



Dave Yost • Auditor of State



**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**TABLE OF CONTENTS**

TITLE	PAGE
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	16
Statement of Activities.....	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	18
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	20
Statement of Revenues, Expenditures and Changes In Fund Balance – Budget (Non - GAAP Basis) and Actual - General Fund .....	22
Statement of Fund Net Position – Internal Service Fund .....	23
Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Fund .....	24
Statement of Cash Flows – Internal Service Fund .....	25
Statement of Fiduciary Assets and Liabilities – Agency Funds.....	26
Notes to the Basic Financial Statements .....	27
Required Supplementary Information	
Schedule of the District's Proportionate Share of the Net Pension Liability (SERS) .....	60
Schedule of the District's Proportionate Share of the Net Pension Liability (STRS) .....	61
Schedule of the District Contributions (SERS).....	62
Schedule of the District Contributions (STRS).....	64
Schedule of Expenditures of Federal Awards (Prepared by Management) .....	67
Notes to the Schedule of Expenditures of Federal Awards (Prepared by Management) .....	68
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	69
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	71
Schedule of Findings.....	73

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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 School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School 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 School 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 School 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, the School District restated its July 1, 2015 net position to properly account for depreciable capital assets. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

The Schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this 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 March 9, 2017, on our consideration of the School 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 School 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 initial "D".

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

March 9, 2017

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**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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The discussion and analysis in the following pages includes tables and graphic illustrations representing the management's view of the overall performance of the Lisbon Exempted Village School District's (the "School District") financial activities for the fiscal year ended June 30, 2016. 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 2016 are as follows:

- ✘ The School District's total net position increased from \$3,848,404 to \$4,128,821 for an increase of \$280,417 during this year's operations. The net position of Governmental activities increased 7.3 percent.
- ✘ Revenues for governmental activities totaled \$10,776,964 in 2016. This total was comprised of General revenues in the amount of \$7,904,228 and program revenues totaling \$2,872,736. 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 \$10,496,547. Instructional expenses made up 60.31 percent of this total while support services accounted for 30.46 percent. Other expenses rounded out the remaining 9.23 percent.
- ✘ Outstanding general obligation bonded debt decreased from \$585,000 to \$400,000 in 2016.

## **USING THIS ANNUAL REPORT**

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

The *Statement of Net Position* and the *Statement of Activities* provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Fund financial statements provide the next level of detail. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the School District's operations in more detail than the government-wide statements by providing information about the School District's most significant funds. In the case of Lisbon Exempted Village School District, the general, bond retirement and permanent improvement funds are the only significant funds.

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

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

While this document contains 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

**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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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.

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 12. The fund financial statements provide detailed information about each significant fund in contrast to the previously described District-wide reporting. Most of the funds are required to be established by State law. The School District's major governmental funds are the general fund, bond retirement 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.

### **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 increased from a year ago. Table 1, shows an increase from \$3,848,404 to \$4,128,821. The increase in Net Position can be primarily attributed to the decrease in deferred inflows of resources related to pension and the increase in deferred outflows of resources related to pension. As a whole the School District received funds over this financial period which exceeded the amount of funds expensed for its activities. There was a larger

**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

decrease in assets coupled with an increase in the long-term liabilities due in more than one year. The combination of these factors with relatively small changes in all other asset and liability categories resulted in a net increase 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

	2016	Restated 2015	Change
<b>Assets</b>			
Current and Other Assets	\$7,309,074	\$6,878,225	\$430,849
Capital Assets	16,627,379	17,456,812	(829,433)
Total Assets	23,936,453	24,335,037	(398,584)
<b>Deferred Outflows of Resources</b>			
Pension	1,110,459	760,801	349,658
<b>Liabilities</b>			
Current and Other Liabilities	828,813	821,876	6,937
Long-term Liabilities:			
Due Within One Year	411,572	384,525	27,047
Due in More Than One year:			
Net Pension Liability	11,910,722	11,206,698	704,024
Other Amounts	4,332,274	4,739,074	(406,800)
Total Liabilities	17,483,381	17,152,173	331,208
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,971,808	2,058,379	(86,571)
Pension	1,462,902	2,036,882	(573,980)
Total Deferred Inflows of Resources	3,434,710	4,095,261	(660,551)
<b>Net Position</b>			
Net Investment in Capital Assets	12,326,035	12,791,196	(465,161)
Restricted	2,092,581	1,748,990	343,591
Unrestricted (Deficit)	(10,289,795)	(10,691,782)	401,987
Total Net Position	\$4,128,821	\$3,848,404	\$280,417

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension

**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

Assets decreased by \$398,584, primarily due to depreciation of capital assets outpacing capital asset additions offset by an increase in cash balances. Total liabilities increased during fiscal year 2016 which can be attributed to the change in net pension liability offset by the annual payments on the School District's general obligation bonds. Overall, net position increased by \$280,417 during fiscal year 2016.

**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

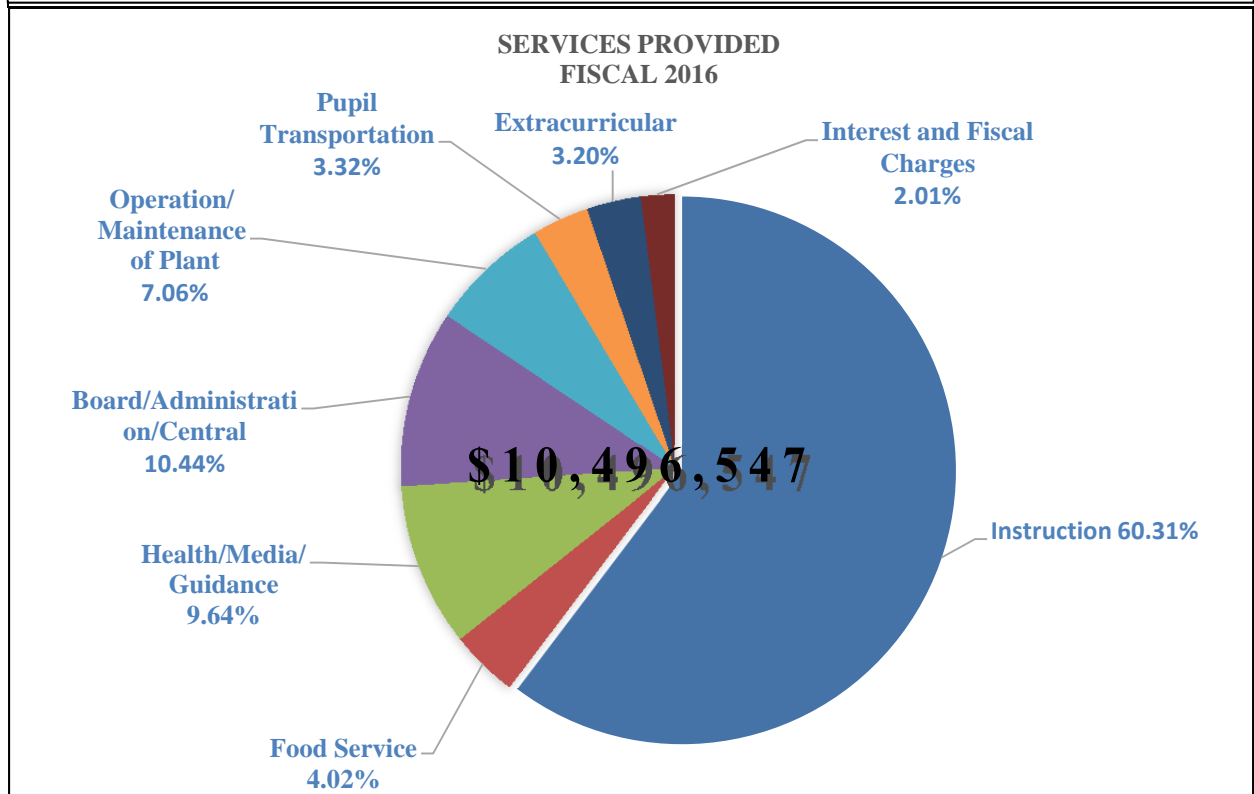
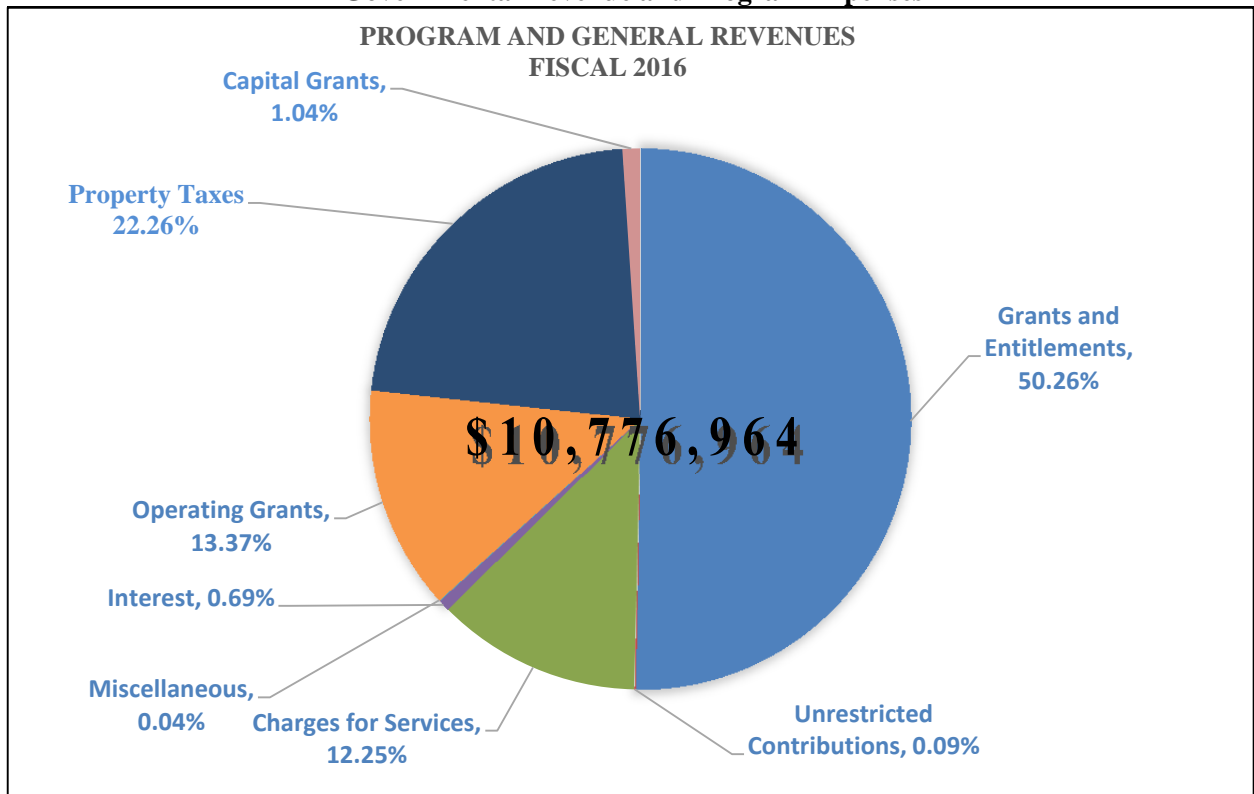
In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2016 and 2015.

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

	2016	2015	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$1,319,641	\$1,323,210	(\$3,569)
Operating Grants, Contributions and Interest	1,440,451	1,501,536	(61,085)
Capital Grants	112,644	0	112,644
Total Program Revenues	<u>2,872,736</u>	<u>2,824,746</u>	<u>47,990</u>
General Revenues			
Property Taxes	2,399,428	2,204,273	195,155
Grants and Entitlements	5,416,935	5,036,607	380,328
Unrestricted Contributions	9,499	23,011	(13,512)
Interest	73,965	43,335	30,630
Miscellaneous	4,401	0	4,401
Total General Revenues	<u>7,904,228</u>	<u>7,307,226</u>	<u>597,002</u>
Total Revenues	<u>10,776,964</u>	<u>10,131,972</u>	<u>644,992</u>
<b>Program Expenses</b>			
Instruction:			
Regular	4,976,012	4,857,259	118,753
Special	1,280,802	1,564,381	(283,579)
Vocational	17,870	33,212	(15,342)
Intervention	55,355	44,988	10,367
Support Services:			
Pupils	755,130	519,241	235,889
Instructional Staff	256,978	249,105	7,873
Board of Education	37,647	31,458	6,189
Administration	717,208	789,782	(72,574)
Fiscal	283,701	288,284	(4,583)
Operation and Maintenance of Plant	741,495	723,864	17,631
Pupil Transportation	348,826	323,186	25,640
Central	56,528	48,206	8,322
Operation of Non-Instructional Services:			
Food Service Operations	421,507	428,457	(6,950)
Other	889	0	889
Extracurricular Activities	336,117	323,478	12,639
Interest and Fiscal Charges	210,482	232,084	(21,602)
Total Expenses	<u>10,496,547</u>	<u>10,456,985</u>	<u>39,562</u>
Increase (Decrease) in Net Position	280,417	(325,013)	605,430
Net Position Beginning of Year - Restated	<u>3,848,404</u>	<u>4,173,417</u>	<u>(325,013)</u>
Net Position End of Year	<u>\$4,128,821</u>	<u>\$3,848,404</u>	<u>\$280,417</u>

**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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



**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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 50.26 percent of the total revenue with property taxes making up 22.26 percent of total revenues. The largest percentage of the services provided at 60.31 percent was instruction which would be appropriate.

**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 an increase in net position. The School District experienced an operating surplus in the general fund in the current year after operating deficits for several years. This surplus is primarily due to an increase in 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 grew slightly. The School District continues to improve operation efficiencies where possible.

The administration is aware of the fact that State funding is not anticipated to grow at the same rate as expenditures over the next five years as demonstrated with the School District's five-year forecast. The School District is not anticipating any significant increase in State per pupil funding. The School District experienced a small increase in student enrollment compared to the prior year but it is not known if this will continue. 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 Cost of Program Services  
 Governmental Activities

	2016		2015	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$6,330,039	\$4,124,929	\$6,499,840	\$4,243,255
Support Services:				
Pupils and Instructional Staff	1,012,108	1,012,108	768,346	762,824
Board of Education, Administration and Fiscal Services	1,038,556	1,038,556	1,109,524	1,109,524
Operation and Maintenance of Plant	741,495	706,098	723,864	723,864
Pupil Transportation	348,826	286,242	323,186	294,082
Central	56,528	56,528	48,206	48,206
Food Service Operations	421,507	(21,155)	428,457	9,253
Non-Instructional Services	889	889	0	0
Extracurricular Activities	336,117	209,134	323,478	209,147
Interest and Fiscal Charges	210,482	210,482	232,084	232,084
<b>Total</b>	<b>\$10,496,547</b>	<b>\$7,623,811</b>	<b>\$10,456,985</b>	<b>\$7,632,239</b>

**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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**THE DISTRICT'S FUNDS**

As previously stated, these funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,664,483 and expenditures of \$10,260,228. Overall the total revenues increased by a total of \$497,641 with a decrease in total expenditures of \$165,621. The most significant reason for the change in revenues is an increase in intergovernmental revenues due to an increase in State foundation funding. The decrease in expenditures can be attributed to the retirement of six certified staff members with four staff returning as retired/rehire employees in the fiscal year. This decrease was offset by staff receiving a 1 percent salary increase on the base salary amount for fiscal year 2016 as well as health insurance premium increases.

***General Fund Financial Activity***

The fund balance of the general fund increased by \$94,802. The School District's revenue sources saw the biggest change in the intergovernmental revenue with an increase over the previous fiscal year of \$331,069. The rest of the category changes were not significant, while operational expenditures were increased by \$15,710. Cash in the general fund increased by approximately 8 percent from \$2,572,332 in fiscal year 2015 to \$2,771,503 in fiscal year 2016 which is an increase of \$199,171. The fund balance of the bond retirement fund increased by approximately 12 percent. The fund balance in the permanent improvement fund increased due to an increase in property tax collections while 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 2016, 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 \$8,485,385 representing a \$180,182 increase from the original budget estimate of \$8,305,203. Most of this difference was due to a conservative original estimate of property tax revenues and State foundation revenues. The School District's general fund balance at end of year was \$2,649,942 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 2016, 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 and special instruction. 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 2016 the School District has \$16,627,379 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. The following table shows



**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

ending balances of capital assets invested in various categories. Notice that we are showing a depreciation expense of \$860,487 which accounts for the total decrease for the period. You may discern from the following table that there were additional investments in capital assets of only \$31,054 during this accounting period. See Note 10 for further information on capital assets.

**Table 4**

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

	2016	Restated 2015
Land	\$870,749	\$870,749
Land Improvements	276,615	319,056
Buildings and Improvements	14,266,381	14,824,142
Furniture and Equipment	1,165,309	1,377,695
Vehicles	48,325	65,170
<i>Total Capital Assets</i>	<i>\$16,627,379</i>	<i>\$17,456,812</i>

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

*Debt*

At June 30, 2016, the Lisbon Exempted Village School District had reduced its bonded debt to \$400,000. The School District paid \$185,000 in bond principal and \$22,267 in bond interest. See Notes 15 and 16 for further information on debt.

**Table 5**

Outstanding Debt at Fiscal Year End  
Governmental Activities

	2016	2015
Refunded General Obligation Bonds		
Series, 2004	\$400,000	\$585,000
Unamortized Premium	20,253	42,114
Capital Leases	3,881,091	4,080,616
<i>Total</i>	<i>\$4,301,344</i>	<i>\$4,707,730</i>

As of June 30, 2016 the School District's legal debt margin was \$8,079,256 with an unvoted debt margin of \$87,354. Capital leases do not count towards the School District's legal debt margin.

**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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**School District Outlook**

Lisbon Exempted Village School District is presently financially stable and working on maintaining its financial stability. The Board of Education and administration closely monitor its revenue and expenditures in accordance with its financial forecast and the District Continuous Improvement Plan. The financial future of the School District 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. 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 attempted to pass a one percent earned income tax levy on the November 8, 2016 ballot. The earned income tax levy was estimated to generate \$759,241.00 annually. The levy was defeated by less than 300 votes. The School District has not requested any additional operating millage locally since 1980 which keeps the millage rate at 20 mills. The laws of Ohio require that voted millage remain above or at a 20 mill floor. Ohio also requires that the county auditor revalue all real estate every six years and an update every three years. The general fund tax collections have risen regularly over the last fourteen years due to the inflationary growth of the real estate tax base. House Bill 920 reduction of millage does not occur due to the fact that the School District is at the 20 mill floor. Due to the economy and the amount of home foreclosures experienced in the School District, it is being assumed that the normal inflationary growth will slow and possibly begin to trend to either zero or very minimal value increases. The slow or negative local tax value growth shifts the reliance more on the State funds. Open enrollment funding comprises a major portion of the local revenue base. This source of revenue grows with the per pupil allocation. 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-two percent of the revenue for Lisbon Exempted Village School District's general fund. The legislature has developed a new funding model that was put in place during fiscal year 2015. At this time, projections show the School District receiving an increase in the Capacity Aid portion of the State funding model for fiscal year 2017 only and not any new additional State funding over the next two fiscal years. The School District is currently not on a guarantee of those State funds received in the previous fiscal year. Due to this fact, any changes in enrollment will affect our State funding amounts received.

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

**Lisbon Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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Lisbon Exempted Village Schools has seven teachers that are either currently eligible or approaching eligibility to retire over the next five years. When a veteran teacher retires, they are replaced by staff at a much lower cost if replaced at all. 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 effect 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 Vickie Browning-Prowitt, Treasurer at Lisbon Exempted Village School District, 317 North Market Street, Lisbon, Ohio 44432 or call (330) 424-7714 or E-mail [vickie.prowitt@omeresanet.net](mailto:vickie.prowitt@omeresanet.net).

**Lisbon Exempted Village School District**

*Statement of Net Position*

*June 30, 2016*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,889,419
Accounts Receivable	4,770
Intergovernmental Receivable	148,245
Inventory Held for Resale	6,143
Prepaid Items	19,517
Property Taxes Receivable	2,240,980
Nondepreciable Capital Assets	870,749
Depreciable Capital Assets, Net	<u>15,756,630</u>
<i>Total Assets</i>	<u>23,936,453</u>
<b>Deferred Outflows of Resources</b>	
Deferred Outflows - Pension	<u>1,110,459</u>
<b>Liabilities</b>	
Accounts Payable	10,631
Accrued Wages and Benefits	664,960
Intergovernmental Payable	130,828
Accrued Interest Payable	22,394
Long-Term Liabilities:	
Due Within One Year	411,572
Due In More Than One Year:	
Net Pension Liability (See Note 13)	11,910,722
Other Amounts	<u>4,332,274</u>
<i>Total Liabilities</i>	<u>17,483,381</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	1,971,808
Deferred Inflows - Pension	<u>1,462,902</u>
<i>Total Deferred Inflows of Resources</i>	<u>3,434,710</u>
<b>Net Position</b>	
Net Investment in Capital Assets	12,326,035
Restricted for:	
Debt Service	638,682
Capital Projects	616,857
Other Purposes	837,042
Unrestricted (Deficit)	<u>(10,289,795)</u>
<i>Total Net Position</i>	<u>\$4,128,821</u>

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2016*

	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	\$4,976,012	\$958,134	\$333,889	\$112,644	(\$3,571,345)
Special	1,280,802	70,103	728,027	0	(482,672)
Vocational	17,870	0	2,313	0	(15,557)
Intervention	55,355	0	0	0	(55,355)
Support Services:					
Pupils	755,130	0	0	0	(755,130)
Instructional Staff	256,978	0	0	0	(256,978)
Board of Education	37,647	0	0	0	(37,647)
Administration	717,208	0	0	0	(717,208)
Fiscal	283,701	0	0	0	(283,701)
Operation and Maintenance of Plant	741,495	2,737	32,660	0	(706,098)
Pupil Transportation	348,826	39,097	23,487	0	(286,242)
Central	56,528	0	0	0	(56,528)
Food Service Operations	421,507	129,404	313,258	0	21,155
Other Non-Instructional Services	889	0	0	0	(889)
Extracurricular Activities	336,117	120,166	6,817	0	(209,134)
Interest and Fiscal Charges	210,482	0	0	0	(210,482)
<b>Totals</b>	<b>\$10,496,547</b>	<b>\$1,319,641</b>	<b>\$1,440,451</b>	<b>\$112,644</b>	<b>(7,623,811)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	1,749,242
Debt Service	247,777
Capital Projects	402,409

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Contributions	9,499
Investment Earnings	73,965
Miscellaneous	4,401

**Total General Revenues** **7,904,228**

Change in Net Position 280,417

*Net Position Beginning of Year - Restated (See Note 3)* 3,848,404

*Net Position End of Year* \$4,128,821

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2016*

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,771,503	\$610,121	\$465,397	\$910,754	\$4,757,775
Property Taxes Receivable	1,701,185	135,129	369,622	35,044	2,240,980
Accounts Receivable	4,770	0	0	0	4,770
Intergovernmental Receivable	66,881	0	0	81,364	148,245
Inventory Held for Resale	0	0	0	6,143	6,143
Prepaid Items	1,913	0	0	17,604	19,517
<i>Total Assets</i>	<u>\$4,546,252</u>	<u>\$745,250</u>	<u>\$835,019</u>	<u>\$1,050,909</u>	<u>\$7,177,430</u>
<b>Liabilities</b>					
Accounts Payable	\$6,688	\$0	\$209	\$3,734	\$10,631
Accrued Wages and Benefits	627,257	0	0	37,703	664,960
Intergovernmental Payable	121,709	0	0	9,119	130,828
<i>Total Liabilities</i>	<u>755,654</u>	<u>0</u>	<u>209</u>	<u>50,556</u>	<u>806,419</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	1,506,950	106,568	327,242	31,048	1,971,808
Unavailable Revenue	210,646	21,249	31,531	59,461	322,887
<i>Total Deferred Inflows of Resources</i>	<u>1,717,596</u>	<u>127,817</u>	<u>358,773</u>	<u>90,509</u>	<u>2,294,695</u>
<b>Fund Balances</b>					
Nonspendable	1,913	0	0	17,604	19,517
Restricted	21,374	617,433	476,037	911,842	2,026,686
Assigned	1,414,144	0	0	0	1,414,144
Unassigned (Deficit)	635,571	0	0	(19,602)	615,969
<i>Total Fund Balances</i>	<u>2,073,002</u>	<u>617,433</u>	<u>476,037</u>	<u>909,844</u>	<u>4,076,316</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$4,546,252</u>	<u>\$745,250</u>	<u>\$835,019</u>	<u>\$1,050,909</u>	<u>\$7,177,430</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, 2016*

<b>Total Governmental Fund Balances</b>	<b>\$4,076,316</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	16,627,379
Other long-term assets are not available to pay for current period expenditures and therefore are unavailable revenues in the funds:	
Delinquent Property Taxes	201,600
Intergovernmental	<u>121,287</u>
Total	322,887
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(22,394)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(420,253)
Compensated Absences	(442,502)
Capital Leases	<u>(3,881,091)</u>
Total	(4,743,846)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred Outflows - Pension	1,110,459
Deferred Inflows - Pension	(1,462,902)
Net Pension Liability	<u>(11,910,722)</u>
Total	(12,263,165)
The internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>131,644</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$4,128,821</u></u>

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2016*

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$1,718,770	\$243,875	\$361,878	\$34,142	\$2,358,665
Intergovernmental	5,736,481	34,071	56,493	1,064,450	6,891,495
Interest	73,965	0	0	0	73,965
Tuition and Fees	1,043,732	0	0	0	1,043,732
Charges for Services	9,139	0	0	130,051	139,190
Extracurricular Activities	34,657	0	0	81,325	115,982
Contributions and Donations	9,499	0	0	6,817	16,316
Rentals	20,737	0	0	0	20,737
Miscellaneous	4,401	0	0	0	4,401
<i>Total Revenues</i>	<u>8,651,381</u>	<u>277,946</u>	<u>418,371</u>	<u>1,316,785</u>	<u>10,664,483</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	4,203,725	0	0	265,384	4,469,109
Special	1,030,752	0	0	270,499	1,301,251
Vocational	18,709	0	0	0	18,709
Student Intervention Services	2,625	0	0	54,050	56,675
Support Services:					
Pupils	638,377	0	0	0	638,377
Instructional Staff	252,914	0	0	3,706	256,620
Board of Education	36,158	0	0	0	36,158
Administration	728,978	0	0	0	728,978
Fiscal	283,432	5,549	0	776	289,757
Operation and Maintenance of Plant	626,997	0	0	66,962	693,959
Pupil Transportation	323,259	0	0	0	323,259
Central	65,205	0	0	0	65,205
Operation of Non-Instructional Services	0	0	0	889	889
Food Service Operations	0	0	0	416,024	416,024
Extracurricular Activities	220,160	0	0	70,452	290,612
Capital Outlay	0	0	55,480	0	55,480
Debt Service:					
Principal Retirement	69,525	185,000	130,000	0	384,525
Interest and Fiscal Charges	55,763	22,268	156,610	0	234,641
<i>Total Expenditures</i>	<u>8,556,579</u>	<u>212,817</u>	<u>342,090</u>	<u>1,148,742</u>	<u>10,260,228</u>
<i>Net Change in Fund Balances</i>	94,802	65,129	76,281	168,043	404,255
<i>Fund Balances Beginning of Year</i>	<u>1,978,200</u>	<u>552,304</u>	<u>399,756</u>	<u>741,801</u>	<u>3,672,061</u>
<i>Fund Balances End of Year</i>	<u>\$2,073,002</u>	<u>\$617,433</u>	<u>\$476,037</u>	<u>\$909,844</u>	<u>\$4,076,316</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, 2016*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$404,255
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*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	31,054	
Current Year Depreciation	(860,487)	
Total		(829,433)

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

Delinquent Property Taxes	40,763	
Intergovernmental	71,718	
Total		112,481

Repayment of bond principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 384,525

Some expenses 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.

Accrued Interest	2,298	
Amortization of Bond Premium	21,861	
Total		24,159

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. (26,633)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 617,274

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities (397,660)

The internal service funds used by management are not reported in the district-wide statements district-wide statements of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (8,551)

<i>Change in Net Position of Governmental Activities</i>	<u>\$280,417</u>
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See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$1,673,729	\$1,700,500	\$1,706,035	\$5,535
Intergovernmental	5,512,374	5,679,460	5,766,286	86,826
Interest	42,000	45,000	53,105	8,105
Tuition and Fees	1,057,100	1,034,325	1,043,572	9,247
Charges for Services	0	5,700	8,154	2,454
Contributions and Donations	0	400	489	89
Rent	20,000	20,000	21,026	1,026
Miscellaneous	0	0	271	271
<i>Total Revenues</i>	<u>8,305,203</u>	<u>8,485,385</u>	<u>8,598,938</u>	<u>113,553</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,248,301	4,621,433	4,139,668	481,765
Special	1,185,036	1,518,860	1,074,143	444,717
Vocational	20,435	24,635	22,837	1,798
Student Intervention Services	2,670	3,220	2,805	415
Support Services:				
Pupils	581,826	750,802	632,104	118,698
Instructional Staff	251,429	304,891	253,800	51,091
Board of Education	38,230	40,915	34,295	6,620
Administration	732,927	790,092	732,654	57,438
Fiscal	300,577	326,622	288,141	38,481
Operation and Maintenance of Plant	881,316	923,864	766,576	157,288
Pupil Transportation	405,470	517,506	314,333	203,173
Central	59,293	68,183	64,804	3,379
Extracurricular Activities	182,890	202,575	172,913	29,662
<i>Total Expenditures</i>	<u>8,890,400</u>	<u>10,093,598</u>	<u>8,499,073</u>	<u>1,594,525</u>
<i>Net Change in Fund Balance</i>	(585,197)	(1,608,213)	99,865	1,708,078
<i>Fund Balance Beginning of Year</i>	2,417,886	2,417,886	2,417,886	0
Prior Year Encumbrances Appropriated	<u>132,191</u>	<u>132,191</u>	<u>132,191</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,964,880</u></u>	<u><u>\$941,864</u></u>	<u><u>\$2,649,942</u></u>	<u><u>\$1,708,078</u></u>

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**

*Statement of Fund Net Position*

*Internal Service Fund*

*June 30, 2016*

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

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**  
*Statement of Revenues,  
 Expenses and Changes in Fund Net Position  
 Internal Service Fund  
 For the Fiscal Year Ended June 30, 2016*

	Insurance
<b>Operating Revenues</b>	\$0
<b>Operating Expenses</b>	
Fringe Benefits	8,551
<i>Change in Net Position</i>	(8,551)
<i>Net Position Beginning of Year</i>	140,195
<i>Net Position End of Year</i>	\$131,644

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, 2016*

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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 Goods and Services	(\$8,551)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>140,195</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$131,644</u></u>

See accompanying notes to the basic financial statements

**Lisbon Exempted Village School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2016*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$44,815</u>
<b>Liabilities</b>	
Due to Students	<u>\$44,815</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, 2016*

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**Note 1 - Description of the School District and Reporting Entity**

Lisbon Exempted Village School District (the “School District”) operates under a locally elected Board form of government and provides educational services as authorized by state and federal agencies. This Board controls the School District’s 5 instructional/support facilities staffed by 59 certificated employees, 35 non-certificated employees and 6 administrative employees to provide services to 920 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 ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Lisbon Exempted Village School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in 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 of Central Ohio Group Rating Program. These organizations are presented in Notes 18 and 19 to the basic financial statements.

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

The financial statements of School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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, 2016*

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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.

**Bond Retirement Fund** – The bond retirement fund receives taxes restricted for the payment of the school district facility debt.

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

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



**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12).

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

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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

***Budgetary Data***

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

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

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

***Cash and Investments***

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

The School District has invested funds during fiscal year 2016 in federal home loan bank bonds, federal farm credit bank notes, federal home loan mortgage corporation notes, federal national mortgage association notes, negotiable certificates of deposit, First American Treasury Obligations Fund money market and in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices.

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

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$73,965, which includes \$32,419 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, 2016, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which the services are consumed.

***Inventory***

Inventories are presented at cost 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 acquisition values as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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:

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

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Descriptions	Governmental Activities Estimated Lives
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, compensated absences and net pension liability that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and capital leases are recognized as a liability on the governmental fund financial statements when due.

***Net 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 District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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***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. The Board of Education has assigned fund balance for support services and to cover a gap between revenues and appropriations in fiscal year 2017’s appropriated budget.

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

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

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

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

### ***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 receipted in the year the bonds are issued.

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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***Estimates***

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

**Note 3 – Change in Accounting Principles and Restatement of Net Position**

***Change in Accounting Principles***

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” GASB Statement No. 79, “Certain External Investment Pools and Pool Participants,” and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District’s financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The School Districts participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The School District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

***Restatement of Net Position***

During fiscal year 2016, due to a reappraisal of the School District’s assets, it was determined that depreciable capital assets were overstated at June 30, 2015.

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

	Governmental Activities
Net Position June 30, 2015	\$4,976,287
Depreciable Capital Assets, Net	(1,127,883)
Restated Net Position June 30, 2015	\$3,848,404

**Note 4 – 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	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total
<b><u>Nonspendable:</u></b>					
Prepays	\$1,913	\$0	\$0	\$17,604	\$19,517
<b><u>Restricted for:</u></b>					
Debt Service	0	617,433	0	0	617,433
Capital Projects	0	0	476,037	254,430	730,467
Food Service	0	0	0	606,916	606,916
Student Activities	0	0	0	50,496	50,496
Bus Purchases	21,374	0	0	0	21,374
<i>Total Restricted</i>	21,374	617,433	476,037	911,842	2,026,686
<b><u>Assigned to:</u></b>					
Support Services	35,198	0	0	0	35,198
Purchases on Order					
Purchased Services	41,326	0	0	0	41,326
Materials and Supplies	7,052	0	0	0	7,052
FY 2017 Operations	1,330,568	0	0	0	1,330,568
<i>Total Assigned</i>	1,414,144	0	0	0	1,414,144
Unassigned (Deficit)	635,571	0	0	(19,602)	615,969
Total Fund Balances	\$2,073,002	\$617,433	\$476,037	\$909,844	\$4,076,316

**Note 5 – Fund Deficits**

The deficit balances in the following special revenue funds as of June 30, 2016 resulted from adjustments for accrued liabilities.

Title I Grant	\$15,203
ECE Preschool Grant	4,399



**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

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

**Note 6 - Budgetary Basis of Accounting**

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

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

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	\$94,802
Net Adjustment for Revenue Accruals	(63,352)
Ending Fair Value Adjustment for Investments	(33,253)
Perspective Difference:	
Public School Support	1,812
Net Adjustment for Expenditure Accruals	152,966
Encumbrances	(53,110)
Budget Basis	\$99,865

**Note 7 - Deposits and Investments**

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

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

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
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 (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
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 will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$801,517 of the School District's bank balance of \$1,051,517 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

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, 2016, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percentage of Total Investments
Net Asset Value (NAV) per share				
STAR Ohio	\$5,107	Average 48.6 Days	AAAm	N/A
Amortized Cost				
Treasury Obligations Money Market	162,894	Less than one year	AAAm	N/A
Fair Value				
Federal Home Loan Bank Bonds	155,293	Less than one year	AAA	N/A
Federal Home Loan Bank Bonds	199,940	Less than five years	AAA	5.05%
Federal Farm Credit Bank Notes	264,394	Less than one year	AAA	6.68%
Federal Farm Credit Bank Notes	190,002	Less than three years	AAA	N/A
Federal Home Loan Mortgage Corporation Notes	65,025	Less than three years	AAA	N/A
Federal National Mortgage Association Notes	501,436	Less than one year	AAA	12.67%
Federal National Mortgage Association Notes	210,993	Less than five years	AAA	5.33%
Negotiable Certificates of Deposit	249,539	Less than one year	N/A	6.31%
Negotiable Certificates of Deposit	<u>1,953,157</u>	More than one year	N/A	49.35%
Total	<u><u>\$3,957,780</u></u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2016. All of the School District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

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

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Credit Risk.** The Federal Home Loan Bank Bonds, Federal Farm Credit Bank Notes, the Federal Home Loan Mortgage Corporation Notes, and the Federal National Mortgage Association Notes all carry a credit rating of AAA by Standard and Poor's. The First American Treasurer Obligation fund and STAR Ohio both carry a credit rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

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

## **Note 8 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Columbiana County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2016 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 are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

The amount available as an advance of real property taxes at June 30, 2016, was \$48,407 in the general fund, \$7,312 in the bond retirement fund, \$10,849 in the permanent improvement fund, and \$1,004 in the OSFC maintenance levy fund. The amount available as an advance of real property taxes at June 30, 2015, was \$35,662 in the general fund, \$5,404 in the bond retirement fund, \$8,019 in the permanent improvement fund, and \$742 in the OSFC maintenance levy fund.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$77,020,650	90.14 %	\$78,253,350	89.58 %
Public Utility Personal	8,426,760	9.86	9,100,240	10.42
<b>Total</b>	<b>\$85,447,410</b>	<b>100.00 %</b>	<b>\$87,353,590</b>	<b>100.00 %</b>
Tax rate per \$1,000 of assessed valuation	\$34.30		\$34.30	

**Note 9 - Receivables**

Receivables at June 30, 2016, consisted of taxes, accounts and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectable, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
SERS Refund	\$64,818
Title I	58,835
ECE preschool grant	10,097
Title VI-B grant	7,262
Columbiana County Educational Service Center	3,460
Columbiana County Mental Health Recovery Board	2,300
Medicaid Reimbursement	1,473
<b>Total</b>	<b>\$148,245</b>

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Restated Balance 6/30/15	Additions	Deletions	Balance 6/30/16
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$870,749	\$0	\$0	\$870,749
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,023,944	0	0	1,023,944
Buildings and Improvements	23,713,167	12,099	0	23,725,266
Furniture, Fixtures and Equipment	2,860,590	18,955	0	2,879,545
Vehicles	688,642	0	(160,329)	528,313
<i>Total Capital Assets, being depreciated</i>	<u>28,286,343</u>	<u>31,054</u>	<u>(160,329)</u>	<u>28,157,068</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(704,888)	(42,441)	0	(747,329)
Buildings and Improvements	(8,889,025)	(569,860)	0	(9,458,885)
Furniture, Fixtures and Equipment	(1,482,895)	(231,341)	0	(1,714,236)
Vehicles	(623,472)	(16,845)	160,329	(479,988)
<i>Total Accumulated Depreciation</i>	<u>(11,700,280)</u>	<u>(860,487) *</u>	<u>160,329</u>	<u>(12,400,438)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>16,586,063</u>	<u>(829,433)</u>	<u>0</u>	<u>15,756,630</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$17,456,812</u>	<u>(\$829,433)</u>	<u>\$0</u>	<u>\$16,627,379</u>

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

Instruction:	
Regular	\$605,485
Support Services:	
Pupils	126,514
Board of Education	1,825
Administration	8,603
Operation and Maintenance of Plant	25,397
Pupil Transportation	29,643
Food Service Operations	11,533
Extracurricular Activities	51,487
<b>Total Depreciation Expense</b>	<u>\$860,487</u>

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 11 - Risk Management**

***Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, 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	\$41,732,491
Inland Marine Coverage	894,470
Crime Insurance	10,000
Automobile Liability	1,000,000
Auto Medical Payments	5,000
Uninsured Motorists	1,000,000
General Liability	
Per Occurrence	1,000,000
Total per year	2,000,000
Umbrella Liability	5,000,000

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

***Workers' Compensation***

For fiscal year 2016 the School District participated in the Sheakley/Better Business Bureau of Central Ohio Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost controls, and actuarial services to the GRP.

***Employee Health Benefits***

For fiscal year 2016, 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.

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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The School District pays 88 percent of the insurance premium costs for all of the participating staff. For the period covering July 1, 2015 through June 30, 2016, the School District paid premiums in the amount of \$1,220.27 for family coverage per month and \$500.75 per single coverage per month for eligible full-time employees. The premiums are paid by the fund that pays the salary for the employee and are based on historical cost information.

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

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

### ***Net Pension Liability***

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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



**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$119,395 for fiscal year 2016. Of this amount \$7,035 is reported as an intergovernmental payable.

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

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

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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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. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$497,879 for fiscal year 2016. Of this amount \$67,301 is reported as an intergovernmental payable.

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.03168300%	0.03948139%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.02959500%</u>	<u>0.03698656%</u>	
Change in Proportionate Share	<u>-0.00208800%</u>	<u>-0.00249483%</u>	
Proportionate Share of the Net Pension Liability	\$1,688,719	\$10,222,003	\$11,910,722
Pension Expense	\$78,268	\$319,392	\$397,660

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$27,191	\$465,994	\$493,185
School District contributions subsequent to the measurement date	<u>119,395</u>	<u>497,879</u>	<u>617,274</u>
Total Deferred Outflows of Resources	<u>\$146,586</u>	<u>\$963,873</u>	<u>\$1,110,459</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$55,953	\$735,155	\$791,108
Changes in proportionate Share and difference between School District contributions	<u>90,060</u>	<u>581,734</u>	<u>671,794</u>
Total Deferred Inflows of Resources	<u>\$146,013</u>	<u>\$1,316,889</u>	<u>\$1,462,902</u>

\$617,274 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	(\$49,093)	(\$311,334)	(\$360,427)
2018	(49,093)	(311,334)	(360,427)
2019	(49,222)	(311,334)	(360,556)
2020	28,586	83,107	111,693
Total	(\$118,822)	(\$850,895)	(\$969,717)

**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$2,341,647	\$1,688,719	\$1,138,901

**Changes Between Measurement Date and Report Date** In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.50 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

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**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

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

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Nominal Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

***Sensitivity of the School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the School District’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$14,199,134	\$10,222,003	\$6,858,747

**Note 13 - Postemployment Benefits**

***School Employees Retirement System***

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS’ Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS’ participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District’s surcharge obligation was \$13,977.

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$13,977, \$24,207 and \$18,887, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

***State Teachers Retirement System***

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered 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 can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$40,758, respectively. The full amount has been contributed for 2014.

**Note 14 - Other Employee Benefits**

***Compensated Absences***

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



**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

**Note 15 - Long-term Obligations**

The changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	Outstanding 6/30/2015	Additions	Deductions	Outstanding 6/30/2016	Due in One year
<b>Governmental Activities</b>					
Refunded General Obligation Bonds	\$585,000	\$0	\$185,000	\$400,000	\$195,000
Unamortized Premium	42,114	0	21,861	20,253	0
Total Refunded General Obligation Bonds	627,114	0	206,861	420,253	195,000
Net Pension Liability					
STRS	9,603,240	618,763	0	10,222,003	0
SERS	1,603,458	85,261	0	1,688,719	0
Total Net Pension Liability	11,206,698	704,024	0	11,910,722	0
Compensated Absences	415,869	234,567	207,935	442,501	7,934
Capital Leases	4,080,616	0	199,525	3,881,091	208,638
Total Long-term Liabilities	<u>\$16,330,297</u>	<u>\$938,591</u>	<u>\$614,321</u>	<u>\$16,654,567</u>	<u>\$411,572</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 percent compared to the rate of 6.25 percent on the 1992 General Obligation Bonds. This reduction in interest rate resulted in a net present value savings of \$226,984 to the School District.

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 and Title I funds. The School District pays obligations related to employee compensation from the funds benefitting from their service. See note 12 for additional information related to the net pension liability.

The School District's overall legal debt margin was \$8,079,256 with an unvoted debt margin of \$87,354 at June 30, 2016.

Principal requirements to retire general obligation bonds outstanding at June 30, 2016, are as follows:

	Principal	Interest
2017	\$195,000	\$12,768
2018	205,000	3,946
Total	<u>\$400,000</u>	<u>\$16,714</u>

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

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**Note 16 - Capital Leases - Lessee Disclosure**

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

This capital assets acquired by lease have been originally capitalized in the amount of \$933,000 with the balance of the \$2,058,000 for the local share obligation of the Ohio School Facilities Commission Project used for the payment of contractors added three years later upon completion of the project. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on this lease was \$574,012 leaving a current book value of \$2,416,988 as of June 30, 2016. Principal payments in fiscal year 2016 totaled \$95,000 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 \$35,000 for the period. Accumulated depreciation for this lease is \$235,400 leaving a current book value of \$941,600 as of this reporting period.

The third lease was used for energy conservation measures in the School District's educational buildings with the project being completed in December 2011. The accumulated depreciation on this lease was \$333,531 leaving a book value of \$881,469. Principal payments for the third lease total \$69,525 for the period. The total amount owed on the three leases as of June 30, 2016 is \$3,881,091.

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, 2016:

Fiscal Year Ending June 30,	Amount
2017	\$404,844
2018	404,153
2019	406,968
2020	406,264
2021	405,208
2022-2026	1,820,431
2027-2031	1,164,514
2032-2036	479,333
2037	62,105
Total Minimum Lease Payments	5,553,820
Less: Amount Representing Interest	1,672,729
Present Value of Minimum Lease Payments	\$3,881,091

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

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**Note 17 - Set-Aside**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future years.

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

	Capital Improvement
Set-aside Balances as of June 30, 2015	\$0
Current Year Set-aside Requirement	155,466
Qualifying Disbursements	(191,506)
Totals	(\$36,040)
Set-aside Balance as of June 30, 2016	\$0

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

In addition to the above statutory set-aside, the School District also has \$21,374 in monies restricted for school bus purchases. The total restricted for set asides at the end of the fiscal year was \$21,374.

**Note 18 - Jointly Governed Organizations**

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

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

**Lisbon Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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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 School District contributed \$40,595 for various fees associated with the agency's services during the 2016 fiscal year. To obtain financial information write to OME-RESA, Office of the Treasurer, 2230 Sunset Boulevard, Suite 2, 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 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 Waterloo Local Schools 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 percent over the next year. The participants make monthly payments based on actual usage with the discount being applied.

**Note 19 - 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.

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 20 - Contingencies**

***Grants***

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

However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

***School Foundation***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the School District.

***Litigation***

The School District was not a party to any legal proceedings during the 2016 fiscal year.

**Note 21 – Encumbrances**

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

General	\$53,110
Bond Retirement	21,861
Other Governmental Funds	45,570
Agency Funds	<u>3,208</u>
Total	<u><u>\$123,749</u></u>

**Lisbon Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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## Required Supplementary Information

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

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.0295950%	0.0316830%	0.0316830%
School District's Proportionate Share of the Net Pension Liability	\$1,688,719	\$1,603,458	\$1,884,086
School District's Covered Payroll	\$916,419	\$879,168	\$854,183
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	184.27%	182.38%	220.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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



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

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.03698656%	0.03948139%	0.03948139%
School District's Proportionate Share of the Net Pension Liability	\$10,222,003	\$9,603,240	\$11,439,317
School District's Covered Payroll	\$3,813,700	\$4,033,036	\$4,170,900
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	268.03%	238.11%	274.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$119,395	\$120,784	\$115,171	\$111,898
Contributions in Relation to the Contractually Required Contribution	<u>(119,395)</u>	<u>(120,784)</u>	<u>(115,171)</u>	<u>(111,898)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$852,821	\$916,416	\$879,168	\$854,183
Contributions as a Percentage of Covered Payroll	14.00%	13.18%	13.10%	13.10%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$115,213	\$102,000	\$115,755	\$96,515	\$89,706	\$89,859
<u>(115,213)</u>	<u>(102,000)</u>	<u>(115,755)</u>	<u>(96,515)</u>	<u>(89,706)</u>	<u>(89,859)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$907,189	\$863,675	\$905,751	\$1,061,771	\$979,323	\$841,376
12.70%	11.81%	12.78%	9.09%	9.16%	10.68%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$497,879	\$533,918	\$524,295	\$542,217
Contributions in Relation to the Contractually Required Contribution	<u>(497,879)</u>	<u>(533,918)</u>	<u>(524,295)</u>	<u>(542,217)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$3,556,279	\$3,813,699	\$4,033,036	\$4,170,900
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
\$586,137	\$588,802	\$580,416	\$547,174	\$527,996	\$511,835
(586,137)	(588,802)	(580,416)	(547,174)	(527,996)	(511,835)
\$0	\$0	\$0	\$0	\$0	\$0
\$4,508,746	\$4,529,246	\$4,464,738	\$4,209,031	\$4,061,508	\$3,937,192
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	006	\$55,419
School Lunch Program	10.555	006	222,440
Non-Cash Assistance (Food Distribution)	10.555	006	29,785
Total Child Nutrition Cluster			<u>307,644</u>
Total U.S. Department of Agriculture			<u>307,644</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	572-9515	30,151
Title I Grants to Local Educational Agencies	84.010	572-9516	233,132
Total Title I Grants to Local Educational Agencies			<u>263,283</u>
Special Education - Grants to States (IDEA, Part B Grant)	84.027	516-9516	198,899
Total Special Education - Grants to States (IDEA, Part B Grant)			<u>198,899</u>
Improving Teacher Quality - State Grants	84.367	590-9515	1,817
Improving Teacher Quality - State Grants	84.367	590-9516	47,527
Total Improving Teacher Quality - State Grants			<u>49,344</u>
Rural Education Grant	84.358	599-9516	13,967
Total Rural Education Grant			<u>13,967</u>
Total U.S. Department of Education			<u>525,493</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$833,137</u></u>

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

**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Lisbon Exempted Village School District (the School District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

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

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective 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 Street  
Lisbon, Ohio 44514

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lisbon Exempted Village School District, Columbiana County, (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 9, 2017, wherein we noted the School District restated its July 1, 2015 net position to properly account for depreciable capital assets.

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

As part of our financial statement audit, we considered the School 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 School 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 School 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 School 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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School 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 "D" and "Y".

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

March 9, 2017



# Dave Yost • Auditor of State

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

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

To the Board of Education:

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

We have audited the Lisbon Exempted Village School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Lisbon Exempted Village School District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

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

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

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

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

***Opinion on the 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 its major federal program for the year ended June 30, 2016.

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

The School 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 School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

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

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



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

March 9, 2017

**LISBON EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

**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 weaknesses in internal control 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 2 CFR §200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education - Grants to States (IDEA, Part B Grant) – CFDA #84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	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

**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  
MARCH 30, 2017**