$11,379,692 in 2010. This total was comprised of General revenues in the amount of \$6,361,110 and program revenues totaling \$5,018,582. Program revenues are grants, fees and donations; general (non-program) revenue is foundation from the State of Ohio and local taxes charged to residents of the School District. In table 2 below, you will find the detailed cost of each program to our School District.
- ✧ Program expenses totaled \$10,914,564. Instructional expenses made up 59.5 percent of this total while support services accounted for 31.0 percent. Other expenses rounded out the remaining 9.5 percent.
- ✧ Outstanding general obligation bonded debt decreased from \$1,535,000 to \$1,395,000 in 2010.

## **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 Assets* and the *Statement of Activities* (on pages 13 and 14) 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 start on page 15 and provide the next level of detail. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the 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. The remaining statements provide financial information about activities for which the School District acts solely as an agent for the benefit of those outside the government.

**Lisbon Exempted Village School District**  
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**Reporting the School District as a Whole (district-wide)**

*Statement of Net Assets and the Statement of Activities*

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "Is the School District better off or worse off as a result of the year's activities?" The answer to this question is one of the most important issues when analyzing any financial entity. The *Statement of Net Assets* and the *Statement of Activities* answers this question. These are the only two statements that display School District-wide finances. Within these statements, we show the School District divided into two distinct kinds of activities:

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

Analysis of the School District as a whole begins on page 5. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting method used by most private-sector companies. The most important aspect of accrual accounting is that it takes into account all of the current year's revenues and expenses regardless of when cash is received or paid out.

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

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

Analysis of the School District's major funds begins on page 8. The fund financial statements begin on page 15 and provide detailed information about each significant fund in contrast to the previously described District-wide reporting. Most of the funds are required to be established by State law. Using strict definitions the School District's major governmental funds are the General fund and Permanent Improvement fund.

*Governmental Funds*

All 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

**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
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reported in the Statement of Net Assets and the Statement of Activities. The relationships (or differences) are reconciled in the financial statements.

**The School District as a Whole**

The Statement of Net Assets looks at the School District as a whole. The School District's total net assets increased from a year ago. Table 1, shows an increase to \$20,568,921 from \$20,103,793. The increase in Net Assets cannot be primarily attributed to any one item. As a whole the School District received funds over this financial period which exceeded the amount of funds expended for its activities. There was an decrease in the depreciable capital assets coupled with a decrease in the long-term liabilities due in more than one year. The combination of these two factors with relatively insignificant changes in all other asset and liability categories resulted in a net gain in the total net assets of the School District.

You will see this fact presented in a graph and a table during discussion of the change in net assets.

**(Table 1)**  
**Net Assets**

	Governmental Activities	
	2010	2009
<b>Assets</b>		
Current and Other Assets	\$ 7,685,529	\$ 6,926,243
Capital Assets	21,330,689	22,082,473
Total Assets	29,016,218	29,008,716
<b>Liabilities</b>		
Long-Term Liabilities	(5,694,699)	(5,961,141)
Other Liabilities	(2,752,598)	(2,943,782)
Total Liabilities	( 8,447,297)	( 8,904,923)
<b>Net Assets</b>		
Invested In Capital		
Assets, Net of Related Debt	16,264,720	16,776,979
Restricted	1,429,106	1,017,731
Unrestricted	2,875,095	2,309,083
Total Net Assets	\$20,568,921	\$20,103,793

Current and Other Assets increased by \$759,286 in large part due to an increase in Equity and Pooled Cash and Cash Equivalents from the previous period. The Capital Assets decreased in the amount of \$751,784 as a result of the net effect of the additions of the capital assets being exceeded by the current fiscal year depreciation.

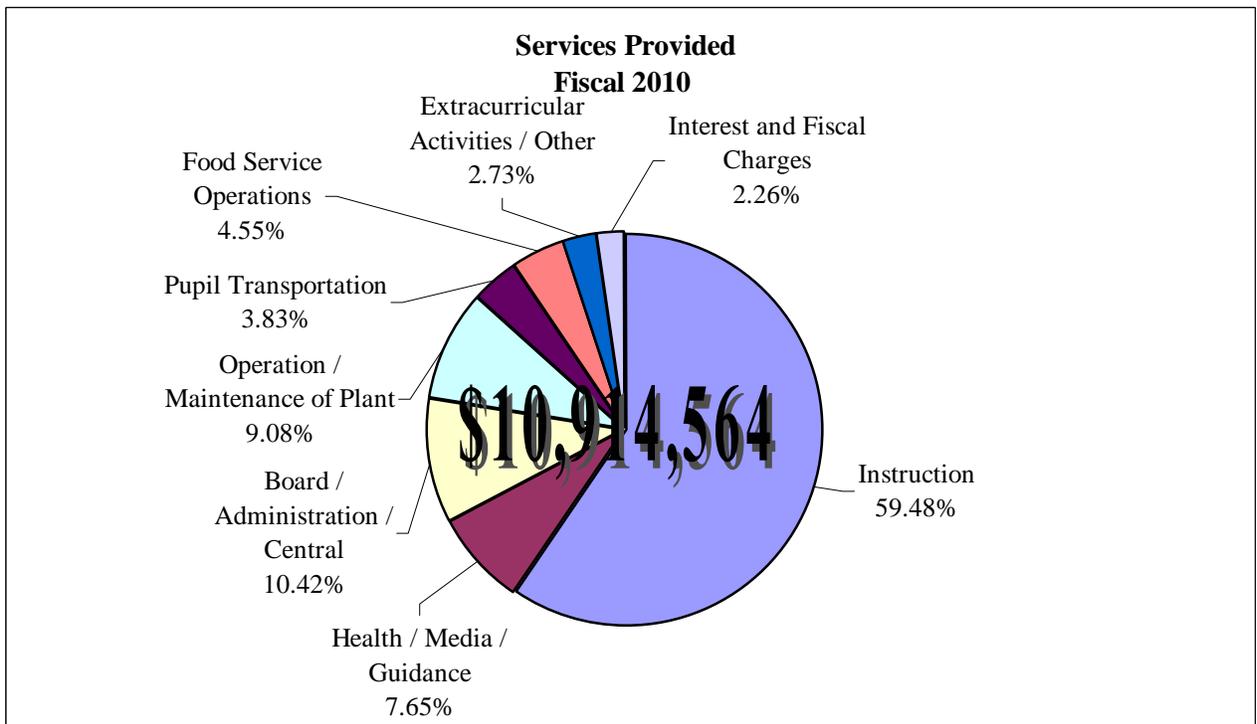
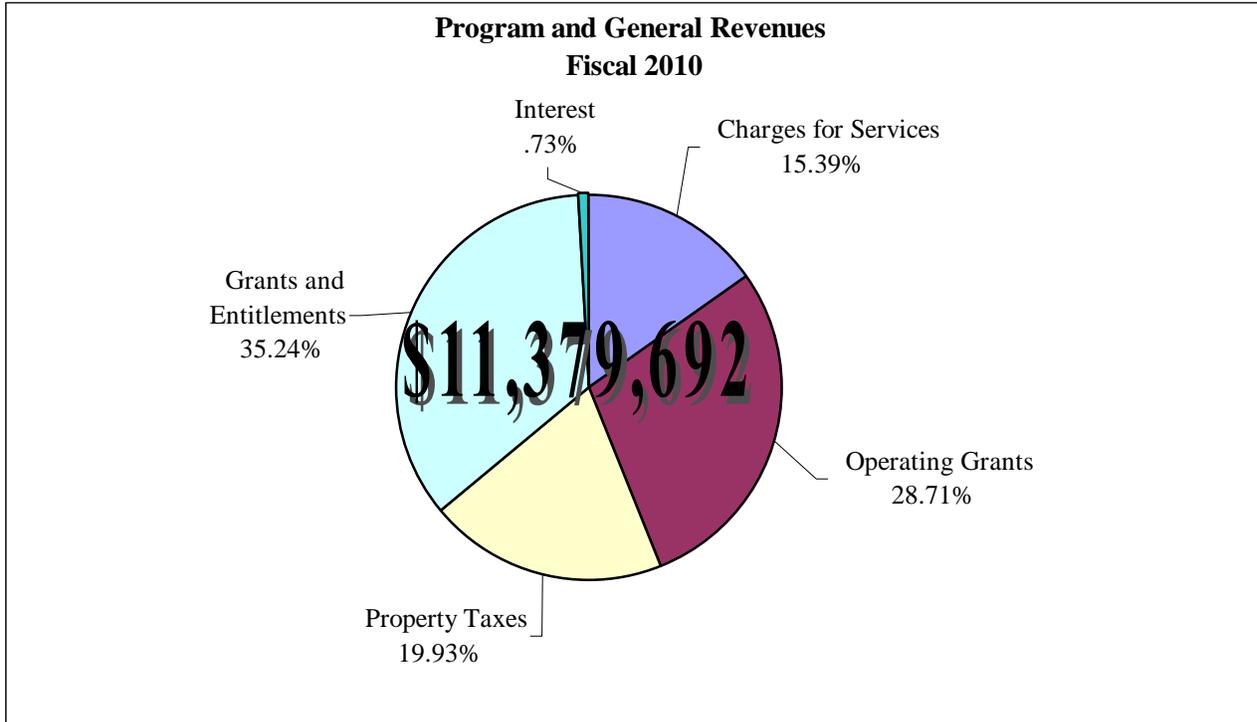
Total Liabilities decreased by \$457,626 for this reporting period. The most significant factor contributing to the decrease in liabilities was the retirement of the principal represented in the long-term liabilities category, due in more than one year.

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

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Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure. A comparative analysis of fiscal year 2010 and 2009 follows:

**(Chart 1)**  
**Governmental Revenue and Program Expenses**



**Lisbon Exempted Village School District**  
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**(Table 2)**  
**Governmental Activities**

	Governmental Activities 2010	Governmental Activities 2009
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$1,751,006	\$1,677,468
Operating Grants and Contributions	<u>3,267,576</u>	<u>2,206,218</u>
Total Program Revenues	<u>5,018,582</u>	<u>3,883,686</u>
General Revenue:		
Property Taxes	2,268,491	2,098,599
Grants and Entitlements	4,009,378	4,671,454
Interest	<u>83,241</u>	<u>156,947</u>
Total General Revenue	<u>6,361,110</u>	<u>6,927,000</u>
Total Revenues	<u>\$11,379,692</u>	<u>\$10,810,686</u>
<b>Program Expenses</b>		
Instruction:		
Regular	\$5,219,355	\$4,393,106
Special	752,627	1,464,044
Vocational	88,116	78,698
Intervention	431,636	393,285
Support Services:		
Pupils	503,166	480,564
Instructional Staff	332,139	271,247
Board of Education	31,119	32,608
Administration	797,257	797,162
Fiscal	265,146	252,446
Operation and Maintenance of Plant	990,978	856,182
Pupil Transportation	418,223	441,286
Central	43,199	45,328
Operation of Non-Instructional Services		
Food Service Operations	496,826	486,210
Extracurricular Activities	297,924	429,944
Debt Service:		
Interest and Fiscal Charges	<u>246,853</u>	<u>284,124</u>
Total Expenses	<u>\$10,914,564</u>	<u>\$10,706,234</u>
Increase in Net Assets	<u>\$465,128</u>	<u>\$104,452</u>

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 includes State foundation, comprising 35.2 percent of the total revenues with property taxes making up 19.9 percent of total revenues. The largest percentage of the services provided at 59.5 percent was instruction which would be appropriate.

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

The financial position of the Lisbon Exempted Village School District has improved on the whole over the past fiscal year. The fiscal stability of the School District is demonstrated by the increase in Net Assets over the previous fiscal year. The results of operations were excellent and stayed within the parameters established at the beginning of the fiscal year. Management was able to make the necessary improvements in services for children without significantly increasing the spending levels for Regular Instruction. It is anticipated that the funds spent on repairs should not increase due to the fact that the entire School District's buildings are newly renovated spaces. The one factor that is still difficult to predict is the utility cost increases due the current economic conditions in the state and in the country. It is necessary to constantly monitor the usages in the different heating and cooling systems and to be as energy efficient as is possible in a public school facility. Though spending was increased in some areas, the administration was able to streamline the costs of services in other areas to balance over the entire entity's operations. The cash balances were preserved and even increased. The School District enjoyed a successful financial year and operation efficiencies improved.

The administration is aware of the fact that State funding will drop for the School District over the next five years as demonstrated with the School District's five-year forecast. This drop in State funding is a combination of two factors. One factor is that the method of funding public schools changed during this fiscal and due to the current status of the state's economy, the model is not being totally funded. Any annual increase in state funding was capped at .75% over the previous years funding level. It is anticipated that the statewide budget will see additional spending level cuts. The other factor is that the School District is also experiencing a decline in student enrollment which results in less funding. With proper planning by the administration the necessary reductions will occur.

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

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

<u>Programs</u>	Total Cost of Services 2010	Net Cost of Services 2010
Instruction	\$6,491,734	\$3,296,664
Support Services:		
Pupils and Instructional Staff	835,305	694,447
Board of Education, Administration, Fiscal and Business Services	1,093,522	708,009
Operation and Maintenance of Plant	990,978	697,853
Pupil Transportation	418,223	111,902
Central	43,199	36,949
Food Service Operations	496,826	(90,006)
Extracurricular Activities	297,924	193,311
Interest and Fiscal Charges	246,853	246,853
<b>Total Expenses</b>	<b>\$10,914,564</b>	<b>\$5,895,982</b>

**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
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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 \$11,187,083 and expenditures of \$10,413,657. Overall the total revenues increased by a total of \$428,912 with a decrease in total expenditures of \$886,990. The most significant reason for the decrease is lower instructional program cost.

***General Fund Financial Activity***

The only significant Governmental Fund being reported is the General Fund. The balance of the General Fund increased by \$585,560. Both State PASS Funding Revenue and Tuition and Fees increased, while operational expenditures were decreased to facilitate a cash increase. Cash in the General Fund increased by approximately twelve percent from \$3,476,247 in fiscal year 2009 to \$3,896,014 in the fiscal year 2010 which is an adjustment of \$419,767.

***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 2010, 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 \$8,296,216 representing a \$335,566 decrease from the original budget estimate of \$8,631,782. Most of this difference was due to a more pessimistic estimate of the State PASS funding distribution as it relates to the pupil enrollment estimates, as well as, a drop in interest earnings. The School District's General fund balance at end of year was \$3,807,786 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 2010, there were some significant changes made in the different expenditure line items. Ultimately, the final actual expenditure levels did not approach the amended budget allocations. For the General Fund, the final budget basis expenditures reflected a decrease of \$558,190 which corresponded partially with the decrease in the revenue estimates. Modifications to the original budget included the most significant decreases in operation and maintenance of plant due to the utility projections being revised. The adjustments to the other categories of expenditures were minor in comparison, but included special education instruction, intervention instruction, pupil support services and pupil transportation.

The School District's building principals are given a per pupil allocation for textbook, instructional materials, and equipment. HB412 requires the School District to set aside three percent of certain general fund revenues for the purchase of textbooks and materials related to instruction which the budgets help to meet. There is also a three percent spending requirement for capital maintenance expenses.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of fiscal year 2010 the School District has \$21,330,689 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. The following table shows

**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
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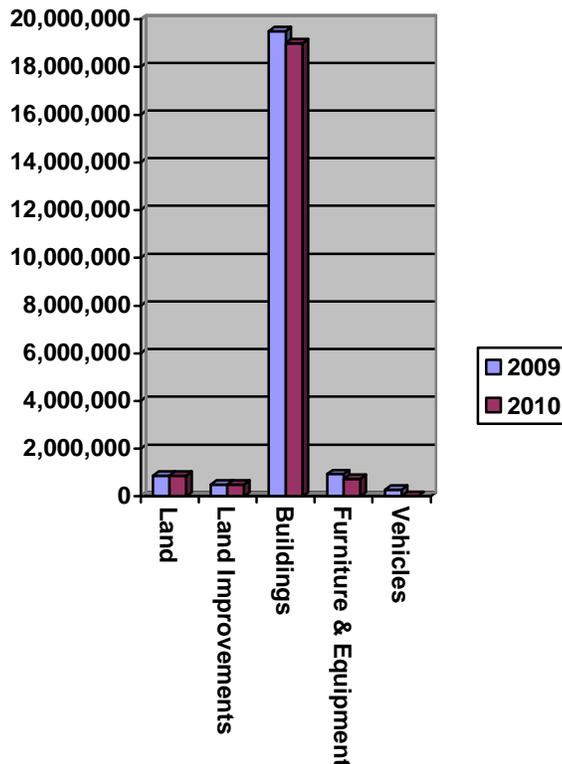
ending balances of capital assets invested in various categories. Notice that we are showing a depreciation expense of \$780,559 which is a net decrease of \$751,784 for the period. You may discern from the following table that there were only minor investments in capital assets during this accounting period. See Note 10 for further information on capital assets.

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

	Governmental Activities	
	2010	2009
Land	\$870,749	\$870,749
Land Improvements	487,748	502,080
Buildings and Improvements	18,995,244	19,498,047
Furniture and Equipment	743,142	936,441
Vehicles	233,806	275,156
<b>Totals</b>	<b>\$21,330,689</b>	<b>\$22,082,473</b>

The graph on the next page shows the category and depreciated value of our School District's capital assets. The capital asset threshold of the School District is set at \$2,000 which eliminates the majority of the computers and other instructional support materials. The assets that fall below the threshold limit are tagged and tracked as movable equipment. This ensures that all assets of the School District are being protected from theft or loss.

**(Chart 2)**  
**Change in Capital Assets**



**Lisbon Exempted Village School District**  
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**DEBT**

At June 30, 2010, the Lisbon Exempted Village School District had reduced its bonded debt to \$1,395,000. The School District paid \$140,000 in bond principal and \$76,978 in bond interest. There was a reduction in the capital lease obligation of \$99,000. See Notes 15 and 16 for further information on debt.

**(Table 5)**  
**Outstanding Debt, at June 30**

	Governmental Activities 2010	Governmental Activities 2009
Refunded General Obligation Bonds:		
Series, 2004	\$1,395,000	\$1,535,000
Unamortized Premium	147,927	162,196
Capital Lease	3,671,999	3,770,999
Total	\$5,214,926	\$5,468,195

As of June 30, 2010 the School District's legal debt margin was \$8,516,899 with an unvoted debt margin of \$82,560. Capital leases do not count towards the School District's legal debt margin. Neither Moody's nor Standard & Poor's currently rate the Lisbon Exempted Village School District.

**School District Outlook**

Lisbon Exempted Village School District is presently financially strong and trending toward maintaining its 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 is not without its challenges though. 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. The funding model will not be totally phased in until ten years into the future. The State Department of Education is currently developing new rules to govern how the district must spend the state resources. 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 most recently filed five-year forecast shows that this School District will not require the passage of any new additional operating millage over the next four years. 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 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. Interestingly, state law exploits this local value increase by automatically

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decreasing the School Foundation revenue. 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. The Board has discussed the fact that it may be necessary to go to the voters for additional operating funds, but many of the changes that have occurred in the state funding system must begin to play out in order for the Board to make that decision.

We are dependent on outside factors for our future success. The new Pathways to Student Success (PASS) School Funding Formula provide seventy-eight percent of the revenue for Lisbon Exempted Village School District's General fund. The Ohio Legislature has adopted a model that is significantly different and it will take time to determine what overall effect that new method might have on the financial health of the district. While a significant increase in the State's financial efforts would be welcome, our forecast does not take this possibility into account. We anticipate State revenue remaining constant each year.

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 state legislature has created a School Employees Health Care Commission that is working on best practice standards that would be mandated statewide in an attempt to begin to control the costs associated with the medical program. The insurance industry is an area that is outside our control. Management has formed an insurance committee comprised of administrators, staff and industry experts to meet regularly to analyze the medical program and to attempt to control the costs. Health care cost containment has become a large issue for the future.

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

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 conditions affecting the State puts a strain its 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 Cynthia L. Altomare, Treasurer at Lisbon Exempted Village School District, 317 North Market Street, Lisbon, Ohio 44432 or call (330) 424-7714 or E-mail [cindy.altomare@omeresanet.net](mailto:cindy.altomare@omeresanet.net).

**Lisbon Exempted Village School District**

*Statement of Net Assets*

*June 30, 2010*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,201,101
Intergovernmental Receivable	295,076
Interest Receivable	12,223
Inventory Held for Resale	13,328
Property Taxes Receivable	2,163,801
Nondepreciable Capital Assets	870,749
Depreciable Capital Assets, Net	20,459,940
<i>Total Assets</i>	<u>29,016,218</u>
<b>Liabilities</b>	
Accounts Payable	36,096
Accrued Wages	728,199
Intergovernmental Payable	187,419
Deferred Revenue	1,780,261
Accrued Interest Payable	20,623
Long-Term Liabilities:	
Due Within One Year	267,220
Due In More Than One Year	5,427,479
<i>Total Liabilities</i>	<u>8,447,297</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	16,264,720
Restricted for:	
Capital Projects	349,999
Debt Service	329,207
Other Purposes	749,900
Unrestricted	2,875,095
<i>Total Net Assets</i>	<u>\$20,568,921</u>

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See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2010*

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$5,219,355	\$1,166,322	\$801,553	(\$3,251,480)
Special	752,627	86,821	1,140,374	474,568
Vocational	88,116	0	0	(88,116)
Intervention	431,636	0	0	(431,636)
Support Services:				
Pupils	503,166	0	0	(503,166)
Instructional Staff	332,139	9,250	131,608	(191,281)
Board of Education	31,119	0	0	(31,119)
Administration	797,257	31,884	353,629	(411,744)
Fiscal	265,146	0	0	(265,146)
Operation and Maintenance of Plant	990,978	945	292,180	(697,853)
Pupil Transportation	418,223	99,202	207,119	(111,902)
Central	43,199	1,250	5,000	(36,949)
Food Service Operations	496,826	278,099	308,733	90,006
Extracurricular Activities	297,924	77,233	27,380	(193,311)
Interest and Fiscal Charges	246,853	0	0	(246,853)
<i>Totals</i>	<u>\$10,914,564</u>	<u>\$1,751,006</u>	<u>\$3,267,576</u>	<u>(5,895,982)</u>

**General Revenues**

Property Taxes Levied for:

General Purposes	1,660,777
Debt Service	244,665
Capital Projects	363,049
Grants & Entitlements not Restricted to Specific Programs	4,009,378
Investment Earnings	83,241

*Total General Revenues* 6,361,110

Change in Net Assets 465,128

*Net Assets Beginning of Year* 20,103,793

*Net Assets End of Year* \$20,568,921

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2010*

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	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,896,014	\$270,122	\$838,684	\$5,004,820
Property Taxes Receivable	1,550,916	346,747	266,138	2,163,801
Interest Receivable	12,223	0	0	12,223
Intergovernmental Receivable	23,673	0	271,403	295,076
Inventory Held for Resale	0	0	13,328	13,328
<i>Total Assets</i>	<u>\$5,482,826</u>	<u>\$616,869</u>	<u>\$1,389,553</u>	<u>\$7,489,248</u>
<b>Liabilities</b>				
Accounts Payable	\$11,621	\$9,336	\$15,139	\$36,096
Accrued Wages	647,607	0	80,592	728,199
Accrued Interest Payable	0	15,007	0	15,007
Intergovernmental Payable	158,579	0	28,840	187,419
Deferred Revenue	1,421,748	317,112	514,870	2,253,730
<i>Total Liabilities</i>	<u>2,239,555</u>	<u>341,455</u>	<u>639,441</u>	<u>3,220,451</u>
<b>Fund Balances</b>				
Nonspendable	0	0	13,328	13,328
Restricted	0	275,414	623,512	898,926
Committed	16,911	0	0	16,911
Assigned	73,012	0	113,272	186,284
Unassigned	3,153,348	0	0	3,153,348
<i>Total Fund Balances</i>	<u>3,243,271</u>	<u>275,414</u>	<u>750,112</u>	<u>4,268,797</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,482,826</u>	<u>\$616,869</u>	<u>\$1,389,553</u>	<u>\$7,489,248</u>

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2010*

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**Total Governmental Fund Balances** \$4,268,797

*Amounts reported for governmental activities in the  
 statement of net assets are different because*

Capital assets used in governmental activities are not financial  
 resources and therefore are not reported in the funds 21,330,689

Other assets are not available to pay for current-  
 period expenditures and therefore are deferred in the funds.  
     Property and Other Taxes 202,066  
     Intergovernmental 271,403  
     Total 473,469

An Internal service fund is used by management to charge the  
 costs of insurance to individual funds. The assets and liabilities  
 of the internal service fund are included in governmental  
 activities in the statement of net assets. 196,281

Long-term liabilities, including bonds payable and accrued  
 interest payable, are not due and payable in the current  
 period and therefore are not reported in the funds:  
     General Obligation Bonds (1,395,000)  
     General Obligation Bonds Premium (147,927)  
     Compensated Absences (479,773)  
     Capital Lease (3,671,999)  
     Accrued Interest Payable (5,616)  
     Total (5,700,315)

*Net Assets of Governmental Activities* \$20,568,921

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, 2010*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$1,577,558	\$353,175	\$271,098	\$2,201,831
Intergovernmental	5,356,407	72,416	1,711,502	7,140,325
Charges for Services	101,343	0	278,642	379,985
Interest	83,241	0	0	83,241
Tuition and Fees	1,222,252	0	0	1,222,252
Extracurricular Activities	29,461	0	76,690	106,151
Rentals	18,945	0	0	18,945
Contributions and Donations	6,973	21,076	6,304	34,353
<i>Total Revenues</i>	<u>8,396,180</u>	<u>446,667</u>	<u>2,344,236</u>	<u>11,187,083</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,198,912	0	487,784	4,686,696
Special	391,437	0	368,817	760,254
Vocational	87,485	0	0	87,485
Intervention	195,514	0	236,739	432,253
Support Services:				
Pupils	501,551	0	2,580	504,131
Instructional Staff	140,067	0	180,674	320,741
Board of Education	31,119	0	0	31,119
Administration	759,860	0	14,045	773,905
Fiscal	263,562	0	695	264,257
Operation and Maintenance of Plant	669,253	0	68,418	737,671
Pupil Transportation	369,477	0	0	369,477
Central	43,168	0	0	43,168
Food Service Operations	0	0	473,560	473,560
Extracurricular Activities	159,215	0	77,351	236,566
Capital Outlay	0	81,575	110,152	191,727
Debt Service:				
Principal Retirement	0	99,000	140,000	239,000
Interest and Fiscal Charges	0	186,128	75,519	261,647
<i>Total Expenditures</i>	<u>7,810,620</u>	<u>366,703</u>	<u>2,236,334</u>	<u>10,413,657</u>
<i>Net Change in Fund Balances</i>	585,560	79,964	107,902	773,426
<i>Fund Balances Beginning of Year</i>	<u>2,657,711</u>	<u>195,450</u>	<u>642,210</u>	<u>3,495,371</u>
<i>Fund Balances End of Year</i>	<u>\$3,243,271</u>	<u>\$275,414</u>	<u>\$750,112</u>	<u>\$4,268,797</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, 2010*

**Net Change in Fund Balances - Total Governmental Funds** \$773,426

***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	28,775	
Depreciation	(780,559)	
Total		(751,784)

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

Property and Other Local Taxes	66,660	
Grants	125,949	
Total		192,609

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

Compensated Absences		13,173
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Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bonds	140,000	
Capital Lease	99,000	
Total		239,000

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

Accrued Interest	525	
Bond Premium	14,269	
Total		14,794

The internal service fund used by management to charge the costs of statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue(expenses) of the internal service fund is allocated among the governmental activities.

(16,090)

*Change in Net Assets of Governmental Activities* \$465,128

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, 2010*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Taxes	\$1,468,971	\$1,483,744	\$1,483,744	\$0
Intergovernmental	5,627,465	5,332,722	5,333,434	712
Charges for Services	105,282	101,168	101,343	175
Interest	128,893	99,625	99,764	139
Tuition and Fees	1,250,471	1,219,835	1,222,252	2,417
Extracurricular Activities	27,600	29,265	29,461	196
Rentals	18,300	18,945	18,945	0
Contributions and Donations	4,800	6,473	7,273	800
<i>Total Revenues</i>	<u>8,631,782</u>	<u>8,291,777</u>	<u>8,296,216</u>	<u>4,439</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,149,523	4,034,855	3,818,533	216,322
Special	873,647	881,485	804,992	76,493
Vocational	123,611	85,925	85,482	443
Adult/Continuing	2,216	0	0	0
Intervention	234,401	220,216	205,043	15,173
Support Services:				
Pupils	364,499	527,423	501,913	25,510
Instructional Staff	135,663	155,827	139,363	16,464
Board of Education	33,304	35,248	31,798	3,450
Administration	806,844	825,651	774,160	51,491
Fiscal	264,341	304,640	297,682	6,958
Operation and Maintenance of Plant	851,272	783,072	716,946	66,126
Pupil Transportation	514,147	510,589	389,983	120,606
Central	46,449	49,457	46,184	3,273
Extracurricular Activities	138,948	193,876	168,596	25,280
<i>Total Expenditures</i>	<u>8,538,865</u>	<u>8,608,264</u>	<u>7,980,675</u>	<u>627,589</u>
<i>Net Change in Fund Balance</i>	92,917	(316,487)	315,541	632,028
<i>Fund Balance Beginning of Year</i>	3,436,755	3,436,755	3,436,755	0
Prior Year Encumbrances Appropriated	<u>55,490</u>	<u>55,490</u>	<u>55,490</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$3,585,162</u></u>	<u><u>\$3,175,758</u></u>	<u><u>\$3,807,786</u></u>	<u><u>\$632,028</u></u>

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2010*

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	<u>Insurance</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$196,281
<b>Liabilities</b>	
Claims Payable	<u>0</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$196,281</u></u>

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2010*

	Insurance
<b>Operating Expenses</b>	
Fringe Benefits	\$ 16,090
<i>Total Operating Expenses</i>	16,090
<i>Change in Net Assets</i>	(16,090)
<i>Net Assets Beginning of Year</i>	212,371
<i>Net Assets End of Year</i>	\$ 196,281

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, 2010

	Insurance
<i>Decrease in Cash and Cash Equivalents</i>	
<b>Cash Flows from Operating Activities</b>	
Cash Payments for Claims	(\$16,090)
<i>Net Cash Used for Operating Activities</i>	(16,090)
<i>Net Decrease in Cash and Cash Equivalents</i>	(16,090)
<i>Cash and Cash Equivalents Beginning of Year</i>	212,371
<i>Cash and Cash Equivalents End of Year</i>	\$196,281
 <b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(\$16,090)
<i>Net Cash Used for Operating Activities</i>	(\$16,090)

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*June 30, 2010*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$34,784</u>
<b>Liabilities</b>	
Due to Students	<u>\$34,784</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, 2010*

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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 80 certificated employees, 42 non-certificated employees and 4 administrative employees to provide services to 1,078 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 not 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 insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Lisbon Exempted Village School District, this includes general operations, food service, and student related activities of the District.

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

The District participates in four organizations which are defined as jointly governed organizations and one insurance purchasing pool. These organizations include the Columbiana County Career and Technical Center, the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Portage Area School Consortium, the Ohio Schools’ Council, and Ohio School Business Officials’ Association Workers’ Compensation Group Rating Program. 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. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District’s accounting policies are described below.

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. However, the School District has only governmental activities; therefore no business-type activities are presented.

The statement of net assets 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. 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 and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the 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 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, 2010*

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

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

***Proprietary Funds*** Proprietary funds reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The 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 only internal service fund carried on the financial records of the School District is related to self insurance. This fund accounts for the revenues and expenses related to the provision of medical, surgical, prescription drug and dental benefits to the School District employees.

***Fiduciary Fund Type*** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, 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 all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of net assets. The statement of revenue, expenses and changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the 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, 2010*

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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 revenue, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or 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 Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

## **Lisbon Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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#### ***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 2010 in Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and in the State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at face value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2010.

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 2010 amounted to \$83,241, which includes \$18,663 assigned from other School District funds.

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balances in these accounts represent deposits or short-term investments in certificates of deposits.

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

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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***Restricted Assets***

Assets are reported as restricted when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of donated food and food held for resale. The cost of inventory items is recorded as expenditure in the governmental fund types when used.

***Capital Assets***

All of the School District's capitalized assets are general capitalized 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 assets 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 fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand 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.

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

***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services provided and used are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

***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.

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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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.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

***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, claims and judgments compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and capital leases are recognized as a liability on the governmental fund financial statements when due.

***Net Assets***

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

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School 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. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

***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.

## **Lisbon Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**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. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

**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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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. All revenue and expenses not meeting these definitions are reported as non-operating.

### ***Internal Activity***

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

### ***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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***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 – Fund Deficits**

The deficit balances in the following special revenue funds as of June 30, 2010 resulted from adjustments for accrued liabilities.

ECE Preschool Grant	\$ 162
SFSF – ARRA Grant	51,979
School Improvement	11,739

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

**Note 4 – Change in Accounting Principles**

***Changes in Accounting Principles***

For fiscal year 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, “Accounting and Reporting for Intangible Assets”, Statement No.53 “Accounting and Financial Reporting for Derivative Investments,” Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the School District’s financial statements.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any change to the School District’s financial statements.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District’s financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District’s financial statements.

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's financial statements.

***Restatement of Prior Year's Fund Balance***

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance at				
June 30, 2010	\$3,229,954	\$275,414	\$763,429	\$4,268,797
Change in Fund Structure	13,317	0	(13,317)	0
Adjusted Fund Balance at				
June 30, 2010	\$3,243,271	\$275,414	\$750,112	\$4,268,797

Net Assets for the period ending June 30, 2009 were understated by the amount of \$15,593. Accrued interest payable was overstated. The correction was made for this reporting period in order to more accurately represent the School District's Beginning Net Assets in the amount of \$20,103,793.

**Note 5 - 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. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. 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	\$585,560
Net Adjustment for Revenue Accruals	(99,964)
Net Adjustment for Expenditure Accruals	(114,565)
Adjustment for Encumbrances	(55,490)
Budget Basis	\$315,541

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

**Note 6 – 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 below:

Fund Balances	General	Permanent Improvement	Nonmajor Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Inventory	0	0	13,328	13,328
<b><i>Total Nonspendable</i></b>	<b>0</b>	<b>0</b>	<b>13,328</b>	<b>13,328</b>
<b><i>Restricted for</i></b>				
Fiscal Year 2011 Operations	0	0	(45,551)	(45,551)
Food Service Operations	0	0	133,622	133,622
Athletics	0	0	48,689	48,689
Technology Improvements	0	0	5,000	5,000
Special Education Services	0	0	(433)	(433)
Instructional Services	0	0	(24,965)	(24,965)
Teacher Development	0	0	(12,640)	(12,640)
Debt Service Payments	0	0	328,459	328,459
Capital Improvements	0	275,414	191,331	466,745
<b><i>Total Restricted</i></b>	<b>0</b>	<b>275,414</b>	<b>623,512</b>	<b>898,926</b>
<b><i>Committed to</i></b>				
Other Purposes	16,911	0	0	16,911
<b><i>Total Committed</i></b>	<b>16,911</b>	<b>0</b>	<b>0</b>	<b>16,911</b>
<b><i>Assigned to</i></b>				
Other Purposes	73,012	0	113,272	186,284
<b><i>Total Assigned</i></b>	<b>73,012</b>	<b>0</b>	<b>113,272</b>	<b>186,284</b>
<b><i>Unassigned</i></b>				
<b><i>Total Fund Balances</i></b>	<b>3,153,348</b>	<b>0</b>	<b>0</b>	<b>3,153,348</b>
	<b>\$3,243,271</b>	<b>\$275,414</b>	<b>\$750,112</b>	<b>\$4,268,797</b>

**Note 7 - Deposits and Investments**

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

Active deposits are public deposits 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, 2010*

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations 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 division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances 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. Investments may only be made through specified dealers and institutions.

***Deposits***

***Custodial Credit Risk.*** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District's deposits may not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, the carrying amount of the School District's deposits was \$2,910,786 and the bank balance was \$2,920,137. Of the bank deposits \$1,387,000 were covered by federal depository insurance.

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

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

***Investments***

Investments are reported at fair value. As of June 30, 2010, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Bank Note #1	\$402,500	February 26, 2015
Federal Home Loan Bank Note #2	452,110	April 22, 2015
Federal Home Loan Mortgage Corp Note #1	100,500	April 28, 2014
Federal Home Loan Mortgage Corp Note #2	809,144	May 15, 2015
Federal National Mortgage Assn Note #1	576,299	April 15, 2015
STAROhio	5,077	33 days
Totals	<u>\$2,345,630</u>	

***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.*** The Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal National Mortgage Association Notes carry a rating of AAA by Standard & Poor's and STAROhio also carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

***Custodial Credit Risk.*** For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal National Mortgage Association Notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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The following is the School District's allocation as of June 30, 2010:

Investment Issuer	Percentage of Investments
Federal Home Loan Bank Notes	36.43%
Federal Home Loan Mortgage Corp Notes	38.78%
Federal National Mortgage Association Notes	24.57%
STAROhio	.22%

**Note 8 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District 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, public utility and tangible personal (used in business) property located in the School District. Real property tax revenue received during calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternative payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property tax) represents the collection of 2009 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2009, on the value as of December 31, 2009. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2010 is zero. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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 County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes received include real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 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

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance of real property taxes at June 30, 2010, was \$127,810 in the general fund, \$19,811 in the bond retirement fund, \$29,396 in the permanent improvement fund, and \$2,673 in the OSFC maintenance levy fund. The amount available for advance of personal property taxes at June 30, 2010, was \$1,358 in the general fund, \$161 in the bond retirement fund, \$239 in the permanent improvement fund and \$26 in the OSFC maintenance levy fund.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$75,836,270	91.59%	\$76,200,310	92.30%
Public Utility	5,852,550	7.07%	6,212,270	7.52%
Tangible Personal Property	1,113,290	1.34%	147,280	0.18%
Total Assessed Value	<u>\$82,802,110</u>	<u>100.00%</u>	<u>\$82,559,860</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.30		\$34.30	

**Note 9 - Receivables**

Receivables at June 30, 2010, consisted of taxes, interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, 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.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund:	
Special Education Transportation Services	\$ 23,673
Special Revenue Funds:	
ECE Preschool	8,150
Title VI-B	150,443
School Improvement	817
Title I	103,027
Title II-A	<u>8,966</u>
Total Special Revenue Funds	<u>271,403</u>
Total All Funds	<u>\$295,076</u>

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<b>Governmental Activities</b>				
<b>Nondepreciable Capital Assets</b>				
Land	\$870,749	\$0	\$0	\$870,749
<b>Depreciable Capital Assets</b>				
Land Improvements	786,983	16,843	0	803,826
Buildings and Improvements	24,582,607	7,849	0	24,590,456
Furniture, Fixtures and Equipment	2,112,154	4,083	0	2,116,237
Vehicles	688,642	0	0	688,642
Total at Historical Cost	<u>28,170,386</u>	<u>28,775</u>	<u>0</u>	<u>28,199,161</u>
Less Accumulated Depreciation:				
Land Improvements	(284,903)	(31,175)	0	(316,078)
Buildings and Improvements	(5,084,560)	(510,652)	0	(5,595,212)
Furniture, Fixtures and Equipment	(1,175,713)	(197,382)	0	(1,373,095)
Vehicles	(413,486)	(41,350)	0	(454,836)
Total Accumulated Depreciation	<u>(6,958,662)</u>	<u>(780,559)*</u>	<u>0</u>	<u>(7,739,221)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>21,211,724</u>	<u>(751,784)</u>	<u>0</u>	<u>20,459,940</u>
Governmental Activities Capital Assets, Net	<u>\$22,082,473</u>	<u>(\$751,784)</u>	<u>\$0</u>	<u>\$21,330,689</u>

- Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$526,954
Vocational	564
Support Services:	
Instructional Staff	4,499
Administration	26,400
Fiscal	117
Operations and Maintenance of Plant	91,117
Pupil Transportation	47,797
Extracurricular Activities	21,753
Food Service Operations	61,358
Total Depreciation Expenses	<u>\$780,559</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 2010, 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 below:

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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Type of Coverage	Amount
Building and Contents – replacement costs	\$30,410,982
Inland Marine Coverage	61,064
Crime Insurance	10,000
Extra Expense	500,000
Automobile Liability	2,000,000
Auto Medical Payments	5,000
Uninsured Motorists	1,000,000
General Liability	
Per Occurrence	1,000,000
Total per year	5,000,000

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

***Workers' Compensation***

For fiscal year 2010 the School District participated in the Ohio School Business Officials' Association Workers' Compensation 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. 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***

For fiscal year 2010, the School District was a participant in the Portage County School Consortium (the "Consortium") to provide employee medical, surgical, prescription, dental and vision benefits. The Consortium is administered by Benefit Services, Inc. of Akron, Ohio. Payments are made to the Consortium for the monthly attachment point, monthly stop-loss premiums, and administration fees. The entire risk of loss transfers to the Consortium upon payment of the premium.

The School District pays 90 percent of the insurance premium costs for all of the participating staff. For the period covering July 1, 2009 through June 30, 2010, the School District paid premiums in the amount of \$828.13 for family coverage per month and \$342.95 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.

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**Note 12 – Defined Benefit Pension Plans**

***School Employees Retirement System***

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.74 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board, up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$115,755, \$96,515 and \$89,706 respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

***State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits, to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888)227-7877, or by visiting the STRS Ohio website 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. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance base on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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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 - For the fiscal year ended June 30, 2010 plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established the by State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$580,416, \$547,174, and \$527,996, respectively; 79.86 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2009, (the latest information available) were \$373 made by the School District and \$4,268 made by the plan members.

***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2010 three of the five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 13 - Postemployment Benefits**

***School Employees Retirement System***

Plan Description - The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State Statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contributions of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 1.26 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$55,794, \$60,913 and \$60,522 respectively; 67.6 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B fund. For 2010, the actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009 and 2008 were \$6,884, \$6,474, and \$6,464 respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

***State Teachers Retirement System***

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan included in the report of STRS Ohio which may be obtained by visiting [www.strsohio.org](http://www.strsohio.org) or be calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$44,647, \$42,090 and \$40,615 respectively; 79.86 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

***Life Insurance***

The School District provides term life and accidental death and dismemberment insurance to most 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 2010 were as follows:

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

	Principal Outstanding 6/30/09	Additions	Deductions	Principal Outstanding 6/30/10	Amounts due in One Year
<b>Governmental Activities</b>					
Refunded General Obligation Bonds	\$1,535,000	\$0	\$140,000	\$1,395,000	\$145,000
Unamortized Premium	162,196	0	14,269	147,927	19,220
Compensated Absences	492,946	0	13,173	479,773	0
Capital Leases	3,770,999	0	99,000	3,671,999	103,000
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$5,961,141</u>	<u>\$0</u>	<u>\$266,442</u>	<u>\$5,694,699</u>	<u>\$267,220</u>

The 1992 General Obligation Bonds were originally issued in the amount \$3,085,000. These bonds were issued for the purpose of facility additions and remodeling. The 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% compared to the rate of 6.25% on the 1992 General Obligation Bonds. This reduction in interest rate resulted in a net present value savings of \$226,984 to the School District.

Capital lease obligations will be paid from the permanent improvement fund. The general obligation bonds will be paid from the debt service fund. Proceeds from the bond issue were used to add classrooms at both buildings and an auditorium at the high school. Compensated absences will be paid from the General, Miscellaneous State Grants, Food Service, ECE Preschool, Title VI-B, SFSF-ARRA, School Improvement, Title I and Title II-A funds.

The School District's overall legal debt margin was \$8,516,899 with an unvoted debt margin of \$82,560 at June 30, 2010.

Principal requirements to retire general obligation bonds outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$145,000	\$63,767	\$208,767
2012	155,000	56,267	211,267
2013	160,000	48,392	208,392
2014	170,000	40,142	210,142
2015	180,000	31,393	211,393
2016-2018	585,000	38,982	623,982
<i>Total</i>	<u>\$1,395,000</u>	<u>\$278,943</u>	<u>\$1,673,943</u>

**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 will be 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 as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

This capital assets acquired by lease have been originally capitalized in the amount of \$933,000 with the balance of the \$2,058,000 for the local share obligation 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 \$267,786 leaving a current book value of \$2,723,214 as of June 30, 2010. Principal payments in fiscal year 2010 totaled \$70,000 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 \$29,000 for the period. Accumulated depreciation for this lease is \$58,850 leaving a current book value of \$1,118,150 as of this reporting period. The total amount owed on the two leases is \$3,671,999.

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, 2010:

	<u>Amount</u>
Fiscal Year Ending June 30, 2011	\$285,197
2012	284,349
2013	285,270
2014	284,800
2015	284,932
2016 - 2020	1,419,011
2021 - 2025	1,316,675
2026 - 2030	1,170,719
2031 - 2035	652,883
2036 - 2037	123,355
Total minimum lease payments	<u>6,107,191</u>
Less: Amount Representing Interest	<u>2,435,192</u>
Present Value of Minimum Lease Payments	<u>\$3,671,999</u>

**Note 17 - Set-Aside Calculations and Fund Reserves**

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 purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years. At June 30, 2010, no amount continues to be set aside.

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

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

	Textbooks	Capital Improvements	Budget Stabilization
Set-Aside Balance as of June 30, 2009	(\$164,819)	\$0	\$0
Current Year Set-Aside Requirement	139,360	149,340	0
Qualifying Disbursements	(106,031)	(342,396)	0
Totals	(\$131,490)	(\$193,056)	\$0
 Set-Aside Balance Carried Forward to Future Fiscal Years	 (\$131,490)	 \$0	 \$0

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the capital improvement set-aside amount to zero, 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 fiscal years. There was no requirement to reserve balances for the three set-asides at the end of fiscal year.

**Note 18 - Jointly Governed Organizations**

*Columbiana County Career and Technical Center* - The Columbiana County Career and Technical Center is a distinct political subdivision of the State of Ohio. The Center is operated under the direction of a Board, consisting of one representative from each of the eight participating 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 and grade reporting; career guidance services; special education records; test scoring and EMIS.

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

OME-RESA is owned and operated by forty-five member 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 Jefferson County Educational Service Center, Steubenville, Ohio acts as the fiscal agent for OME-RESA and assumes the budgetary responsibility. The School District contributed \$35,260 for various fees associated with the agency's services during the 2010 fiscal year. To obtain financial information write to Jefferson County Educational Service Center, Office of the Treasurer, 2023 Sunset Boulevard, Steubenville, Ohio 43952.

## **Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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*Portage Area School Consortium* The Portage Area School Consortium was established in 1981 so that 12 educational-service providers in Portage County could manage risk exposures and purchase necessary insurance coverage as a group. 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 County 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 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. Although the School District recognizes that it retains a contingent liability to provide insurance coverage should the assets of the consortium become depleted, it is the opinion of management that the assets of the consortium are sufficient to meet its claims. The Portage County Educational Service Center acts as the fiscal agent for the consortium.

*Ohio Schools' Council* The Ohio Schools' Council Association (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. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control is exercised by any school district is limited to its representation on the Board. In fiscal year 2010, no fees were paid to the Council. Financial information can be obtained by contacting Kathleen T. Neal, the Executive Secretary/Treasurer of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131

The School District participates in the Council's electric purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corporation, a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates their agreement, they are required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

### **Note 19 - Insurance Purchasing Pools**

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

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**Note 20 - Contingencies**

**A. Grants**

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

However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

**B. Litigation**

The District was not a party to any legal proceedings during the 2010 fiscal year.

**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster: Non-Cash Assistance (Food Distribution): National School Lunch Program	N/A	10.555	\$28,319	\$28,319
Cash Assistance: School Breakfast Program	2009 05-PU 2010 05-PU	10.553	15,305 21,993	15,305 21,993
National School Lunch Program	2009 LL-P4 2010 LL-P4	10.555	100,672 <u>133,539</u>	100,672 <u>133,539</u>
Cash Assistance Subtotal			271,509	271,509
Total for Program (Cluster)			299,828	299,828
Team Nutrition	N/A	10.574	2,000	2,000
<b>Total U.S. Department of Agriculture</b>			<b><u>301,828</u></b>	<b><u>301,828</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1-S1 2009	84.010	19,028	26,709
Title I Grants to Local Educational Agencies	C1-S1 2010	84.010	215,647	220,472
Title I Part A Stimulus	ARRA	84.389	<u>60,416</u>	<u>52,305</u>
Total Title I Grants to LEA Cluster			295,091	299,486
School Improvement Grants	2009	84.377	11,608	10,931
School Improvement Grants	2010	84.377	<u>119,183</u>	<u>118,054</u>
Total School Improvement Grants			130,791	128,985
IDEA, Part B Grant	6B-SF-2010	84.027	215,158	215,158
IDEA, Part B Stimulus	ARRA	84.391	<u>93,562</u>	<u>86,384</u>
Total IDEA - Part B Cluster			308,720	301,542
State Fiscal Stabilization Fund (SFSF)	ARRA	84.394	333,202	333,202
Drug Free School Grant	DR-S1 2010	84.186	3,789	3,789
Title II-A Grant	TR-S1-2009	84.367	3,846	8,922
Title II-A Grant	TR-S1-2010	84.367	<u>51,747</u>	<u>49,371</u>
Total Title II-A Grant			55,593	58,293
Title II-D Grant	TJ-S1 2010	84.318	2,099	2,099
Title II-D Grant	IDL - 2010	84.318	<u>5,000</u>	<u>0</u>
Total Title II-D Grant			7,099	2,099
<b>Total Department of Education</b>			<b><u>1,134,285</u></b>	<b><u>1,127,396</u></b>
<b>Total Federal Receipts and Expenditures</b>			<b><u>\$1,436,113</u></b>	<b><u>\$1,429,224</u></b>

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

**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2010**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B -- FOOD DISTRIBUTION**

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



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, 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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### **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, providing an opinion 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*.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

August 16, 2010



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

#### Compliance

We have audited the compliance of Lisbon Exempted Village School District, Columbiana County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2010.

#### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

August 16, 2010

**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	IDEA, Part B (CFDA# 84.027) IDEA, Part B Stimulus (CFDA# 84.391) State Fiscal Stabilization Fund (CFDA# 84.394)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





**Mary Taylor, CPA**  
Auditor of State

**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT**

**COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 9, 2010**