



Dave Yost • Auditor of State



**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lisbon Exempted Village School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lisbon Exempted Village School District, Columbiana County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Supplementary Information*

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

The Federal Award Receipts and Expenditures Schedule presents additional analysis as required by the 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 financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 6, 2013

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**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*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, 2013. It is the Treasurer's responsibility to report annually on the status of operations and it is with great pleasure that I present to you this overview of the financial position of the School District. The overall intent of this discussion and analysis is to look at the School District's financial activities as a whole and how and why some facts may change its performance in the future. This is intended to be a clear presentation to our taxpayers and any others who may be interested in our School District's finances.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2013 are as follows:

- The School District's total net position decreased from \$19,367,416 to \$18,748,047 for a decline of \$619,369 during this year's operations. The net position of Governmental activities decreased 3.20 percent.
- Revenues for governmental activities totaled \$10,115,306 in 2013. This total was comprised of General revenues in the amount of \$7,281,764 and program revenues totaling \$2,833,542. 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 \$10,734,675. Instructional expenses made up 59.2 percent of this total while support services accounted for 30.3 percent. Other expenses rounded out the remaining 10.5 percent.
- Outstanding general obligation bonded debt decreased from \$1,095,000 to \$935,000 in 2013.

## **USING THIS ANNUAL REPORT**

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

The *Statement of Net Position* and the *Statement of Activities* (on pages 15 and 16) 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 17 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**  
*Management's Discussion and Analysis*  
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*Unaudited*

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

*Statement of Net Position 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 Position* 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 7. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources 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 position of the School District and note any changes that occurred during the year. Net position represents the difference between all other elements in the financial position and they tend to be the leading indicator of financial health. This change in net position 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 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.

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

Analysis of the School District's major funds begins on page 10. The fund financial statements begin on page 17 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*

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

**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
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**The School District as a Whole**

The Statement of Net Position looks at the School District as a whole. The School District's total net position decreased from a year ago. Table 1, shows a decrease from \$19,367,416 to \$18,748,047. The decrease in Net Position can be primarily attributed to the decrease in assets. As a whole the School District did not receive funds over this financial period which exceeded the amount of funds expended for its activities. There was a larger decrease in assets coupled with a decrease in the long-term liabilities due in more than one year. The combination of these two factors with relatively small changes in all other asset and liability categories resulted in a net loss in the total net position of the School District.

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

**(Table 1)**  
**Net Position**

	Governmental Activities	
	2013	2012
<b>Assets</b>		
Current and Other Assets	\$ 7,368,682	\$ 7,650,471
Capital Assets	20,070,311	20,892,106
Total Assets	27,438,993	28,542,577
<b>Liabilities</b>		
Long-Term Liabilities	(5,865,160)	(6,224,789)
Other Liabilities	( 876,366)	( 941,993)
Total Liabilities	( 6,741,526)	( 7,166,782)
<b>Deferred Inflows of Resources</b>	(1,949,420)	( 2,008,379)
<b>Net Position</b>		
Net Investment in Capital Assets	14,661,917	15,177,626
Restricted	1,529,176	1,425,656
Unrestricted	2,556,954	2,764,134
Total Net Position	\$18,748,047	\$19,367,416

Current and Other Assets decreased by \$281,789 in large part due to a decrease in Equity and Pooled Cash and Cash Equivalents from the previous period. The Capital Assets showed a decrease in the amount of \$821,795 as a result of the net effect of the additions of the capital assets being exceeded by the current fiscal year depreciation.

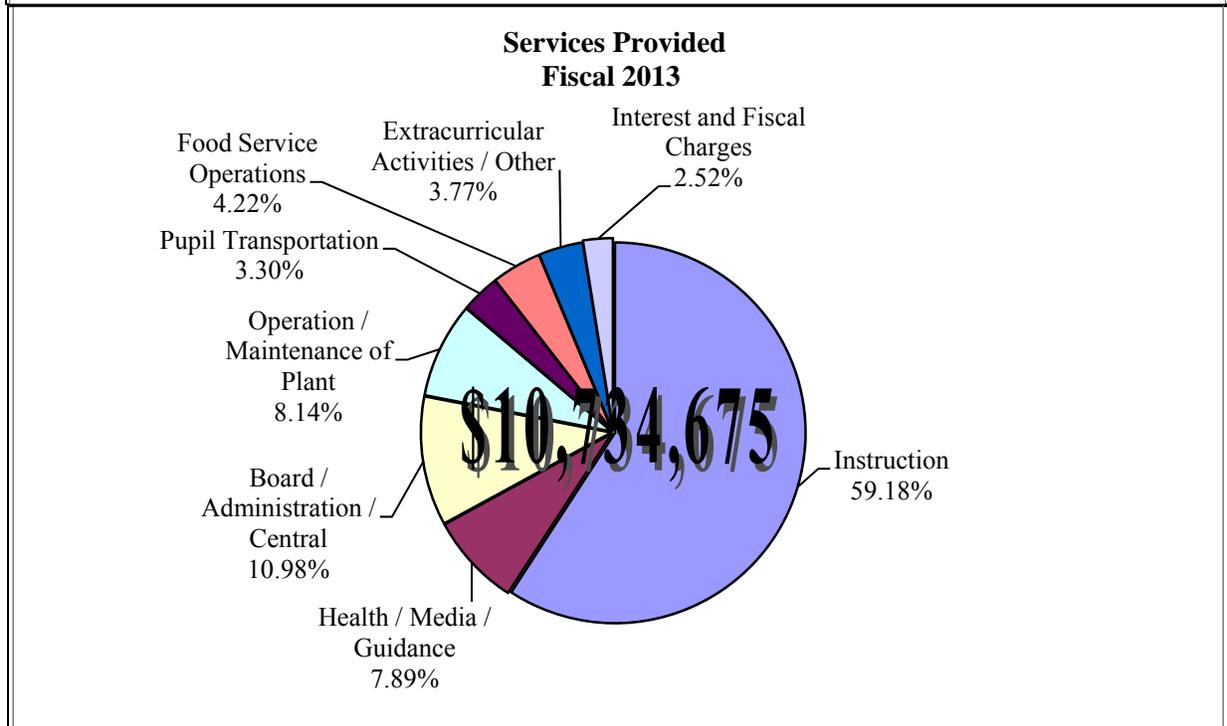
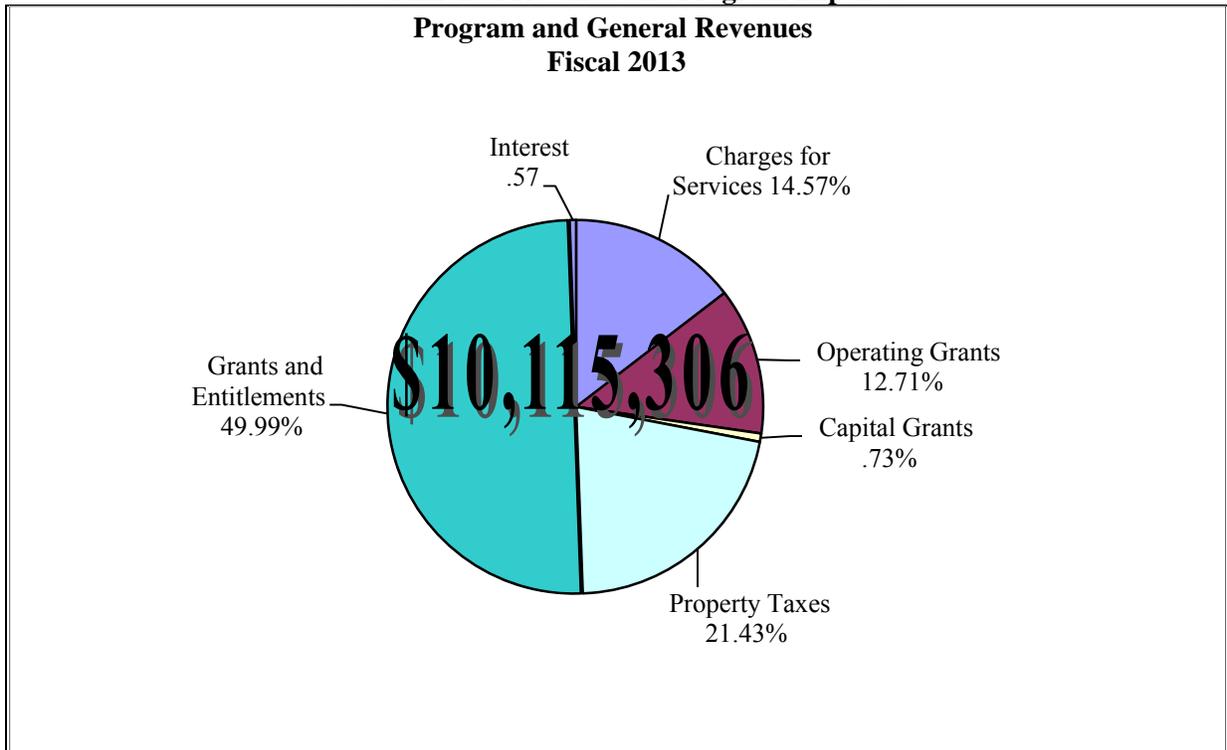
Total Liabilities decreased by \$425,256 for this reporting period. The most significant factor contributing to the decrease in liabilities was the debt retirement payments made during the period.

Table 2 highlights the School District's revenues and expenses. These two main components are subtracted to yield the change in net position. 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 2013 and 2012 follows:

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



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

	Governmental Activities 2013	Governmental Activities 2012
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$1,473,678	\$1,561,468
Operating Grants, Contributions and Interest	1,285,918	1,700,249
Capital Grants	73,946	92,015
Total Program Revenues	<u>2,833,542</u>	<u>3,353,732</u>
General Revenue:		
Property Taxes	2,167,242	2,141,755
Grants and Entitlements	5,057,065	5,165,772
Interest	57,457	46,784
Total General Revenue	<u>7,281,764</u>	<u>7,354,311</u>
Total Revenues	<u>10,115,306</u>	<u>10,708,043</u>
<b>Program Expenses</b>		
Instruction:		
Regular	5,081,953	5,181,200
Special	1,226,746	1,165,067
Vocational	38,921	45,034
Intervention	4,679	136,884
Support Services:		
Pupils	608,602	484,451
Instructional Staff	238,800	498,830
Board of Education	34,122	36,245
Administration	767,283	833,549
Fiscal	320,440	290,434
Operation and Maintenance of Plant	873,375	880,215
Pupil Transportation	354,472	414,838
Central	56,994	53,995
Operation of Non-Instructional Services		
Food Service Operations	453,514	483,918
Extracurricular Activities	404,255	433,656
Interest and Fiscal Charges	270,519	321,169
Total Expenses	<u>\$10,734,675</u>	<u>\$11,259,485</u>
Decrease in Net Position	<u>(\$619,369)</u>	<u>(\$551,442)</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 49.99 percent of the total revenues with property taxes making up 21.43 percent of total revenues. The largest percentage of the services provided at 59.18 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 changed slightly over the past fiscal year. There was a decrease in Net Position. The School District experienced an operating deficit in the general fund for the second time in as many years. This deficit is primarily due to a loss of students which is tied directly to the level of State funding received. 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 administration is focused on cutting expenses so that the cost of operations does not exceed the resources available. The cash balances declined slightly. The School District continues to improve operation efficiencies where possible.

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 did not change during this fiscal year and did not provide for any additional revenue. The School District is not anticipating any significant increase in State per pupil funding. 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 spending 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 2013	Net Cost of Services 2013
Instruction	\$6,352,299	\$4,548,246
Support Services:		
Pupils and Instructional Staff	847,402	789,030
Board of Education, Administration, Fiscal and Business Services	1,121,845	1,121,845
Operation and Maintenance of Plant	873,375	841,979
Pupil Transportation	354,472	74,145
Central	56,994	56,994
Food Service Operations	453,514	(53,582)
Extracurricular Activities	404,255	251,957
Interest and Fiscal Charges	270,519	270,519
Total Expenses	\$10,734,675	\$7,901,133

**THE DISTRICT'S FUNDS**

As previously stated, these funds are accounted for using the modified accrual basis of accounting. All Governmental funds had total revenues of \$10,128,592 and expenditures of \$10,289,898. Overall the total revenues decreased by a total of \$506,610 with a decrease in total expenditures of \$556,790. The most significant reason for the decrease is the loss of federal grant funding.

**Lisbon Exempted Village School District**  
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***General Fund Financial Activity***

The balance of the general fund decreased by \$269,879. All of the School District's revenue sources had either slight increases or decreases over the previous fiscal year. No particular category was significant, while operational expenditures were also decreased which was not enough to stop a cash decrease. Cash in the general fund decreased by approximately eight percent from \$3,675,231 in fiscal year 2012 to \$3,382,292 in the fiscal year 2013 which is a decrease of \$292,939. The fund balance in the permanent improvement fund increased due to the School District continuing to pay down long-term obligations.

***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 2013, 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 \$8,069,038 representing a \$45,632 a decrease from the original budget estimate of \$8,114,670. Most of this difference was due to a conservative original estimate of the State Bridge funding distribution as it relates to the pupil enrollment estimates, as well as, an increase in the open enrollment receipts. The School District's General fund balance at end of year was \$3,315,786 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 2013, 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. Modifications to the original budget included the most significant increases in regular instruction, special instruction, staff support, and extracurricular services. The adjustments to the other categories of expenditures were minor in comparison, but included administration, fiscal operations, operation and maintenance of plant, pupil transportation and extracurricular activities.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of fiscal year 2013 the School District has \$20,070,311 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. The following table shows ending balances of capital assets invested in various categories. Notice that we are showing a depreciation expense of \$843,865 which is a net decrease of \$821,795 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 9 for further information on capital assets.

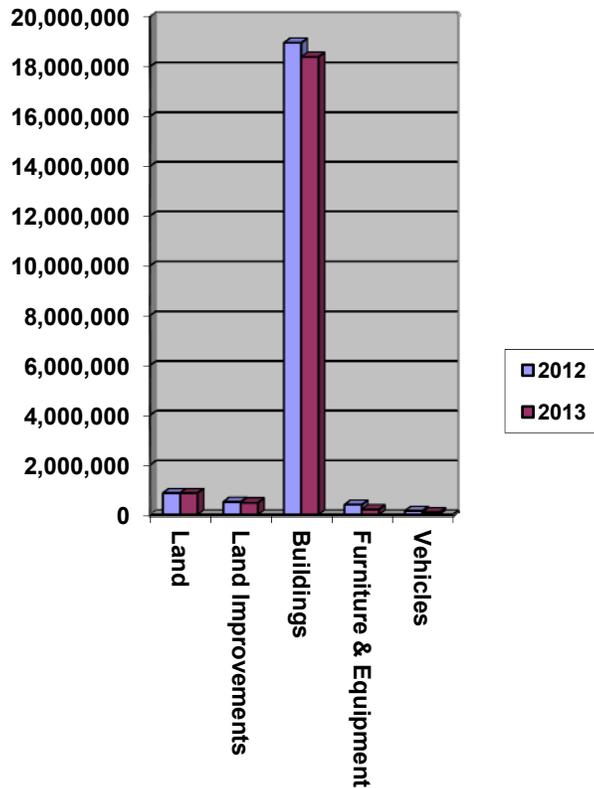
**Lisbon Exempted Village School District**  
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**Capital Assets**  
**(Table 4)**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities	
	2013	2012
Land	\$870,749	\$870,749
Land Improvements	483,350	518,844
Buildings and Improvements	18,389,647	18,954,461
Furniture, Fixtures and Equipment	216,809	396,946
Vehicles	109,756	151,106
<b>Totals</b>	<b>\$20,070,311</b>	<b>\$20,892,106</b>

The graph above shows the category and depreciated value of our School District's capital assets. The capital asset threshold of the School District is set at \$2,500 which eliminates the majority of the computers and other instructional support materials. The assets that fall below the threshold limit are tagged and tracked as movable equipment. This helps ensure that all assets of the School District are being protected from theft or loss.

**(Chart 2)**  
**Capital Assets**



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

At June 30, 2013, the Lisbon Exempted Village School District had reduced its bonded debt to \$935,000. The School District paid \$160,000 in bond principal and \$69,346 in bond interest. See Notes 14 and 15 for further information on debt.

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

	Governmental Activities 2013	Governmental Activities 2012
Refunded General Obligation Bonds:		
Series, 2004	\$935,000	\$1,095,000
Unamortized Premium	87,282	108,236
Capital Lease	4,450,235	4,621,751
Total	\$5,472,517	\$5,824,987

As of June 30, 2013 the School District's legal debt margin was \$7,082,995 with an unvoted debt margin of \$84,219. Capital leases do not count towards the School District's legal debt margin. Moody's issued an A2 rating for the Lisbon Exempted Village School District.

**School District Outlook**

Lisbon Exempted Village School District is presently financially stable and working on maintaining its financial stability. The Board of Education and administration closely monitor its revenue and expenditures in accordance with its financial forecast and the District Continuous Improvement Plan. The financial future of the School District is facing financial challenges. These challenges are internal and external in nature. The internal challenges will continue to exist as the School District must attempt to contain operating costs while providing a fair wage to its employees and maintain the level of benefits guaranteed by contractual agreements. The economic conditions that exist today make it a challenge to forecast revenues too far into the future. The local external influences revolve around the local economy and the ability of the residents of the School District to support the existing programming. The reliance on the local property tax base has not changed. Other external challenges continue to evolve as the State of Ohio implements a new method for funding education in Ohio. The School District experienced a loss of 2% of State funding when the federal Education Jobs Funds disappeared in the last fiscal year. This loss of funding was anticipated and plans were put in place to deal with the shortfall. 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 School District, it is being assumed that the normal inflationary growth will slow and possibly begin to trend to either zero or very minimal value increases. The slow or negative local tax value growth shifts the reliance more on the State

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*Management's Discussion and Analysis*  
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*Unaudited*

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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 State Formula provides sixty-five percent of the revenue for Lisbon Exempted Village School District's general fund. The new governor and legislature has developed a new funding model to be in place until beginning in fiscal year 2014. At this time projections show the School District not receiving any new State funding over the next two fiscal years. 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 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 nine 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 condition in the State affects the ability to increase funding for education. The School District administration acknowledges that fact and knows that it must be creative in managing a stagnate budget.

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

### **Contacting the School District's Financial Management**

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

**Lisbon Exempted Village School District**

*Statement of Net Position*

*June 30, 2013*

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	Governmental Activities
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,993,631
Intergovernmental Receivable	121,543
Interest Receivable	10,350
Inventory Held for Resale	12,570
Prepaid Items	15,136
Property Taxes Receivable	2,215,452
Nondepreciable Capital Assets	870,749
Depreciable Capital Assets, Net	19,199,562
	<hr/>
<i>Total Assets</i>	27,438,993
	<hr/>
<b>LIABILITIES</b>	
Accounts Payable	5,097
Accrued Wages	705,483
Intergovernmental Payable	137,671
Accrued Interest Payable	28,115
Long-Term Liabilities:	
Due Within One Year	351,226
Due In More Than One Year	5,513,934
	<hr/>
<i>Total Liabilities</i>	6,741,526
	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes	1,949,420
	<hr/>
<b>NET POSITION</b>	
Net Investment in Capital Assets	14,661,917
Restricted for:	
Capital Projects	337,423
Debt Service	467,176
Other Purposes	724,577
Unrestricted	2,556,954
	<hr/>
<i>Total Net Position</i>	\$18,748,047
	<hr/> <hr/>

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2013*

	Program Revenues			Capital Grants	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest		
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$5,081,953	\$986,539	\$369,661	\$61,891	(\$3,663,862)
Special	1,226,746	100,173	284,932	0	(841,641)
Vocational	38,921	0	857	0	(38,064)
Intervention	4,679	0	0	0	(4,679)
Support Services:					
Pupils	608,602	0	0	0	(608,602)
Instructional Staff	238,800	0	58,372	0	(180,428)
Board of Education	34,122	0	0	0	(34,122)
Administration	767,283	0	0	0	(767,283)
Fiscal	320,440	0	0	0	(320,440)
Operation and Maintenance of Plant	873,375	2,510	28,886	0	(841,979)
Pupil Transportation	354,472	44,587	235,740	0	(74,145)
Central	56,994	0	0	0	(56,994)
Food Service Operations	453,514	220,749	286,347	0	53,582
Extracurricular Activities	404,255	119,120	21,123	12,055	(251,957)
Interest and Fiscal Charges	270,519	0	0	0	(270,519)
<i>Totals</i>	<u>\$10,734,675</u>	<u>\$1,473,678</u>	<u>\$1,285,918</u>	<u>\$73,946</u>	<u>(7,901,133)</u>

**General Revenues**

Property Taxes Levied for:

General Purposes	1,593,795
Debt Service	230,867
Capital Projects	342,580
Grants & Entitlements not Restricted to Specific Programs	5,057,065
Investment Earnings	<u>57,457</u>

*Total General Revenues*

7,281,764

Change in Net Position

(619,369)

*Net Position Beginning of Year - Restated (See Note 21)*

19,367,416

*Net Position End of Year*

\$18,748,047

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2013*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,382,292	\$308,910	\$1,141,643	\$4,832,845
Property Taxes Receivable	1,597,958	349,311	268,183	2,215,452
Interest Receivable	10,350	0	0	10,350
Intergovernmental Receivable	41,961	0	79,582	121,543
Prepaid Items	2,412	0	12,724	15,136
Inventory Held for Resale	0	0	12,570	12,570
<i>Total Assets</i>	<u>\$5,034,973</u>	<u>\$658,221</u>	<u>\$1,514,702</u>	<u>\$7,207,896</u>
<b>LIABILITIES</b>				
Accounts Payable	\$3,435	\$0	\$1,662	\$5,097
Accrued Wages	651,749	0	53,734	705,483
Intergovernmental Payable	124,449	0	13,222	137,671
<i>Total Liabilities</i>	<u>779,633</u>	<u>0</u>	<u>68,618</u>	<u>848,251</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Taxes	1,407,591	306,469	235,360	1,949,420
Unavailable Revenue	139,982	31,505	95,004	266,491
<i>Total Deferred Inflows of Resources</i>	<u>1,547,573</u>	<u>337,974</u>	<u>330,364</u>	<u>2,215,911</u>
<b>FUND BALANCES</b>				
Nonspendable	2,412	0	12,724	15,136
Restricted	21,374	320,247	1,157,271	1,498,892
Committed	38,042	0	0	38,042
Assigned	35,282	0	0	35,282
Unassigned (Deficit)	2,610,657	0	(54,275)	2,556,382
<i>Total Fund Balances</i>	<u>2,707,767</u>	<u>320,247</u>	<u>1,115,720</u>	<u>4,143,734</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$5,034,973</u>	<u>\$658,221</u>	<u>\$1,514,702</u>	<u>\$7,207,896</u>

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2013*

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**Total Governmental Fund Balances** \$4,143,734

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

Capital assets used in governmental activities are not financial  
 resources and therefore are not reported in the funds. 20,070,311

Other assets are not available to pay for current-period  
 expenditures and therefore are reported as unavailable revenue  
 in the funds.

Delinquent Property Taxes	195,624	
Intergovernmental	70,867	
<b>Total</b>		<b>266,491</b>

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 position. 160,786

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	(935,000)	
General Obligation Bonds Premium	(87,282)	
Compensated Absences	(392,643)	
Capital Lease	(4,450,235)	
<b>Total</b>		<b>(5,865,160)</b>

In the statement of activities, interest is accrued on outstanding  
 bonds, whereas in governmental funds, an interest expenditure  
 is reported when due. (28,115)

*Net Position of Governmental Activities* **\$18,748,047**

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, 2013*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$1,556,883	\$341,478	\$262,158	\$2,160,519
Intergovernmental	5,274,066	61,891	1,064,031	6,399,988
Charges for Services	8,232	0	220,950	229,182
Interest	57,457	0	72	57,529
Tuition and Fees	1,111,982	0	0	1,111,982
Extracurricular Activities	45,447	0	66,557	112,004
Rentals	20,510	0	0	20,510
Contributions and Donations	5,766	12,055	19,057	36,878
<i>Total Revenues</i>	<u>8,080,343</u>	<u>415,424</u>	<u>1,632,825</u>	<u>10,128,592</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,262,424	0	271,286	4,533,710
Special	946,705	0	283,834	1,230,539
Vocational	37,809	0	0	37,809
Intervention	4,339	0	1,273	5,612
Support Services:				
Pupils	550,733	0	55,521	606,254
Instructional Staff	171,000	0	67,677	238,677
Board of Education	34,122	0	0	34,122
Administration	758,783	0	12,071	770,854
Fiscal	316,578	0	741	317,319
Operation and Maintenance of Plant	523,038	0	112,068	635,106
Pupil Transportation	312,932	0	0	312,932
Central	56,329	0	0	56,329
Food Service Operations	0	0	431,415	431,415
Extracurricular Activities	247,186	0	104,938	352,124
Capital Outlay	0	101,827	0	101,827
Debt Service:				
Principal Retirement	58,516	113,000	160,000	331,516
Interest and Fiscal Charges	66,773	173,270	53,710	293,753
<i>Total Expenditures</i>	<u>8,347,267</u>	<u>388,097</u>	<u>1,554,534</u>	<u>10,289,898</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(266,924)</u>	<u>27,327</u>	<u>78,291</u>	<u>(161,306)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer In	0	0	2,955	2,955
Transfers Out	(2,955)	0	0	(2,955)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,955)</u>	<u>0</u>	<u>2,955</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(269,879)</u>	<u>27,327</u>	<u>81,246</u>	<u>(161,306)</u>
<i>Fund Balances Beginning of Year-Restated (See Note 21)</i>	<u>2,977,646</u>	<u>292,920</u>	<u>1,034,474</u>	<u>4,305,040</u>
<i>Fund Balances End of Year</i>	<u>\$2,707,767</u>	<u>\$320,247</u>	<u>\$1,115,720</u>	<u>\$4,143,734</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, 2013*

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**Net Change in Fund Balances - Total Governmental Funds** (\$161,306)

*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	22,070	
Depreciation	(843,865)	
Total		(821,795)

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

Property Taxes	6,723	
Grants	(20,009)	
Total		(13,286)

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

33,257

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

General Obligation Bonds	160,000	
Capital Lease	171,516	
Total		331,516

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	2,280	
Bond Premium	20,954	
Total		23,234

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.

(10,989)

*Change in Net Position of Governmental Activities*

(\$619,369)

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, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$1,547,986	\$1,544,739	\$1,544,739	\$0
Intergovernmental	5,361,986	5,269,796	5,276,804	7,008
Charges for Services	1,000	8,232	8,232	0
Interest	54,000	53,493	55,558	2,065
Tuition and Fees	1,097,378	1,111,750	1,111,982	232
Extracurricular Activities	29,320	45,427	45,447	20
Rentals	22,000	20,510	20,510	0
Contributions and Donations	1,000	5,766	5,766	0
<i>Total Revenues</i>	8,114,670	8,059,713	8,069,038	9,325
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular	4,354,485	4,404,433	4,253,761	150,672
Special	850,371	1,172,301	946,551	225,750
Vocational	38,279	38,133	38,022	111
Intervention	31,799	5,496	4,997	499
Support Services:				
Pupils	564,259	581,067	555,564	25,503
Instructional Staff	190,393	204,098	183,754	20,344
Board of Education	29,538	38,636	34,152	4,484
Administration	778,734	791,978	772,034	19,944
Fiscal	348,982	362,169	317,338	44,831
Operation and Maintenance of Plant	892,284	895,843	687,856	207,987
Pupil Transportation	433,017	404,161	329,201	74,960
Central	52,460	55,029	53,260	1,769
Extracurricular Activities	236,910	286,440	249,037	37,403
<i>Total Expenditures</i>	8,801,511	9,239,784	8,425,527	814,257
<i>Excess of Revenues Under Expenditures</i>	(686,841)	(1,180,071)	(356,489)	823,582
<b>OTHER FINANCING USES</b>				
Transfers Out	0	(2,955)	(2,955)	0
<i>Net Change in Fund Balance</i>	(686,841)	(1,183,026)	(359,444)	823,582
<i>Fund Balance Beginning of Year</i>	3,582,699	3,582,699	3,582,699	0
Prior Year Encumbrances Appropriated	92,531	92,531	92,531	0
<i>Fund Balance End of Year</i>	\$2,988,389	\$2,492,204	\$3,315,786	\$823,582

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**

*Statement of Fund Net Position*

*Internal Service Fund*

*June 30, 2013*

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	<u>Insurance</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$160,786</u>
<b>Net Position</b>	
Unrestricted	<u>\$160,786</u>

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**  
*Statement of Revenues,  
 Expenses and Changes in Fund Net Position  
 Internal Service Fund  
 For the Fiscal Year Ended June 30, 2013*

	Insurance
<b>Operating Revenues</b>	
Charges for Interfund Services	\$0
<b>Operating Expenses</b>	
Fringe Benefits	10,989
<i>Change in Net Assets</i>	(10,989)
<i>Net Position Beginning of Year</i>	171,775
<i>Net Position End of Year</i>	\$160,786

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, 2013*

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	<u>Insurance</u>
<i>Decrease in Cash and Cash Equivalents</i>	
<b>Cash Flows from Operating Activities</b>	
Cash Payments for Claims	<u>(\$10,989)</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(10,989)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>171,775</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$160,786</u></u>

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*June 30, 2013*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$37,454</u>
<b>Liabilities</b>	
Due to Students	<u>\$37,454</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, 2013*

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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 68 certificated employees, 38 non-certificated employees and 4 administrative employees to provide services to 981 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 School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Lisbon Exempted Village School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in 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 Sheakley/Better Business Bureau Group Rating Program. These organizations are presented in Notes 17 and 18 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 more significant of the School District’s accounting policies are described below.

#### *Basis of Presentation*

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

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**Government-wide Financial Statements** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenue and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District’s major governmental funds:

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

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

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

## **Lisbon Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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

**Internal Service Fund** – This fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis. The only internal service fund carried on the financial records of the School District is related to employee insurance. This fund accounts for the expenses related to the employer reimbursement to the employee for costs associated with spousal coverage medical insurance premiums.

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

#### **Measurement Focus**

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

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

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

#### **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

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**Deferred Outflows/Inflows of Resources** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables that will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**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, 2013*

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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 2013 in federal home loan bank notes, federal national mortgage association notes, United States treasury notes, First American Treasury Obligations Fund and in the State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair 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 Rule2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share, which is the price the investment could be sold for on June 30, 2013.

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 2013 amounted to \$57,457, which includes \$17,231 assigned from other School District funds.

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

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which the services are consumed.

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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***Inventory***

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

***Capital Assets***

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting assets by backtrending (i.e. estimating the current replacement cost of the asset to be capitalized and using an appropriate price-index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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	40 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	10 years

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

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

***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 and compensated absences 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.

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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***Net Position***

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

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

***Fund Balance***

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

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

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

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

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

***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.

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.

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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***Operating Revenues and Expenses***

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

***Bond Premiums***

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued.

***Interfund Activity***

Transfers between governmental activities are eliminated on the government wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller fund and as expenditures/expenses in the purchaser funds. Flows 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 the governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***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, 2013 resulted from adjustments for accrued liabilities.

Title I Grant	36,785
ECE Preschool Grant	8,765
Title II-A Grant	8,620
Race to the Top Grant	105

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

**Note 4 - Budgetary Basis of Accounting**

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

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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	(\$269,879)
Net Adjustment for Revenue Accruals	(11,305)
Net Adjustment for Expenditure Accruals	(11,755)
Adjustment for Encumbrances	(66,505)
Budget Basis	<u><u>(\$359,444)</u></u>

**Note 5 – Fund Balances**

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

Fund Balances	General	Permanent Improvement	Nonmajor Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Prepays	\$2,412	\$0	\$12,724	\$15,136
<b><i>Restricted for</i></b>				
Food Service Operations	0	0	532,159	532,159
Athletics	0	0	1,292	1,292
Special Education Services	0	0	1,233	1,233
Instructional Services	0	0	2,398	2,398
Bus Purchase	21,374	0	0	21,374
Debt Service Payments	0	0	445,945	445,945
Capital Improvements	0	320,247	174,244	494,491
<b><i>Total Restricted</i></b>	<u>21,374</u>	<u>320,247</u>	<u>1,157,271</u>	<u>1,498,892</u>
<b><i>Committed to</i></b>				
Other Purposes	38,042	0	0	38,042
<b><i>Assigned to</i></b>				
Other Purchases on Order	35,282	0	0	35,282
<b><i>Unassigned (Deficit)</i></b>	<u>2,610,657</u>	<u>0</u>	<u>(54,275)</u>	<u>2,556,382</u>
<b><i>Total Fund Balances</i></b>	<u><u>\$2,707,767</u></u>	<u><u>\$320,247</u></u>	<u><u>\$1,115,720</u></u>	<u><u>\$4,143,734</u></u>

## **Lisbon Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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#### **Note 6 - 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.

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 \$2,516,951 and the bank balance was \$2,589,784. Of the bank deposits \$2,061,000 were covered by federal depository insurance.

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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 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, 2013, the School District had the following investments:

	Fair Value	Maturity
Federal Home Loan Bank Note #1	\$124,916	February 18, 2014
Federal Home Loan Bank Note #2	375,000	July 12, 2013
Federal Home Loan Bank Note #3	210,000	April 30, 2018
Federal National Mortgage Association Note #1	125,000	March 25, 2015
Federal National Mortgage Association Note #2	249,892	January 29, 2016
Federal National Mortgage Association Note #3	254,952	March 30, 2016
Federal National Mortgage Association Note #4	250,000	April 29, 2016
Federal National Mortgage Association Note #5	289,005	July 5, 2016
Federal National Mortgage Association Note #6	250,000	November 21, 2016
US Treasury Note #1	124,692	December 31, 2013
US Treasury Note	250,000	April 30, 2014
First American Treasury Obligations Fund	5,589	33 days
STAROhio	5,088	33 days
Totals	\$2,514,134	

**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 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.

**Concentration of Credit Risk.** The School District places no limit on the amount it may invest in any one issuer. The following is the School District’s allocation as of June 30, 2013:

Investment Issuer	Percentage of Investments
Federal Home Loan Bank Notes	28.24%
Federal National Mortgage Association Notes	56.43%
United States Treasury Notes	14.90%

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**Note 7 - 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 property located in the School District. Real property tax revenue received during calendar 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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 revenues received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 become a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 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.

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, 2013, are available to finance fiscal year 2013 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 taxes which are measurable as of June 30, 2013 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 were levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance of real property taxes at June 30, 2013, was \$50,314 in the general fund, \$7,631 in the bond retirement fund, \$11,324 in the permanent improvement fund, and \$1,044 in the OSFC maintenance levy fund. The amount available for advance of personal property taxes at June 30, 2013, was \$71 in the general fund, \$9 in the bond retirement fund, \$13 in the permanent improvement fund and \$2 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 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$76,884,230	91.91%	\$76,903,940	91.30%
Public Utility	6,767,680	8.09%	7,329,070	8.70%
Total Assessed Value	<u>\$83,651,910</u>	<u>100.00%</u>	<u>\$84,233,010</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.30		\$34.30	

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

**Note 8 - Receivables**

Receivables at June 30, 2013, 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	\$7,997
School Employees Retirement System Refund	<u>33,964</u>
Total General Fund	<u>41,961</u>
Special Revenue Funds:	
Food Service	7,843
ECE Preschool	9,070
Race to the Top	246
Title I	57,737
Title II-A	2,647
Title VI-B Rural	<u>2,039</u>
Total Special Revenue Funds	<u>79,582</u>
Total All Funds	<u><u>\$121,543</u></u>

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance			Balance
	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
<b>Governmental Activities</b>				
<b>Nondepreciable Capital Assets</b>				
Land	<u>\$870,749</u>	<u>\$0</u>	<u>\$0</u>	<u>\$870,749</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	904,129	0	0	904,129
Buildings and Improvements	25,679,301	0	0	25,679,301
Furniture, Fixtures and Equipment	2,170,657	22,070	0	2,192,727
Vehicles	<u>688,642</u>	<u>0</u>	<u>0</u>	<u>688,642</u>
Total at Historical Cost	<u>29,442,729</u>	<u>22,070</u>	<u>0</u>	<u>29,464,799</u>
Less Accumulated Depreciation:				
Land Improvements	(385,285)	(35,494)	0	(420,779)
Buildings and Improvements	(6,724,840)	(564,814)	0	(7,289,654)
Furniture, Fixtures and Equipment	(1,773,711)	(202,207)	0	(1,975,918)
Vehicles	<u>(537,536)</u>	<u>(41,350)</u>	<u>0</u>	<u>(578,886)</u>
Total Accumulated Depreciation	<u>(9,421,372)</u>	<u>(843,865)*</u>	<u>0</u>	<u>(10,265,237)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>20,021,357</u>	<u>(821,795)</u>	<u>0</u>	<u>19,199,562</u>
Governmental Activities Capital Assets, Net	<u><u>\$20,892,106</u></u>	<u><u>(\$821,795)</u></u>	<u><u>\$0</u></u>	<u><u>\$20,070,311</u></u>

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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- Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$528,174
Vocational	564
Support Services:	
Instructional Staff	4,499
Administration	26,400
Fiscal	117
Operations and Maintenance of Plant	152,178
Pupil Transportation	47,797
Extracurricular Activities	21,753
Food Service Operations	62,383
Total Depreciation Expenses	<u>\$843,865</u>

**Note 10 - 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 2013, 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:

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 2013 the School District participated in the Sheakley/Better Business Bureau of Central Ohio Group Rating Program (GRP), an insurance purchasing pool (Note 18). 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"

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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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 2013, the School District was a participant in the Portage Area School Consortium (the "Consortium") to provide employee medical, surgical, prescription, dental and vision benefits. The Consortium is administered by Mutual Health 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, 2012 through June 30, 2013, the School District paid premiums in the amount of \$1,041.01 for family coverage per month and \$428.72 per single coverage per month for eligible full-time employees. The premiums are paid by the fund that pays the salary for the employee and are based on historical cost information.

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

**Note 11 – 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, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. This report can be obtained on the SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to the statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits is 13.1 percent. The remaining .90 percent of the 14 percent employer contributions rate is allocate to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$111,898, \$115,213 and \$102,000 respectively. The full amount has been contributed for fiscal years 2013, 2012 and 2011.

***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 STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888)227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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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 multiplied by a percentage that varies based on years of service, or an allowance based 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 Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the 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. For the fiscal year ended June 30, 2013, 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.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$542,217, \$586,137, and \$588,802, respectively; 87.2 percent has been contributed for fiscal year 2013, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2012, (the latest information available) were \$8,999 made by the School District and \$6,428 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, 2013 four of the five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 12 - 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, Medicare Advantage, 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

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State Statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on the SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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 105(e). For 2013, .16 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 2013 this amount was \$35,800. During fiscal year 2013, the School District paid \$15,443.

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.

The School District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$19,032, \$33,461 and \$29,625 respectively. The full amount has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B fund. For 2013, the actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 were \$6,502, \$7,414, and \$6,564 respectively. The full amount has been contributed for fiscal years 2013, 2012 and 2011.

***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. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsohio.org](http://www.strsohio.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, 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, 2013, 2012 and 2011 were \$41,709, \$45,087 and \$45,292 respectively; 87.2 percent has been contributed for fiscal year 2013. The full amount has been contributed for fiscal years 2012 and 2011.

**Note 13 - 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,

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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 14 - Long-term Obligations**

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Principal Outstanding 6/30/12	Additions	Deductions	Principal Outstanding 6/30/13	Amounts due in One Year
<b>Governmental Activities</b>					
Refunded General Obligation Bonds	\$1,095,000	\$0	\$160,000	\$935,000	\$170,000
Unamortized Premium	108,236	0	20,954	87,282	0
Compensated Absences	425,900	392,643	425,900	392,643	0
Capital Leases	4,621,751	0	171,516	4,450,235	181,226
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$6,250,887</u>	<u>\$392,643</u>	<u>\$778,370</u>	<u>\$5,865,160</u>	<u>\$351,226</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 I & II obligations will be paid from the permanent improvement fund. Capital lease III, HB264 borrowing, will be paid from the general fund. The general obligation bonds will be paid from the debt service fund. Proceeds from the bond issue were used to add classrooms at both buildings and an auditorium at the high school. Compensated absences will be paid from the general, food service, ECE Preschool, Title VI-B, Title I and Title II-A funds.

The School District's overall legal debt margin was \$7,082,995 with an unvoted debt margin of \$84,219 at June 30, 2013.

Principal requirements to retire general obligation bonds outstanding at June 30, 2013, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$170,000	\$40,142	\$210,142
2015	180,000	31,393	211,393
2016	185,000	22,268	207,268
2017	195,000	12,768	207,768
2018	205,000	3,946	208,946
<i>Total</i>	<u>\$935,000</u>	<u>\$110,517</u>	<u>\$1,045,517</u>

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**Note 15 - Capital Leases - Lessee Disclosure**

The School District entered into a capital lease representing the local share obligation for Ohio School Facilities Commission Project participation, construction of a new administrative building and the purchase of property. At the time that the School District entered into the lease, the buildings had not been constructed nor had the land been purchased. The entire amount has been paid to trade contractors for the construction of additions and renovations to the two School District school buildings and has paid for the completion of the administration building and to individual owners of property adjacent to School District sites. The lease meets the criteria of a capitalized lease. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the general fund budgetary statements.

This capital assets acquired by lease have been originally capitalized in the amount of \$933,000 with the balance of the \$2,058,000 for the local share obligation of the Ohio School Facilities Commission Project used for the payment of contractors added three years later upon completion of the project. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on this lease was \$394,552 leaving a current book value of \$2,596,448 as of June 30, 2013. Principal payments in fiscal year 2013 totaled \$82,000 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 \$31,000 for the period. Accumulated depreciation for this lease is \$147,125 leaving a current book value of \$1,029,875 as of this reporting period.

The third lease was used for energy conservation measures in the School District's educational buildings with the project being completed in December 2011. The accumulated appreciation on this lease was \$151,445 leaving a book value of \$1,063,555. Principal payments for the third lease total \$58,516 for the period. The total amount owed on the three leases is \$4,450,235.

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, 2013:

Fiscal Year Ending June 30,	2014	Amount
	2015	\$406,061
	2016	406,339
	2017	406,261
	2018	404,844
	2019 - 2023	404,153
	2024 - 2028	2,028,271
	2029 - 2033	1,475,571
	2034 - 2037	993,997
Total minimum lease payments		246,983
Less: Amount Representing Interest		6,772,480
Present Value of Minimum Lease Payments		2,322,245
		<u>\$4,450,235</u>

**Note 16 - 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 acquisition and construction of capital improvements. Amounts not spent

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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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, 2013, no amount continues to be set aside.

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

	<u>Capital Improvements</u>
Set-Aside Balance as of June 30, 2012	\$0
Current Year Set-Aside Requirement	222,957
Qualifying Disbursements	<u>(342,522)</u>
Totals	<u><u>(\$119,565)</u></u>
Set-Aside Balance Carried Forward to Future Fiscal Years	 <u><u>\$0</u></u>

**Note 17 - 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, 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 \$28,198 for various fees associated with the agency's services during the 2012 fiscal year. To obtain financial information write to Jefferson County Educational Service Center, Office of the Treasurer, 2023 Sunset Boulevard, Steubenville, Ohio 43952.

*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

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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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 \$200,000 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. This organization formed Power4Schools, an electric generation program in cooperation with Ohio School Boards Association, Buckeye Association of School Administrators and the Ohio Association of School Business Administrators.

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

**Note 18 - Insurance Purchasing Pools**

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

**Note 19 - Contingencies**

***Grants***

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

However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***Litigation***

The School District was not a party to any legal proceedings during the 2013 fiscal year.

**Note 20 – Interfund Transfers**

The general fund transferred \$2,955 to the athletics non-major special revenue fund to pay for operations of the athletics program.

**Note 21 – Change in Accounting Principles and Restatement of Fund Balance/Net Position**

***Change in Accounting Principles***

For 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements,” Statement No. 61, “The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34,” Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,” Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53,” No. 65, “Items Previously Reported as Assets and Liabilities” and Statement No. 66, “Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62”.

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District’s 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District’s 2013 financial statements; however, there was no effect on beginning net position/fund balance.

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. 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/Net Position***

During fiscal year 2013, the School District determined that cash was overstated and reclassified accrued wages at June 30, 2012. These restatements had the following effect on fund balances as they were previously reported.

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance at June 30, 2012	\$2,979,211	\$292,920	\$1,037,283	\$4,309,414
Cash	0	0	(4,374)	(4,374)
Accrued Wages	<u>(1,565)</u>	<u>0</u>	<u>1,565</u>	<u>0</u>
Adjusted Fund Balance at June 30, 2012	<u>\$2,977,646</u>	<u>\$292,920</u>	<u>\$1,034,474</u>	<u>\$4,305,040</u>

During fiscal year 2013, it was also determined that accrued interest payable was overstated at June 30, 2012. These restatements had the following effect on net position as they were previous reported.

	<u>Governmental Activities</u>
Net Position, June 30, 2012	\$19,345,692
Cash	(4,374)
Accrued Interest Payable	<u>26,098</u>
Adjusted Net Position, June 30, 2012	<u>\$19,367,416</u>

**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number or Grant Year	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster				
Non-Cash Assistance (Food Distribution):	N/A	10.555	\$26,274	\$26,274
School Breakfast Program	N/A	10.553	38,539	38,539
National School Lunch Program	N/A	10.555	216,537	216,537
Total Child Nutrition Cluster			<u>281,350</u>	<u>281,350</u>
Total U.S. Department of Agriculture			<u>281,350</u>	<u>281,350</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	2012	84.010	20,282	29,383
Title I Grants to Local Educational Agencies	2013	84.010	244,647	244,647
Total Title I Grants to Local Educational Agencies			<u>264,929</u>	<u>274,030</u>
Education Jobs Grant	2012	84.410	42,608	45,042
Total Education Jobs Grant			<u>42,608</u>	<u>45,042</u>
School Improvement Grants	2012	84.377	11,517	16,078
Total School Improvement Grants			<u>11,517</u>	<u>16,078</u>
Special Education Grants to States, IDEA, Part B	2013	84.027	204,932	204,932
Total Special Education Grants to States, IDEA, Part B			<u>204,932</u>	<u>204,932</u>
Improving Teacher Quality State Grant, Title II-A	2012	84.367	3,139	5,305
Improving Teacher Quality State Grant, Title II-A	2013	84.367	49,617	49,581
Total Improving Teacher Quality State Grant, Title II-A			<u>52,756</u>	<u>54,886</u>
Race to the Top	2013	84.395	38,076	38,076
Race to the Top Mini Grant	2013	84.395	1,761	1,761
Total Race to the Top Grant			<u>39,837</u>	<u>39,837</u>
Rural Education Grant	2013	84.358	16,630	15,397
Total Rural Education Grant			<u>16,630</u>	<u>15,397</u>
Total U. S. Department of Education			<u>633,209</u>	<u>650,202</u>
<b>Total</b>			<u><u>\$914,559</u></u>	<u><u>\$931,552</u></u>

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

**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Lisbon Exempted Village School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C - FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lisbon Exempted Village School District, Columbiana County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 6, 2013.

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

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

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

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

### ***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 6, 2013



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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:

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

We have audited the Lisbon Exempted Village School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Lisbon Exempted Village School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

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

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Lisbon Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 6, 2013

**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<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 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 significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I- Grants to Local Educational Agencies – CFDA # 84.010; Special Education Grants to States – CFDA # 84.027
<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

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Lisbon Exempted Village School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on November 15, 2010 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

September 6, 2013

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[www.ohioauditor.gov](http://www.ohioauditor.gov)

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# Dave Yost • 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  
OCTOBER 15, 2013**