



**Certified Public Accountants, A.C.**

**VILLAGE OF LISBON  
COLUMBIANA COUNTY  
Regular Audit  
For the Years Ended December 31, 2017 and 2016**

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# Dave Yost • Auditor of State

Village Council  
Village of Lisbon  
203 North Market Street  
Lisbon, OH 44432

We have reviewed the *Independent Auditor's Report* of the Village of Lisbon, Columbiana County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Lisbon is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

October 14, 2018

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VILLAGE OF LISBON  
COLUMBIANA COUNTY

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## INDEPENDENT AUDITOR'S REPORT

July 13, 2018

Village of Lisbon  
Columbiana County  
203 North Market Street  
Lisbon, OH 44432

To the Village Council:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the **Village of Lisbon**, Columbiana County, (the Village) as of and for the years ended December 31, 2017 and 2016.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 Village'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 Village'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.

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***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lisbon, Columbiana County as of December 31, 2017 and 2016, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2018, on our consideration of the Village'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 Village's internal control over financial reporting and compliance.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**VILLAGE OF LISBON  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 98,500	\$ 69,126	\$ -	\$ -	\$ 167,626
Municipal Income Tax	1,124,100	-	-	-	1,124,100
Intergovernmental	83,583	113,656	-	-	197,239
Special Assessments	-	-	299	-	299
Charges for Services	42,723	115,163	-	-	157,886
Fines, Licenses and Permits	21,463	-	-	-	21,463
Earnings on Investments	87	588	-	-	675
Miscellaneous	2,719	1,517	-	17,025	21,261
<i>Total Cash Receipts</i>	<u>1,373,175</u>	<u>300,050</u>	<u>299</u>	<u>17,025</u>	<u>1,690,549</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	810,419	47,161	-	-	857,580
Public Health Services	-	117,598	-	-	117,598
Leisure Time Activities	49,331	-	-	-	49,331
Community Environment	19,509	-	-	-	19,509
Basic Utility Service	1,855	-	-	-	1,855
Transportation	2,145	234,244	-	-	236,389
General Government	310,638	650	-	-	311,288
Capital Outlay	-	-	-	40,446	40,446
Debt Service:					
Principal Retirement	63,572	-	38,797	-	102,369
Interest and Fiscal Charges	28,225	-	-	-	28,225
<i>Total Cash Disbursements</i>	<u>1,285,694</u>	<u>399,653</u>	<u>38,797</u>	<u>40,446</u>	<u>1,764,590</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>87,481</u>	<u>(99,603)</u>	<u>(38,498)</u>	<u>(23,421)</u>	<u>(74,041)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	-	126,000	35,479	20,000	181,479
Transfers Out	(201,979)	-	-	-	(201,979)
Other Financing Sources	65,367	1,953	-	-	67,320
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(136,612)</u>	<u>127,953</u>	<u>35,479</u>	<u>20,000</u>	<u>46,820</u>
<i>Net Change in Fund Cash Balances</i>	<u>(49,131)</u>	<u>28,350</u>	<u>(3,019)</u>	<u>(3,421)</u>	<u>(27,221)</u>
<i>Fund Cash Balances, January 1 (Restated, see note 11)</i>	<u>167,439</u>	<u>311,873</u>	<u>3,318</u>	<u>28,203</u>	<u>510,833</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	-	340,223	-	9,157	349,380
Committed	-	-	-	15,625	15,625
Assigned	-	-	299	-	299
Unassigned	118,308	-	-	-	118,308
<i>Fund Cash Balances, December 31</i>	<u>\$ 118,308</u>	<u>\$ 340,223</u>	<u>\$ 299</u>	<u>\$ 24,782</u>	<u>\$ 483,612</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF LISBON  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 1,234,129
Fines, Licenses and Permits	10,757
Miscellaneous	3,377
	<u>1,248,263</u>
<i>Total Operating Cash Receipts</i>	<u>1,248,263</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	278,635
Employee Fringe Benefits	79,471
Contractual Services	633,713
Supplies and Materials	133,410
	<u>1,125,229</u>
<i>Total Operating Cash Disbursements</i>	<u>1,125,229</u>
<i>Operating Income</i>	<u>123,034</u>
<b>Non-Operating Cash Receipts (Disbursements):</b>	
Special Assessments	17,565
Earnings on Investments	184
Miscellaneous Receipts	21,218
Capital Outlay	(11,825)
Principal Retirement	(192,936)
Interest and Other Fiscal Charges	(38,075)
Other Financing Sources	4,740
	<u>4,740</u>
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	<u>(199,129)</u>
<i>(Loss) before Special Item and Transfers</i>	<u>(76,095)</u>
Special Item	699
Transfers In	20,500
	<u>21,199</u>
<i>Net Change in Fund Cash Balances</i>	<u>(54,896)</u>
<i>Fund Cash Balances, January 1</i>	<u>335,678</u>
<b><i>Fund Cash Balances, December 31</i></b>	<b><u>\$ 280,782</u></b>

The notes to the financial statements are an integral part of this statement.

**Village of Lisbon, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 - Reporting Entity**

The Village of Lisbon (the Village), Columbiana County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government, water and sewer utilities, street repair and maintenance, park and cemetery operations, and police and fire services

**Public Entity Risk Pools**

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Presentation**

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

**Fund Accounting**

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

**General Fund** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**Street Construction Maintenance and Repair** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

**Cemetery Fund** This fund receives charges for services from citizens for the purchase of cemetery plots and burials.

**Debt Service Funds** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

**Debt Service Fund** This fund receives monies from special assessments to make payments on outstanding debt of the Village.

**Village of Lisbon, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Capital Project Funds** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

**Capital Improvement Fund** This fund receives proceeds from the General Fund. The proceeds are used to construct numerous projects throughout the Village.

**Enterprise Funds** These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

**Water Operating Fund** This fund receives charges for services from residents to cover water service costs.

**Sewer Operating Fund** This fund receives charges for services from residents to cover sewer service costs.

**Sewer Capital Improvement Fund** – This fund receives charges for services from the residents and OPWC and OWDA funds for sewer projects in the Village.

**Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**Estimated Resources** Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

**Encumbrances** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2017 budgetary activity appears in Note 3.

**Village of Lisbon, Ohio**  
Columbiana County  
Notes to the Financial Statements  
For the Year Ended December 31, 2017

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Deposits**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**Capital Assets**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *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*** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

The Village 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.

**Village of Lisbon, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,399,640	\$ 1,438,542	\$ 38,902
Special Revenue	630,183	428,003	(202,180)
Debt Service	35,682	35,778	96
Capital Projects	90,050	37,025	(53,025)
Enterprise	2,726,293	1,313,169	(1,413,124)
Total	\$ 4,881,848	\$ 3,252,517	\$ (1,629,331)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,489,383	\$ 1,489,367	\$ 16
Special Revenue	403,361	403,178	183
Debt Service	38,797	38,797	-
Capital Projects	40,446	40,446	-
Enterprise	1,373,912	1,373,514	398
Total	\$ 3,345,899	\$ 3,345,302	\$ 597

**Note 4 – Deposits**

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2017
Demand deposits	\$ 474,714
Certificates of deposit	289,680
Total deposits	\$ 764,394

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

**Note 5 – Taxes**

**Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

**Village of Lisbon, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 5 – Taxes (Continued)**

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

***Income Taxes***

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Note 6 - Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

**Village of Lisbon, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 - Risk Management (Continued)**

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$13,074.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b><u>2017 Contributions to PEP</u></b> <b>\$20,752</b>
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After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

***Ohio Police and Fire Retirement System***

Some of the Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

**Note 8 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.



**Village of Lisbon, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 9 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Village Hall Loan	\$ 430,393	6.0%
OPWC CN14J	12,492	0.0%
OPWC CN32B	110,920	0.0%
OPWC CN17P	63,725	0.0%
OWDA #4574	1,120,637	2.0%
OWDA #5525	119,874	1.0%
OWDA #5353	14,773	1.0%
OWDA #6212	342,869	1.0%
OWDA #6883	837,986	1.0%
Total	\$ 3,053,669	

The Village Hall Loan relates to a loan from First National Community Bank to construct the new Village Hall. The loan is paid in monthly installments of \$7,650 including interest at a rate of 6.00% over 15 years.

The OPWC Loan CN14J relates to the East Lincoln Way Roadway Rehab Project. OPWC approved up to \$31,231 in loans to the Village for this project in 2011. The loan will be repaid in semiannual installments of \$1,562 at an interest rate of 0% over 10 years.

The OPWC Loan CN32B relates to the Downtown Street Repair/Replacement Project. OPWC approved up to \$633,826 in loans to the Village for this project in 2001. The loan will be repaid in semiannual installments of \$15,846 at an interest rate of 0% over 20 years.

The OPWC Loan CN17P relates to the West High Street Improvement Project. OPWC approved up to \$79,656 in loans to the Village for this project in 2013. The loan will be repaid in semiannual installments of \$1,991 at an interest rate of 0% over 20 years.

The OWDA Loan #4574 relates to the Membrane Filtration Project. The OWDA approved by to \$2,029,316 in loans to the Village for this project in 2008. The loan will be repaid in semiannual installments of \$62,100 including interest at a rate of 2.0% over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The OWDA Loan #5525 relates to the Lincoln Avenue/North Market Street Combined Sewer Separation Project. The OWDA approved up to \$178,264 in loans to the Village for this project in 2011. The loan will be repaid in semiannual installments including interest at a rate of 1% over 20 years.

The OWDA Loan #5353 relates to the Storm Sewer Project. The OWDA approved up to \$21,969 in loans to the Village for this project in 2010. The loan will be repaid in semiannual installments including interest at a rate of 1% over 20 years

The OWDA Loan #6212 relates to the Combined Sewer Separation Mini-Systems Project. The OWDA approved up to \$452,904 in loans to the Village for this project in 2012. The loan will be repaid in semiannual installments including interest at a rate of 1% over 20 years.

The OWDA Loan #6883 relates to the East Chestnut Street Combined Sewer Separation Project. The OWDA approved up to \$966,160 in loans to the Village for this project in 2015. The loan will be repaid in semiannual installments including interest at rate of 1% over 20 years.

**Village of Lisbon, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 9 – Debt (Continued)**

***Amortization***

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Village Hall Loan	OPWC CN14J	OPWC CN32B	OPWC CN17P
2018	\$ 91,797	\$ 3,123	\$ 31,691	\$ 3,983
2019	91,797	3,123	31,691	3,983
2020	91,797	3,123	31,691	3,983
2021	91,797	3,123	15,847	3,983
2022	91,797	-		3,983
2023-2027	46,154	-	-	19,914
2028-2032	-	-	-	19,914
2033-2037	-	-	-	3,982
Total	<u>\$ 505,139</u>	<u>\$ 12,492</u>	<u>\$ 110,920</u>	<u>\$ 63,725</u>

Year ending December 31:	OWDA #4574	OWDA #5525	OWDA #5353
2018	\$ 124,201	\$ 9,856	\$ 1,215
2019	124,201	9,856	1,215
2020	124,201	9,856	1,215
2021	124,201	9,856	1,215
2022	124,201	9,856	1,215
2023-2027	621,005	49,282	6,074
2028-2032	-	29,569	3,644
Total	<u>\$ 1,242,010</u>	<u>\$ 128,131</u>	<u>\$ 15,793</u>

No amortization schedule is available for OWDA Loans #6212 and #6883 as the total loan was not disbursed as of December 31, 2016.

**Note 10 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Village of Lisbon, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 11 – Prior Period Restatement**

The following adjustment is reflected in the January 1, 2017 fund balances:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
December 31, 2016 audited balances	\$ 167,367	\$ 311,441
Adjustment to account for canceled checks	<u>72</u>	<u>432</u>
January 1, 2017 balances	<u>\$ 167,439</u>	<u>\$ 311,873</u>

The Village canceled checks that were outstanding and reissued new checks.

**VILLAGE OF LISBON  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 99,008	\$ 68,025	\$ -	\$ -	\$ 167,033
Municipal Income Tax	1,138,194	-	-	-	1,138,194
Intergovernmental	82,934	120,086	-	-	203,020
Special Assessments	-	-	887	-	887
Charges for Services	57,898	68,671	-	-	126,569
Fines, Licenses and Permits	25,741	1,040	-	-	26,781
Earnings on Investments	34	682	-	-	716
Miscellaneous	125	110	-	-	235
<i>Total Cash Receipts</i>	<u>1,403,934</u>	<u>258,614</u>	<u>887</u>	<u>-</u>	<u>1,663,435</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	884,582	66,192	-	-	950,774
Public Health Services	-	138,872	-	-	138,872
Leisure Time Activities	18,894	-	-	-	18,894
Community Environment	20,600	-	-	-	20,600
Transportation	2,215	239,395	-	-	241,610
General Government	321,953	1,359	-	-	323,312
Capital Outlay	-	-	-	67,345	67,345
Debt Service:					
Principal Retirement	59,512	-	37,236	-	96,748
Interest and Fiscal Charges	32,284	-	-	-	32,284
<i>Total Cash Disbursements</i>	<u>1,340,040</u>	<u>445,818</u>	<u>37,236</u>	<u>67,345</u>	<u>1,890,439</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>63,894</u>	<u>(187,204)</u>	<u>(36,349)</u>	<u>(67,345)</u>	<u>(227,004)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	-	117,282	25,425	54,000	196,707
Transfers Out	(206,707)	-	-	-	(206,707)
Other Financing Sources	27,470	2,860	-	-	30,330
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(179,237)</u>	<u>120,142</u>	<u>25,425</u>	<u>54,000</u>	<u>20,330</u>
Extraordinary Item	-	-	-	2,041	2,041
<i>Net Change in Fund Cash Balances</i>	<u>(115,343)</u>	<u>(67,062)</u>	<u>(10,924)</u>	<u>(11,304)</u>	<u>(204,633)</u>
<i>Fund Cash Balances, January 1 (Restated, see note 12)</i>	<u>282,710</u>	<u>378,503</u>	<u>14,242</u>	<u>39,507</u>	<u>714,962</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	-	311,441	-	28,203	339,644
Assigned	89,743	-	3,318	-	93,061
Unassigned	77,624	-	-	-	77,624
<i>Fund Cash Balances, December 31</i>	<u><b>\$ 167,367</b></u>	<u><b>\$ 311,441</b></u>	<u><b>\$ 3,318</b></u>	<u><b>\$ 28,203</b></u>	<u><b>\$ 510,329</b></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LISBON  
COLUMBIANA COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
All PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Enterprise	Agency	Totals (Memorandum Only)
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 1,223,143	\$ -	\$ 1,223,143
Fines and Forfeitures	20,435	-	20,435
Miscellaneous	2,601	-	2,601
<i>Total Operating Cash Receipts</i>	<u>1,246,179</u>	<u>-</u>	<u>1,246,179</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	277,486	-	277,486
Employee Fringe Benefits	88,734	-	88,734
Contractual Services	573,589	-	573,589
Supplies and Materials	191,369	-	191,369
<i>Total Operating Cash Disbursements</i>	<u>1,131,178</u>	<u>-</u>	<u>1,131,178</u>
<i>Operating Income</i>	<u>115,001</u>	<u>-</u>	<u>115,001</u>
<b>Non-Operating Cash Receipts (Disbursements):</b>			
Special Assessments	14,746	-	14,746
Earnings on Investments	91	-	91
Miscellaneous Receipts	8,087	-	8,087
Debt Proceeds	42,347	-	42,347
Capital Outlay	(42,347)	-	(42,347)
Principal Retirement	(187,610)	-	(187,610)
Interest and Other Fiscal Charges	(42,573)	-	(42,573)
Other Financing Sources	3,457	10,000	13,457
Other Financing Uses	-	(10,000)	(10,000)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	<u>(203,802)</u>	<u>-</u>	<u>(203,802)</u>
<i>(Loss) before Transfers</i>	<u>(88,801)</u>	<u>-</u>	<u>(88,801)</u>
Transfers In	10,000	-	10,000
<i>Net Change in Fund Cash Balances</i>	<u>(78,801)</u>	<u>-</u>	<u>(78,801)</u>
<i>Fund Cash Balances, January 1</i>	<u>414,479</u>	<u>-</u>	<u>414,479</u>
<b><i>Fund Cash Balances, December 31</i></b>	<b><u>\$ 335,678</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 335,678</u></b>

The notes to the financial statements are an integral part of this statement.

**Village of Lisbon, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 - Reporting Entity**

The Village of Lisbon (the Village), Columbiana County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government, water and sewer utilities, street repair and maintenance, park and cemetery operations, and police and fire services

**Public Entity Risk Pools**

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Presentation**

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

**Fund Accounting**

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

**General Fund** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**Street Construction Maintenance and Repair** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

**Cemetery Fund** This fund receives charges for services from citizens for the purchase of cemetery plots and burials.

**Debt Service Funds** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

**Debt Service Fund** This fund receives monies from special assessments to make payments on outstanding debt of the Village.

**Village of Lisbon, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Capital Project Funds** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

**Capital Improvement Fund** This fund receives proceeds from the General Fund. The proceeds are used to construct numerous projects throughout the Village.

**Enterprise Funds** These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

**Water Operating Fund** This fund receives charges for services from residents to cover water service costs.

**Sewer Operating Fund** This fund receives charges for services from residents to cover sewer service costs.

**Sewer Capital Improvement Fund** – This fund receives charges for services from the residents and OPWC and OWDA funds for sewer projects in the Village.

**Fiduciary Funds** Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund account for security payments for the timely removal and/or repair of insecure, unsafe, or structurally deficient buildings or other structures damaged by fire.

**Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**Estimated Resources** Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

**Village of Lisbon, Ohio**  
Columbiana County  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Encumbrances** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2016 budgetary activity appears in Note 4.

**Deposits**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**Capital Assets**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**Nonspendable** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**Restricted** Fund balance is *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** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

The Village 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.



**Village of Lisbon, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 3 – Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General, Sewer, and Sewer Capital Improvement fund by \$1,436, \$5,382, and \$42,347 for the year ended December 31, 2016.

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,465,078	\$ 1,431,404	\$ (33,674)
Special Revenue	518,537	378,756	(139,781)
Debt Service	54,988	26,312	(28,676)
Capital Projects	174,241	56,041	(118,200)
Enterprise	2,699,485	1,324,907	(1,374,578)
Total	\$ 4,912,329	\$ 3,217,420	\$ (1,694,909)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,557,302	\$ 1,558,738	\$ (1,436)
Special Revenue	445,817	445,573	244
Debt Service	37,236	37,236	-
Capital Projects	67,345	67,345	-
Enterprise	1,378,855	1,410,944	(32,089)
Total	\$ 3,486,555	\$ 3,519,836	\$ (33,281)

**Note 5 – Deposits**

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2016
Demand deposits	\$ 556,723
Certificates of deposit	289,284
Total deposits	\$ 846,007

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Village of Lisbon, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 6 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

***Income Taxes***

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Note 7 - Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**Village of Lisbon, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 7 - Risk Management (Continued)**

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	(13,396,700)
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government's share of these unpaid claims collectible in future years is approximately \$13,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b><u>2016 Contributions to PEP</u></b>
<b>\$21,261</b>

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

***Ohio Police and Fire Retirement System***

Some of the Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

**Village of Lisbon, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 8 - Defined Benefit Pension Plans**

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

**Note 9 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

**Note 10 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Village Hall Loan	\$ 493,966	6.0%
Water System Improvement Loan	18,054	5.5%
OPWC CN14J	15,615	0.0%
OPWC CN32B	142,611	0.0%
OPWC CN17P	67,708	0.0%
OWDA #4574	1,220,918	2.0%
OWDA #5525	128,467	1.0%
OWDA #5353	15,832	1.0%
OWDA #6212	362,165	1.0%
OWDA #6883	880,275	1.0%
2015 Ford Lease Purchase Agreement	3,363	6.3%
Total	<u>\$ 3,348,974</u>	

The Village Hall Loan relates to a loan from First National Community Bank to construct the new Village Hall. The loan is paid in monthly installments of \$7,650 including interest at a rate of 6.00% over 15 years.

The Water System Improvement Loan relates to a loan from First National Community Bank to construct water line improvements. The loan is paid in monthly installments of \$1,560 including interest at a rate of 5.5% over 10 years.

The OPWC Loan CN14J relates to the East Lincoln Way Roadway Rehab Project. OPWC approved up to \$31,231 in loans to the Village for this project in 2011. The loan will be repaid in semiannual installments of \$1,562 at an interest rate of 0% over 10 years.

The OPWC Loan CN32B relates to the Downtown Street Repair/Replacement Project. OPWC approved up to \$633,826 in loans to the Village for this project in 2001. The loan will be repaid in semiannual installments of \$15,846 at an interest rate of 0% over 20 years.

The OPWC Loan CN17P relates to the West High Street Improvement Project. OPWC approved up to \$79,656 in loans to the Village for this project in 2013. The loan will be repaid in semiannual installments of \$1,991 at an interest rate of 0% over 20 years.

**Village of Lisbon, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 10 – Debt (Continued)**

The OWDA Loan #4574 relates to the Membrane Filtration Project. The OWDA approved by to \$2,029,316 in loans to the Village for this project in 2008. The loan will be repaid in semiannual installments of \$62,100 including interest at a rate of 2.0% over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The OWDA Loan #5525 relates to the Lincoln Avenue/North Market Street Combined Sewer Separation Project. The OWDA approved up to \$178,264 in loans to the Village for this project in 2011. The loan will be repaid in semiannual installments including interest at a rate of 1% over 20 years.

The OWDA Loan #5353 relates to the Storm Sewer Project. The OWDA approved up to \$21,969 in loans to the Village for this project in 2010. The loan will be repaid in semiannual installments including interest at a rate of 1% over 20 years.

The OWDA Loan #6212 relates to the Combined Sewer Separation Mini-Systems Project. The OWDA approved up to \$452,904 in loans to the Village for this project in 2012. The loan will be repaid in semiannual installments including interest at a rate of 1% over 20 years. The loan balance in the 2015 audit was incorrect and should have been \$332,522 instead of \$314,717.

The OWDA Loan #6883 relates to the East Chestnut Street Combined Sewer Separation Project. The OWDA approved up to \$966,160 in loans to the Village for this project in 2015. The loan will be repaid in semiannual installments including interest at rate of 1% over 20 years.

The Village entered into a lease purchase agreement during 2014 for a 2015 Ford Interceptor. The agreement was for \$30,820 to be repaid in semiannual installments including interest at a rate of 6.3% over four years.

**Amortization**

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Water System				
	Village Hall Loan	Improvement Loan	OPWC CN14J	OPWC CN32B	OPWC CN17P
2017	\$ 91,797	\$ 18,579	\$ 3,123	\$ 31,691	\$ 3,983
2018	91,797	-	3,123	31,691	3,983
2019	91,797	-	3,123	31,691	3,983
2020	91,797	-	3,123	31,691	3,983
2021	91,797	-	3,123	15,847	3,983
2022-2026	137,951	-	-	-	19,914
2027-2031	-	-	-	-	19,914
2032-2036	-	-	-	-	7,965
Total	<u>\$ 596,936</u>	<u>\$ 18,579</u>	<u>\$ 15,615</u>	<u>\$ 142,611</u>	<u>\$ 67,708</u>

**Village of Lisbon, Ohio**  
*Columbiana County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 10 – Debt (Continued)**

Year ending December 31:	OWDA #4574	OWDA #5525	OWDA #5353	Lease- Purchase Agreements
2017	\$ 124,201	\$ 9,856	\$ 1,215	\$ 3,469
2018	124,201	9,856	1,215	-
2019	124,201	9,856	1,215	-
2020	124,201	9,856	1,215	-
2021	124,201	9,856	1,215	-
2022-2026	621,005	49,282	6,074	-
2027-2031	124,201	39,426	4,859	-
Total	<u>\$ 1,366,211</u>	<u>\$ 137,988</u>	<u>\$ 17,008</u>	<u>\$ 3,469</u>

No amortization schedule is available for OWDA Loans #6212 and #6883 as the total loan was not disbursed as of December 31, 2016.

**Note 11 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 12 – Prior Period Restatement**

The following adjustment is reflected in the January 1, 2016 fund balances:

	General Fund	Special Revenue Funds	Enterprise Funds
December 31, 2015 audited balances	\$ 282,659	\$ 378,437	\$ 414,207
Adjustment to account for canceled checks	51	66	272
January 1, 2016 balances	<u>\$ 282,710</u>	<u>\$ 378,503</u>	<u>\$ 414,479</u>

The Village canceled checks that were outstanding and reissued new checks.

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

July 13, 2018

Village of Lisbon  
Columbiana County  
203 North Market Street  
Lisbon, OH 44432

To the Village Council:

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 cash balances, receipts and disbursements by fund type of the **Village of Lisbon**, Columbiana County (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated July 13, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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 a 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 Village's financial statements. We consider finding 2017-001 to be a material weakness.

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### **Internal Control Over Financial Reporting (Continued)**

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2017-002 and 2017-003 described in the accompanying schedule of audit findings to be significant deficiencies.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village'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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-003 and 2017-004.

We also noted a certain matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 13, 2018.

### ***Village's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

### **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 Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**VILLAGE OF LISBON  
COLUMBIANA COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2017-001**

**Material Weakness**

**Posting Receipts, Disbursements and Classification of Fund Balances**

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund balances should be properly classified based on Governmental Accounting Standards Statement No. 54.

During 2017 and 2016, receipts, disbursements and fund balances were not always posted or classified correctly. The following errors were noted:

- Special assessments were recorded as Property and Other Local Taxes instead of Special Assessments in the Debt Service Fund in 2017 and 2016;
- Debt proceeds and the corresponding disbursement for the OWDA Loan # 6212 were not recorded as Debt Proceeds and Capital Outlay in the Sewer Capital Improvement Fund in 2016;
- Lease-purchase agreement payments were recorded as Supplies and Materials instead of Principal Retirement and Interest and Fiscal Charges in the Parking Fund in 2016;
- Lease-purchase agreement payments were recorded as Capital Outlay instead of Principal Retirement and Interest and Fiscal Charges in the Parking Fund in 2016;
- Beginning fund balance adjustments were erroneously posted to the General fund in 2016 and 2017;
- Beginning fund balance adjustments were erroneously posted to the Agency fund in 2016;
- Beginning fund balance adjustments were erroneously posted to the Cemetery Endowment fund in 2017;
- Monthly change in interest on a certificate of deposit (CD) was erroneously posted in 2017;
- General fund balance in 2016 was classified as Unassigned instead of Assigned;
- A certificate of deposit (CD) was recorded as special item revenue when it was rolled into another CD in 2016;
- Pool pass sales and donations were recorded as Special Items instead of Charges for Services and Miscellaneous in the Swimming Pool Fund in 2016 and 2017.

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring adjustments and reclassifications. The Village has made all adjustments to its accounting system. The financial statements reflect all adjustments and reclassifications. Additional errors noted in immaterial amounts, both individually and in the aggregate by fund type, were included on the summary of unadjusted differences.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

VILLAGE OF LISBON  
COLUMBIANA COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2017-001 (Continued)

Material Weakness (Continued)

Posting Receipts, Disbursements and Classification of Fund Balances (Continued)

We also recommend the Fiscal Officer refer to the Ohio Administrative Code and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Fiscal Officer should refer to Auditor of State Bulletin 2011-004 for assistance in properly classifying fund balances.

**Officials' Response** – The special assessment line item will be established.

FINDING NUMBER 2017-002

Significant Deficiency

Advances

Inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans and to provide the necessary "seed" for grants that are allocated on a reimbursement basis. The intent for cash advances is to require repayment within the current or succeeding year. Inter-fund cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Ohio Revised Code. Advances, on the other hand, *temporarily* reallocate cash from one fund to another and involve an expectation of repayment;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The debtor fund may repay advances from the creditor fund. That is, the Auditor of State would not deem repaying advances to violate restrictions on use of the debtor's fund resources; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include:
  - A specific statement that the transaction is an advance of cash, and
  - An indication of the money (fund) from which it is expected that repayment will be made.
- When a fund ends the year with a negative cash, it is not appropriate to present and *advance* on the budgetary statement to eliminate the negative cash balance. Even though, in substance, the government has made an advance, it is not acceptable to "hide" noncompliance by creating an advance not properly authorized by the government.

VILLAGE OF LISBON  
COLUMBIANA COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2017-002 (Continued)

Significant Deficiency (Continued)

Advances (Continued)

If, after an advance is made, the taxing authority determines that the transaction should, in fact, be treated as a transfer (repayment is no longer expected) the following procedures should be followed retroactively:

- The necessary formal procedures for approval of the transfer should be completed including, if necessary, approval of the commissioner of tax equalization and of the court of common pleas (see Ohio Revised Code Section 5705.14, 5705.15 and 5705.16);
- The transfers should be formally recorded on the records of the subdivision; and
- The entries recording the cash advance should be reversed.

The Village had the following advance out that remained unpaid through 2017 from the following fund for 2015:

- Cemetery Fund in the amount of \$7,500 payable to the Cemetery Endowment Fund.

The Village had the following advance out that remained unpaid through 2017 from the following fund for 2014:

- Cemetery Fund in the amount of \$52,000 payable to the Cemetery Endowment Fund.

The Village maintains that they do intend to repay these if monies become available. Failure to repay these monies will result that the repayment will not occur to the intended funds listed above.

We recommend the Village track all outstanding advances and ensure that if they are not repaid that they take the necessary steps to convert them to transfers if it becomes apparent that repayment will not occur.

**Officials' Response** – These advances have been reclassified as transfers; the cemetery board was told after last audit. Council approved on 7-24-18.

FINDING 2017-003

Noncompliance/Significant Deficiency

Ohio Revised Code Section 5705.09 states that each subdivision must establish the following funds:

- General fund;
- Sinking fund whenever the subdivision has outstanding bonds other than serial bonds;
- Bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness;
- A special fund for each special levy;
- A special bond fund for each bond issue;
- A special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose;
- A special fund for each public utility operated by a subdivision;
- A trust fund for any amount received by a subdivision in trust.

VILLAGE OF LISBON  
COLUMBIANA COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING 2017-003 (Continued)

**Noncompliance/Significant Deficiency (Continued)**

The Village receives Permissive Motor Vehicle License Tax funds, however, the Village has not established a Permissive Motor Vehicle License Tax Fund for tracking the receipt and expenditure of this special revenue source.

We recommend the Village establish a Permissive Motor Vehicle License Tax Fund in the Village's accounting system and begin tracking revenues and expenditures within the fund.

**Officials' Response** – The Village never established this fund when they started on UAN. In a past audit by a State Auditor team the Village was told that a line item could be added (2011-226 & 2021-226) to track these receipts. A new fund can be established.

FINDING 2017-004

**Noncompliance**

**Ohio Revised Code Section 5705.41(B)** provides no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

Actual disbursements exceeded appropriations in 2016 in the General, Street Construction, Maintenance, and Repair, Cemetery, Sewer Operating, and Sewer Capital Improvement Fund.

We recommend the Village Fiscal Officer modify appropriations with the Village Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Village Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

**Officials' Response** – The Village has in past done amended appropriations at end of year. This practice will be amended.

**VILLAGE OF LISBON  
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Posting Receipts, Disbursements and Classification of Fund Balances	Repeated	Not Corrected; Repeated as Finding number 2017-001
2015-002	Advances	Repeated	Not Corrected; Repeated as Finding number 2017-002
2015-003	ORC Section 5705.09	Repeated	Not Corrected; Repeated as Finding number 2017-003
2015-004	ORC Section 5705.41(D)	Corrected	

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# Dave Yost • Auditor of State

VILLAGE OF LISBON

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  
NOVEMBER 8, 2018