



Dave Yost • Auditor of State

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2016**

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**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

East Liverpool City School District
Columbiana County
810 West 8th Street
East Liverpool, Ohio 43920

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 East Liverpool City School District, Columbiana County, Ohio (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of East Liverpool City 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.

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 District's basic financial statements taken as a whole.

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

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this 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 scheduled 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 13, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 13, 2017

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**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The management's discussion and analysis of the East Liverpool City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position of governmental activities increased \$243,006 which represents a 1.71% increase from 2016's net position.
- General revenues accounted for \$23,639,717 in revenue or 78.01% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions and capital grants and contributions accounted for \$6,662,898 or 21.99% of total revenues of \$30,302,615.
- The District had \$30,059,609 in expenses related to governmental activities; \$6,662,898 of these expenses were offset by program specific charges for services and operating grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were adequate to provide for these programs.
- The District has two major funds: the general fund and the bond retirement fund. The general fund had \$25,152,663 in revenues and other financing sources and \$24,990,263 in expenditures and other financing uses. The general fund's fund balance increased \$162,400 from \$2,427,295 to \$2,589,695.
- The bond retirement fund had \$718,885 in revenues and \$13,084 in expenditures. The bond retirement fund's fund balance increased \$705,801 from \$5,966,495 to \$6,672,296.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District has two major funds: the general fund and the bond retirement fund.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of facilities, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 19-20 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 21-25 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for employee benefits self-insurance. The basic proprietary fund financial statements can be found on pages 26-28 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 29 and 30. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31-62 of this report.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 63-70 of this report.

The District as a Whole

The statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

	Net Position	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<u>Assets</u>		
Current and other assets	\$ 22,655,426	\$ 23,448,468
Capital assets, net	<u>44,058,748</u>	<u>44,011,608</u>
Total assets	<u>66,714,174</u>	<u>67,460,076</u>
<u>Deferred Outflows of Resources</u>		
Pension	<u>3,429,775</u>	<u>2,079,680</u>
Total deferred outflows of resources	<u>3,429,775</u>	<u>2,079,680</u>
<u>Liabilities</u>		
Current liabilities	3,381,615	3,764,449
Long-term liabilities:		
Due within one year	466,033	470,002
Due in more than one year:		
Net pension liability	34,165,842	30,112,238
Other amounts	<u>11,375,053</u>	<u>11,618,683</u>
Total liabilities	<u>49,388,543</u>	<u>45,965,372</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	3,915,447	3,915,837
Pensions	<u>2,386,161</u>	<u>5,447,755</u>
Total deferred inflows of resources	<u>6,301,608</u>	<u>9,363,592</u>
<u>Net Position</u>		
Net investment in capital assets	33,403,243	35,276,203
Restricted	10,929,756	8,842,119
Unrestricted	<u>(29,879,201)</u>	<u>(29,907,530)</u>
Total net position	<u>\$ 14,453,798</u>	<u>\$ 14,210,792</u>

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

During a previous fiscal year, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the 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 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.

Under the standards required by GASB 68, the net pension liability equals the 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 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 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.

As a result of GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$14,453,798.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

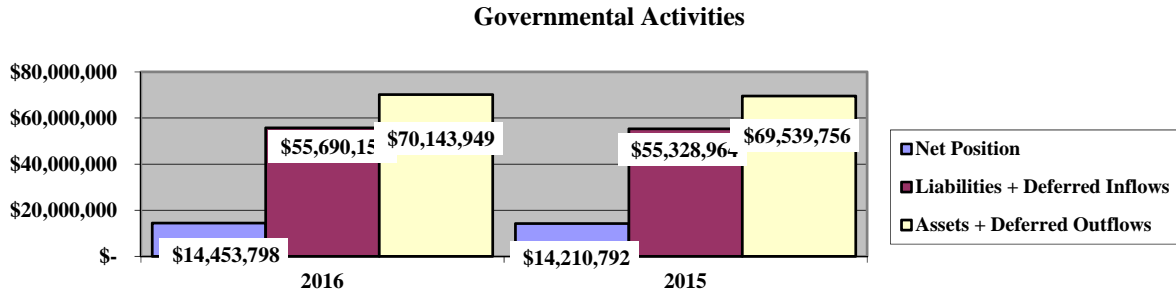
Assets of the District decreased \$745,902 or 1.11%. Current and other assets decreased primarily due to a decrease in equity in pooled cash and investments and cash and cash equivalents in segregated accounts.

At year-end, capital assets represented 62.81% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and fixtures and vehicles. Net investment in capital assets at June 30, 2016, was \$33,403,243. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Liabilities of the District increased \$3,423,171 or 7.45%. Current liabilities decreased due to a decrease in intergovernmental payables related to a change in Bureau of Worker's Compensation (BWC) billing and a decrease in matured compensated absences payable. Long-term liabilities increased due to an increase of about \$4.0 million in net pension liability.

A portion of the District's net position, \$10,915,906, represents resources that are subject to external restriction on how they may be used. Of the restricted net position, \$1,389,701 is restricted for capital projects, \$1,269,769 is restricted for classroom facilities maintenance and \$6,753,740 is restricted for debt service. The remaining balance of unrestricted net position is (\$29,879,201).

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2016 and June 30, 2015.



**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The table below shows the change in net position for fiscal years 2016 and 2015.

	Change in Net Position	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 959,707	\$ 1,432,042
Operating grants and contributions	5,703,191	5,451,046
Capital grants and contributions	-	480
General revenues:		
Property taxes	4,493,660	4,373,856
Grants and entitlements - unrestricted	18,326,707	18,541,394
Grants and entitlements - restricted	467,888	-
Investment earnings	274,004	369,015
Other	<u>77,458</u>	<u>354,002</u>
Total revenues	<u>30,302,615</u>	<u>30,521,835</u>

(Continued)

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Change in Net Position (Continued)

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 11,268,775	\$ 11,123,282
Special	3,906,961	3,673,746
Vocational	1,088,798	1,080,295
Adult/continuing	2,461	4,863
Other	1,738,116	1,731,401
Support services:		
Pupil	1,690,215	1,687,088
Instructional staff	1,477,195	849,732
Board of education	312,030	296,546
Administration	1,576,165	1,497,553
Fiscal	500,324	559,028
Business	7,604	4,170
Operations and maintenance	3,114,094	3,483,655
Pupil transportation	1,313,090	1,136,517
Central	47,647	46,976
Operations of non-instructional services:		
Other non-instructional services	115,247	158,112
Food service operations	1,161,692	1,162,269
Extracurricular activities	637,073	470,461
Interest and fiscal charges	<u>102,122</u>	<u>56,369</u>
Total expenses	<u>30,059,609</u>	<u>29,022,063</u>
Change in net position	243,006	1,499,772
Net position at beginning of year	<u>14,210,792</u>	<u>12,711,020</u>
Net position at end of year	<u>\$ 14,453,798</u>	<u>\$ 14,210,792</u>

Governmental Activities

Net position of the District's governmental activities increased \$243,006. Total governmental expenses of \$30,059,609 were offset by program revenues of \$6,662,898 and general revenues of \$23,639,717. Program revenues supported 22.17% of the total governmental expenses. Overall expenses increased \$1,037,546 due to an increase in salaries and benefits paid to employees.

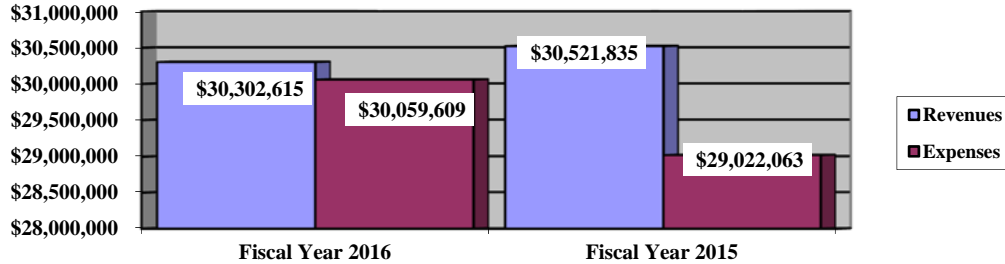
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements from the State. These revenue sources account for 75.31% of total governmental revenue. The most significant increase was in the area of operating grants and contributions. This increase was mainly due to an increase federal grant money received during the year. The District also received a \$467,888 grant from the Ohio Facilities Construction Commission (OFCC) related to the close out of the District's project. The decrease in charges for services was due to a decrease in open enrollment tuition revenues during the fiscal year.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2016 and 2015.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Program expenses				
Instruction:				
Regular	\$ 11,268,775	\$ 10,714,142	\$ 11,123,282	\$ 9,640,728
Special	3,906,961	1,281,022	3,673,746	1,167,830
Vocational	1,088,798	778,844	1,080,295	763,361
Adult/continuing	2,461	2,461	4,863	4,463
Other	1,738,116	1,384,513	1,731,401	1,598,153
Support services:				
Pupil	1,690,215	1,534,841	1,687,088	1,333,049
Instructional staff	1,477,195	733,675	849,732	680,795
Board of education	312,030	312,030	296,546	296,546
Administration	1,576,165	1,412,024	1,497,553	1,315,073
Fiscal	500,324	489,827	559,028	549,140
Business	7,604	7,604	4,170	4,170
Operations and maintenance	3,114,094	2,968,741	3,483,655	3,400,779
Pupil transportation	1,313,090	1,190,239	1,136,517	1,012,729
Central	47,647	38,647	46,976	37,976
Operations of non-instructional services:				
Other non-instructional services	115,247	22,156	158,112	10,392
Food service operations	1,161,692	(105,067)	1,162,269	(65,209)
Extracurricular activities	637,073	528,890	470,461	332,151
Interest and fiscal charges	102,122	102,122	56,369	56,369
Total	<u>\$ 30,059,609</u>	<u>\$ 23,396,711</u>	<u>\$ 29,022,063</u>	<u>\$ 22,138,495</u>

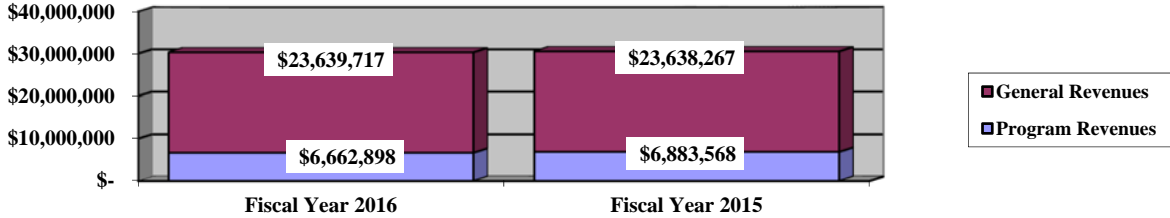
The dependence upon tax and other general revenues for governmental activities is apparent as 78.65% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.83%. The District's taxpayers and unrestricted grants and entitlements are the primary support for District's students.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The graph below presents the District's governmental activities revenue for fiscal years 2016 and 2015.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 21) reported a combined fund balance of \$12,254,969, which is lower than last year's total of \$12,759,361. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance <u>June 30, 2016</u>	Fund Balance <u>June 30, 2015</u>	<u>Change</u>	Percentage <u>Change</u>
General fund	\$ 2,589,695	\$ 2,427,295	\$ 162,400	6.69 %
Bond retirement fund	6,672,296	5,966,495	705,801	11.83 %
Other governmental funds	<u>2,992,978</u>	<u>4,365,571</u>	<u>(1,372,593)</u>	(31.44) %
Total	<u>\$ 12,254,969</u>	<u>\$ 12,759,361</u>	<u>\$ (504,392)</u>	(3.95) %

General Fund

During fiscal year 2016, the District's general fund balance increased \$162,400.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The table that follows assists in illustrating the financial activities of the general fund.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 3,934,255	\$ 3,933,009	\$ 1,246	0.03 %
Tuition	534,278	1,001,524	(467,246)	(46.65) %
Earnings on investments	34,652	21,142	13,510	63.90 %
Intergovernmental	20,506,688	20,672,285	(165,597)	(0.80) %
Other revenues	<u>137,007</u>	<u>184,534</u>	<u>(47,527)</u>	<u>(25.76) %</u>
Total	<u>\$ 25,146,880</u>	<u>\$ 25,812,494</u>	<u>\$ (665,614)</u>	<u>(2.58) %</u>
<u>Expenditures</u>				
Instruction	\$ 15,542,452	\$ 15,877,738	\$ (335,286)	(2.11) %
Support services	8,503,832	7,984,422	519,410	6.51 %
Extracurricular activities	333,581	229,093	104,488	45.61 %
Non-instructional services	919	1,556	(637)	(40.94) %
Facilities acquisition and construction	51,649	-	51,649	100.00 %
Debt service	<u>451,018</u>	<u>251,718</u>	<u>199,300</u>	<u>79.18 %</u>
Total	<u>\$ 24,883,451</u>	<u>\$ 24,344,527</u>	<u>\$ 538,924</u>	<u>2.21 %</u>

Revenues of the general fund decreased \$665,614 or 2.58%. The most significant decreases were in the areas of tuition and intergovernmental. Tuition decreased due to a decrease in open enrollment tuition received by the District. Intergovernmental decreased due to a slight dip in State foundation money.

Expenditures increased \$538,924 or 2.21%. The largest increases were in the areas of support services and debt service. Support services increased due larger spending in the areas of pupil, administration and operations and maintenance which were all primarily due to increases in salaries and benefits to employees. Pupil transportation increased due to the purchase of two buses during the fiscal year. Debt service increased due to payments related to the District's capital lease obligation.

General Fund Budgeting Highlights

The 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 budgeted fund is the general fund.

During the course of fiscal year 2016, the District did not amended its general fund estimated revenue budget. For the general fund, original and final budgeted revenues and other financing sources totaled \$25,883,920. Actual revenue and other financing sources of \$25,172,334 were \$711,586 less than the final budgeted amounts.

General fund actual expenditures plus other financing uses of \$25,328,396 were \$365,908 higher than final appropriations (appropriated expenditures plus other financing uses) of \$24,962,488. Original appropriations were \$25,686,387.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$44,058,748 invested in land, construction in progress, land improvements, buildings and improvements, furniture and fixtures and vehicles. This entire amount is reported in governmental activities. The table that follows shows June 30, 2016 balances compared to June 30, 2015:

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

	Governmental Activities	
	2016	2015
Land	\$ 39,794	\$ 39,794
Construction in progress	2,072,481	454,279
Land improvements	1,097,895	1,245,988
Buildings and improvements	38,972,143	40,046,084
Furniture and equipment	1,272,676	1,532,931
Vehicles	603,759	692,532
Total	\$ 44,058,748	\$ 44,011,608

The overall increase of \$47,140 is the result of additions of \$1,866,676 exceeding depreciation expense of \$1,815,878 exceeding and disposals (net of accumulated depreciation) of \$3,658.

See Note 8 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2016 the District had \$10,652,000 in QZAB bonds and capital leases outstanding. Of this total, \$353,000 is due within one year and \$10,299,000 is due in more than one year. The table below summarizes the long-term obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2016	2015
2003 QZAB bonds	\$ 7,900,000	\$ 7,900,000
Capital leases	2,752,000	3,100,000
Total	\$ 10,652,000	\$ 11,000,000

See Note 10 to the basic financial statements for detail on the District's debt administration.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Current Issues

The District is financially responsible for educating approximately 2,463 students, grades PK-12. During Fiscal Year 2015-2016, 2,277 of those students were educated at the District's five schools housed in four physical plants compared with 2,243 students in the prior fiscal year, an increase of 34 students or about 1½%. The rest were educated either by other school districts in the State, mostly through open enrollment, or at community schools in accordance with State law. The enrollment pattern in recent years has been mixed, albeit relatively stable. By contrast, in the prior fiscal year, District "head count" enrollment decreased by 27 students, or about 1%. Since Fiscal Year 2009-2010, District enrollment patterns have settled in a narrow range of approximately 2,250 students in its classrooms. Nevertheless, the long-term (40-year) trend of the District has been in the direction of declining enrollment. For instance, in 1970, the District enrolled approximately 5,000 students. The countertrend of stable to modestly increasing enrollment in the prior few years has been believed attributable to the opening of renovated school facilities and modestly improving economic conditions in the East Liverpool region. An independent enrollment projection indicates that District enrollment is stabilizing in the range of 2,200 to 2,400 students. Preliminary enrollment data for the 2016-2017 shows that enrollment likely will remain stable.

Academic improvement is a critical issue for the District. In order to improve its academic standing, the District is actively involved in the Ohio Improvement Process. The sub-divisions of the Ohio Improvement Process consist of a District Leadership Team (DLT) with personnel from Board Members, Teaching Staff and Administration who meet quarterly; a Building Leadership Team (BLT) consisting of Build Administration and Building Staff who meet monthly; and Teacher Based Teams (TBT) who also meet monthly.

During the 2014-2015 school year, under the leadership of a new Superintendent, the District implemented several instructional improvement initiatives. The District went through a strategic planning process with the assistance of Scholastic Achievement Partners, a nationally recognized educational consulting firm. The District also has strengthened commitments with the regional Ohio Department of Education State Support Team. One point of pride for the District is that East Liverpool High School has a graduation rate that well exceeds school districts with similar service population demographics.

East Liverpool is located in southeastern Columbiana County and is one of the major cities in what the U.S. Census Bureau defines as the East Liverpool-Salem Micropolitan Area. The District comprises approximately 14 square miles located in the City of East Liverpool, Liverpool Township and all small portion of St. Clair Township. Columbiana County is one of 22 designated in Ohio's Appalachian region by the federal government. This is indicative of the region's socio-economic challenges. Public and nonprofit employers, including the District and East Liverpool City Hospital, are the major employers within the District.

Approximately 75% of the District's students are eligible for free or reduced price meals made available through the National School Lunch Program. Effective with the start of the 2015-2016 school year, the District began to offer free breakfasts to all students due to its socio-economic status. As a result of the presence of poverty in the East Liverpool area, the District is a major recipient of federal funds on a per pupil basis.

Socio-economic issues in the community cause the District to confront several educational issues. Approximately 20% of East Liverpool students qualify for special education services. This compares to an average of 12% for Ohio's school age population. The District also commits substantial resources to pre-school, after-school programs, summer programs, and other efforts to help students succeed academically.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

In terms of school funding, the District is heavily dependent on State financial support. Approximately 80% of the funds for day-to-day school operations are provided by the State of Ohio. This funding is subject to the biennial appropriation of the Ohio General Assembly. At this time, the State of Ohio is faring better than the nation as a whole in terms of economic activity and unemployment. For the past several years, the District has received no less than the same amount of money through the State Foundation program as it did the prior year. During fiscal year 2015-2016, the District received more than \$19 million through the State Foundation program. The current State budget calls for the District to receive about \$20 million for the 2016-2017 school year and the 2017-2018 school year. However, the District is receiving less revenue from programs designed to offset the loss of tangible property tax revenues than in the recent past. The Ohio General Assembly has enacted major revisions to the formula that distributes State funding to Ohio's school districts. The changes enacted appear to be favorable to the District based on information disseminated by the Legislative Service Commission.

The District currently has strong reserves to withstand any possible financial difficulties. As of June 30, 2016, cash reserves were approximately \$4 million. This reserve amounts to a 60-day cushion in operating cash reserves. The current Five-Year Financial Forecast projects stable cash reserves for the coming school year but declining reserves for the balance of the forecast period. The Board of Education and administration are working together to chart the best future courses of action to address long-term financial challenges.

The District currently operates five school units: LaCroft Elementary (grades K-4), North Elementary (grades K-4), Westgate Elementary (grades PK, 5-6), East Liverpool Junior High School (grades 7-8) and East Liverpool High School (grades 9-12). All facilities, except Westgate Elementary, were renovated under the auspices of the Ohio School Facilities Commission (OSFC), now known as the Ohio Facilities Construction Commission (OFFC). Construction was completed during the 2010-2011 school year. At this writing, the District has received permission from the OFFC to continue using the Westgate facility for student instructional purposes.

Seeking to address socio-economic issues at an early age, the District has expanded preschool programs, which operate from the Westgate facility.

During the summer of 2015, the District is proceeding with a \$1.9 million project to rehabilitate and add air conditioning to the HVAC system at the Westgate facility.

The renovations completed during the 2011-2012 school year were authorized when District voters approved a 3.2-mill bond issue in May 2002. 87% of eligible project costs were to be paid by the State of Ohio and 13% from proceeds of the bond issue. In the eight years since voter approval, the initial project was twice reduced in scope. The initial project was to have been \$59,751,022 with \$7,769,000 funded through the local bond issue and \$51,982,022 funded by the OSFC. Current project funding totals \$43,648,423 with \$5,675,294 funded by the local community and \$37,473,129 funded by the State of Ohio.

The District's physical capital assets, including property physical plant and equipment total approximately \$65 million.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Kathy Jo Laughlin, Treasurer, East Liverpool City School District, 810 West Eighth Street, East Liverpool, Ohio, 43920 or telephone (330) 385-7132.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 7,436,941
Cash and cash equivalents:	
Fiscal agent	1,575,959
Escrow agent	6,645,486
Segregated accounts	74,408
Receivables:	
Property taxes	5,114,650
Accrued interest	5,429
Intergovernmental	1,748,216
Loans	4,000
Inventory held for resale	50,337
Capital assets:	
Nondepreciable capital assets	2,112,275
Depreciable capital assets, net	41,946,473
Capital assets, net	<u>44,058,748</u>
Total assets	<u>66,714,174</u>
Deferred outflows of resources:	
Pension - STRS	2,871,527
Pension - SERS	558,248
Total deferred outflows of resources	<u>3,429,775</u>
Liabilities:	
Accounts payable	167,329
Contracts payable	3,505
Retainage payable	74,408
Accrued wages and benefits payable	2,095,985
Intergovernmental payable	164,957
Pension and postemployment benefits payable	332,192
Accrued vacation leave payable	109,292
Accrued interest payable	8,081
Claims payable	425,866
Long-term liabilities:	
Due within one year	466,033
Due in more than one year:	
Net pension liability	34,165,842
Other amounts due in more than one year	11,375,053
Total liabilities	<u>49,388,543</u>
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	3,915,447
Pension - STRS	2,005,500
Pension - SERS	380,661
Total deferred inflows of resources	<u>6,301,608</u>
Net position:	
Net investment in capital assets	33,403,243
Restricted for:	
Capital projects	1,389,701
Classroom facilities maintenance	1,272,687
Debt service	6,764,672
Locally funded programs	21,109
State funded programs	144,308
Federally funded programs	790,408
Student activities	32,773
Other purposes	514,098
Unrestricted (deficit)	<u>(29,879,201)</u>
Total net position	<u>\$ 14,453,798</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 11,268,775	\$ 353,639	\$ 200,994	\$ (10,714,142)
Special	3,906,961	108,109	2,517,830	(1,281,022)
Vocational	1,088,798	-	309,954	(778,844)
Adult/continuing	2,461	-	-	(2,461)
Other	1,738,116	67,548	286,055	(1,384,513)
Support services:				
Pupil	1,690,215	-	155,374	(1,534,841)
Instructional staff	1,477,195	-	743,520	(733,675)
Board of education	312,030	-	-	(312,030)
Administration	1,576,165	24,384	139,757	(1,412,024)
Fiscal	500,324	-	10,497	(489,827)
Business	7,604	-	-	(7,604)
Operations and maintenance	3,114,094	20,369	124,984	(2,968,741)
Pupil transportation	1,313,090	23,359	99,492	(1,190,239)
Central	47,647	-	9,000	(38,647)
Operation of non-instructional services:				
Other non-instructional services	115,247	-	93,091	(22,156)
Food service operations	1,161,692	264,054	1,002,705	105,067
Extracurricular activities	637,073	98,245	9,938	(528,890)
Interest and fiscal charges	102,122	-	-	(102,122)
Total governmental activities	\$ 30,059,609	\$ 959,707	\$ 5,703,191	(23,396,711)
General revenues:				
Property taxes levied for:				
General purposes				4,023,644
Debt service				403,783
Classroom facilities maintenance				66,233
Grants and entitlements not restricted to specific programs				18,326,707
Grants and entitlements restricted for Ohio Facilities Construction Commission				467,888
Investment earnings				274,004
Miscellaneous				77,458
Total general revenues				23,639,717
Change in net position				243,006
Net position at beginning of year				14,210,792
Net position at end of year				\$ 14,453,798

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments.	\$ 4,564,615	\$ 10,932	\$ 2,861,394	\$ 7,436,941
Cash and cash equivalents:				
Escrow agent	-	6,645,486	-	6,645,486
Segregated accounts	-	-	74,408	74,408
Receivables:				
Property taxes.	4,568,458	459,464	86,728	5,114,650
Accrued interest	5,429	-	-	5,429
Intergovernmental.	183,965	-	1,564,251	1,748,216
Loans	4,000	-	-	4,000
Inventory held for resale.	-	-	50,337	50,337
Due from other funds	371,079	-	-	371,079
Total assets	<u>\$ 9,697,546</u>	<u>\$ 7,115,882</u>	<u>\$ 4,637,118</u>	<u>\$ 21,450,546</u>
Liabilities:				
Accounts payable	\$ 92,818	\$ -	\$ 74,511	\$ 167,329
Contracts payable.	-	-	3,505	3,505
Retainage payable.	-	-	74,408	74,408
Accrued wages and benefits payable	1,967,202	-	128,783	2,095,985
Intergovernmental payable	163,041	-	1,916	164,957
Pension and postemployment benefits payable	299,839	-	32,353	332,192
Due to other funds	-	-	371,079	371,079
Total liabilities.	<u>2,522,900</u>	<u>-</u>	<u>686,555</u>	<u>3,209,455</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	3,495,216	351,210	69,021	3,915,447
Delinquent property tax revenue not available.	920,195	92,376	15,128	1,027,699
Intergovernmental revenue not available.	168,438	-	873,436	1,041,874
Accrued interest not available.	1,102	-	-	1,102
Total deferred inflows of resources	<u>4,584,951</u>	<u>443,586</u>	<u>957,585</u>	<u>5,986,122</u>
Fund balances:				
Restricted:				
Debt service	-	6,672,296	-	6,672,296
Capital improvements	-	-	1,386,196	1,386,196
Classroom facilities maintenance	-	-	1,257,559	1,257,559
Food service operations	-	-	539,586	539,586
Non-public schools	-	-	40,308	40,308
Other purposes.	-	-	44,554	44,554
Extracurricular activities	-	-	32,773	32,773
Committed:				
Termination benefits.	186,700	-	-	186,700
Assigned:				
Student instruction	32,866	-	-	32,866
Student and staff support.	315,320	-	-	315,320
Extracurricular activities	17,723	-	-	17,723
Facilities acquisition and construction	31,081	-	-	31,081
Subsequent year's appropriations	2,006,005	-	-	2,006,005
Unassigned (deficit).	-	-	(307,998)	(307,998)
Total fund balances	<u>2,589,695</u>	<u>6,672,296</u>	<u>2,992,978</u>	<u>12,254,969</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 9,697,546</u>	<u>\$ 7,115,882</u>	<u>\$ 4,637,118</u>	<u>\$ 21,450,546</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total governmental fund balances		\$	12,254,969
<i>Amounts reported for governmental activities on 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.			44,058,748
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	1,027,699	
Accrued interest receivable		1,102	
Intergovernmental receivable		1,041,874	
Total		1,041,874	2,070,675
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			1,150,093
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(8,081)
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 of resources - pension		3,429,775	
Deferred inflows of resources - pension		(2,386,161)	
Net pension liability		(34,165,842)	
Total		(34,165,842)	(33,122,228)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
QZAB bonds		(7,900,000)	
Capital lease obligations		(2,752,000)	
Vacation payable		(109,292)	
Compensated absences		(1,189,086)	
Total		(11,950,378)	(11,950,378)
Net position of governmental activities		\$	14,453,798

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 3,934,255	\$ 397,799	\$ 65,044	\$ 4,397,098
Tuition	534,278	-	-	534,278
Transportation fees	23,359	-	-	23,359
Earnings on investments	34,652	228,311	175	263,138
Charges for services	-	-	264,054	264,054
Extracurricular	24,384	-	116,146	140,530
Classroom materials and fees	1,997	-	-	1,997
Rental income	2,468	-	-	2,468
Contributions and donations	3,579	-	6,703	10,282
Other local revenues	81,220	-	5,396	86,616
Intergovernmental - state	20,395,164	92,775	791,676	21,279,615
Intergovernmental - federal	111,524	-	2,857,108	2,968,632
Total revenues	<u>25,146,880</u>	<u>718,885</u>	<u>4,106,302</u>	<u>29,972,067</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,760,183	-	277,124	10,037,307
Special	3,286,930	-	609,852	3,896,782
Vocational	1,055,199	-	66,071	1,121,270
Adult/continuing	-	-	2,523	2,523
Other	1,440,140	-	259,083	1,699,223
Support services:				
Pupil	1,550,023	-	94,317	1,644,340
Instructional staff	663,491	-	819,440	1,482,931
Board of education	311,109	-	-	311,109
Administration	1,417,247	-	134,753	1,552,000
Fiscal	501,300	13,084	10,207	524,591
Business	3,721	-	-	3,721
Operations and maintenance	2,807,219	-	187,049	2,994,268
Pupil transportation	1,211,075	-	36,004	1,247,079
Central	38,647	-	9,000	47,647
Operation of non-instructional services:				
Other operation of non-instructional	919	-	113,829	114,748
Food service operations	-	-	1,139,483	1,139,483
Extracurricular activities	333,581	-	194,975	528,556
Facilities acquisition and construction	51,649	-	1,631,997	1,683,646
Debt service:				
Principal retirement	348,000	-	-	348,000
Interest and fiscal charges	103,018	-	-	103,018
Total expenditures	<u>24,883,451</u>	<u>13,084</u>	<u>5,585,707</u>	<u>30,482,242</u>
Excess (deficiency) of revenues over (under) expenditures	<u>263,429</u>	<u>705,801</u>	<u>(1,479,405)</u>	<u>(510,175)</u>
Other financing sources (uses):				
Sale of capital assets	5,783	-	-	5,783
Transfers in	-	-	106,812	106,812
Transfers (out)	(106,812)	-	-	(106,812)
Total other financing sources (uses)	<u>(101,029)</u>	<u>-</u>	<u>106,812</u>	<u>5,783</u>
Net change in fund balances	162,400	705,801	(1,372,593)	(504,392)
Fund balances at beginning of year	<u>2,427,295</u>	<u>5,966,495</u>	<u>4,365,571</u>	<u>12,759,361</u>
Fund balances at end of year	<u>\$ 2,589,695</u>	<u>\$ 6,672,296</u>	<u>\$ 2,992,978</u>	<u>\$ 12,254,969</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

Net change in fund balances - total governmental funds	\$	(504,392)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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.		
Capital asset additions	\$ 1,866,676	
Current year depreciation	<u>(1,815,878)</u>	
Total		50,798
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(3,658)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	96,562	
Tuition	(6,979)	
Earnings on investments	1,102	
Intergovernmental	<u>225,201</u>	
Total		315,886
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		348,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities.		
		896
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		1,911,942
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(1,553,857)
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.		
Compensated absences	(100,401)	
Vacation payable	<u>(11,361)</u>	
Total		(111,762)
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>(210,847)</u>
Change in net position of governmental activities	\$	<u>243,006</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 3,758,034	\$ 3,758,034	\$ 3,921,402	\$ 163,368
Tuition.	788,289	788,289	534,279	(254,010)
Transportation fees.	24,634	24,634	24,479	(155)
Earnings on investments	24,634	24,634	30,325	5,691
Classroom materials and fees	1,971	1,971	1,997	26
Rental income	1,971	1,971	2,818	847
Contributions and donations	985	985	100	(885)
Other local revenues	24,634	24,634	78,757	54,123
Intergovernmental - state	21,012,062	21,012,062	20,403,085	(608,977)
Intergovernmental - federal	221,706	221,706	111,524	(110,182)
Total revenues	25,858,920	25,858,920	25,108,766	(750,154)
Expenditures:				
Current:				
Instruction:				
Regular	9,870,364	9,509,187	9,759,152	(249,965)
Special.	3,530,283	3,339,996	3,207,009	132,987
Vocational.	1,203,631	1,141,255	1,121,073	20,182
Other.	1,737,353	1,461,652	1,474,188	(12,536)
Support services:				
Pupil.	1,375,653	1,504,529	1,543,198	(38,669)
Instructional staff	619,470	692,669	636,788	55,881
Board of education	213,675	340,767	354,079	(13,312)
Administration.	1,362,662	1,353,827	1,373,654	(19,827)
Fiscal	564,159	481,218	507,161	(25,943)
Business	1,959	3,596	3,817	(221)
Operations and maintenance.	2,961,172	2,914,295	3,072,205	(157,910)
Pupil transportation	1,368,020	1,226,986	1,258,596	(31,610)
Central.	52,183	49,673	38,730	10,943
Other operation of non-instructional services	-	853	905	(52)
Extracurricular activities.	245,983	330,536	334,780	(4,244)
Facilities acquisition and construction	53,802	50,401	81,231	(30,830)
Debt service:				
Principal	348,000	348,000	348,000	-
Interest and fiscal charges.	103,018	103,018	103,018	-
Total expenditures	25,611,387	24,852,458	25,217,584	(365,126)
Excess of expenditures over revenues.	247,533	1,006,462	(108,818)	(1,115,280)
Other financing sources (uses):				
Refund of prior year's expenditures	20,000	20,000	57,785	37,785
Transfers (out).	(75,000)	(106,030)	(106,812)	(782)
Advances (out)	-	(4,000)	(4,000)	-
Sale of capital assets	5,000	5,000	5,783	783
Total other financing sources (uses)	(50,000)	(85,030)	(47,244)	37,786
Net change in fund balance	197,533	921,432	(156,062)	(1,077,494)
Fund balance at beginning of year	3,942,770	3,942,770	3,942,770	-
Prior year encumbrances appropriated	471,455	471,455	471,455	-
Fund balance at end of year	\$ 4,611,758	\$ 5,335,657	\$ 4,258,163	\$ (1,077,494)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents with fiscal agent	\$ 1,575,959
Total current assets	<u>1,575,959</u>
Liabilities:	
Current liabilities:	
Claims payable	425,866
Total current liabilities	<u>425,866</u>
Net position:	
Unrestricted.	<u>1,150,093</u>
Total net position.	<u>\$ 1,150,093</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 4,330,906
Other	321,609
Total operating revenues	<u>4,652,515</u>
 Operating expenses:	
Purchased services	1,137,794
Claims	3,735,507
Total operating expenses	<u>4,873,301</u>
 Operating loss	<u>(220,786)</u>
 Nonoperating revenues:	
Interest revenue	9,939
Total nonoperating revenues	<u>9,939</u>
 Change in net position	(210,847)
 Net position at beginning of year	<u>1,360,940</u>
Net position at end of year	<u><u>\$ 1,150,093</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 4,175,658
Cash received from other operations	476,857
Cash payments for contractual services	(1,137,794)
Cash payments for claims	<u>(3,824,674)</u>
 Net cash used in operating activities	 <u>(309,953)</u>
Cash flows from investing activities:	
Interest received	<u>9,939</u>
 Net cash provided by investing activities	 <u>9,939</u>
 Net decrease in cash and cash cash equivalents	 (300,014)
Cash and cash equivalents at beginning of year . . .	<u>1,875,973</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,575,959</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (220,786)
Changes in assets and liabilities: Claims payable	 <u>(89,167)</u>
 Net cash used in operating activities.	 <u><u>\$ (309,953)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 57,737	\$ 57,213
Total assets.	57,737	\$ 57,213
Liabilities:		
Loans payable	-	\$ 4,000
Due to students.	-	53,213
Total liabilities	-	\$ 57,213
Net position:		
Held in trust for scholarships	57,737	
Total net position.	\$ 57,737	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 61
Gifts and contributions.	1,077
Total additions.	1,138
Change in net position	1,138
Net position at beginning of year.	56,599
Net position at end of year	\$ 57,737

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - DESCRIPTION OF THE DISTRICT

East Liverpool City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio.

The District operates under a locally-elected five member Board and provides educational services as mandated by State and Federal agencies. The District currently operates five instructional buildings, one administrative office and one bus garage.

The District was established in 1864 through the consolidation of existing land areas and Districts. The District serves an area of approximately 14 square miles. It is located in Columbiana County and includes all of the City of East Liverpool, all of Liverpool Township and a portion of Saint Clair Township.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles.

The District's significant accounting policies are described below.

A. 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 District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For East Liverpool City School District, this includes the agencies and departments that provide the following services: general operations, food service, preschool, childcare and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District has no component units.

The following activities are included within the reporting entity:

Non-Public Schools

Within the District boundaries, American Spirit Academy is operated through the Ohio Department of Education. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. These transactions are reported in a special revenue fund and as a governmental activity of the District.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Education Service System (ACCESS)

Area Cooperative Computerized Education Service System (ACCESS) is a computer network which provides data services to twenty-six school districts in Columbiana and Mahoning County, two educational service centers, twenty non-public schools and two Special Education Regional Resource Centers. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All of ACCESS revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer at 7320 North Palmyra Road, Canfield, Ohio 44406. During the year ended June 30, 2016, the District paid \$46,017 for basic service charges to ACCESS.

The District also participates in a claims servicing pool, the Jefferson Health Plan, which is presented in Note 19.

B. Fund Accounting

The 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.

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 and liabilities and deferred inflows is reported as fund balance.

The following are the District's major governmental funds:

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

Bond Retirement Fund - The bond retirement fund provides for retirement of bonds and notes.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) for food service operations; (c) for long-term debt principal and interest payments; and (d) for grants and other resources of the District to which the District is bound to observe constraints imposed upon the use of the resources.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has the following proprietary fund type:

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund accounts for a self-insurance program for employee healthcare and prescription drug benefits.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students and unclaimed monies. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the 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 also eliminated to avoid "doubling up" revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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 District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. 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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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 District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the 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, tuition, grants, student 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 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 13.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the 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 District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 13).

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as expenditures with a like amount reported as intergovernmental revenue.

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.

E. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget: Prior to January 15, the Superintendent and the Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Columbiana County Budget Commission for rate determination.

Estimated Resources: Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. On or before July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or before July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final amended certificates of estimated resources issued during fiscal year 2016.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Appropriations: Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. Supplemental appropriations were legally enacted during fiscal year 2016.

The budget figures which appear in the statement of budgetary comparisons represent the original and final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

Lapsing of Appropriations: At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in various bank accounts. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2016, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which, is the price the investment could be sold for on June 30, 2016. Certificates of deposits are reported at cost.

The District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$34,652, which includes \$19,301 assigned from other funds.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District participates in the Jefferson Health Plan for self-insurance. These monies are held separate from the District's various bank accounts. The Jefferson County Educational Service Center serves as the fiscal agent for the insurance consortium.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the basic financial statements as "equity in pooled cash and investments."

An analysis of the District's investment account at year-end is provided in Note 4.

G. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The 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.

All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	15 - 40 years
Buildings and improvements	25 - 40 years
Furniture and fixtures	5 - 20 years
Vehicles	5 - 15 years

H. Inventory

On government-wide and fund financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Donated commodities are presented at their entitlement value. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

I. Interfund Balances

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivables/payables” and “due to/due from other funds”. These amounts are eliminated in the governmental activities columns of the statement of net position. Receivables and payables resulting from short-term interfund loans between governmental activities and agency funds are classified as “loans receivable/payable”.

J. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation absences 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 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 sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is an estimate based on the District’s past experience of making termination payments for sick leave.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2016, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. 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.

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional 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 District Board of Education. Those committed amounts cannot be used for any other purpose unless the 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 District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’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 resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The 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.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2016, there was no net position restricted by enabling legislation.

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

O. Estimates

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

P. Interfund Activity

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary fund. For the District, these revenues are charges for services self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenue and expenses not meeting these definitions are classified as nonoperating.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$ 91,681
Title VI-B	58,900
Vocational education	1,807
Title I	126,558
IDEA preschool grant	4,364
Title II-A	24,688

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At fiscal year-end, the carrying amount of the District’s deposits was \$5,682,395. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2016, \$3,532,293 of the District’s bank balance of \$5,780,712 was exposed to custodial risk as discussed below, while \$2,248,419 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$152,195 held in a STAR Plus account.

The District has \$74,408 reported as “cash and cash equivalents in segregated accounts” that is held related to a District construction project. This amount is included above.

The District participates in the Jefferson Health Plan for employee benefits. The amount held at fiscal year-end for the employee benefit self-insurance fund was \$1,575,959. All benefit deposits are made to the consortium’s depository account. Collateral is held by a qualified third-party trustee in the name of the health plan. This amount is reported as “cash and cash equivalents with a fiscal agent” on the basic financial statements.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All uninsured deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2016, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	Investment Maturity 6 months or less
STAR Ohio	\$ 1,943,904	\$ 1,943,904

As of June 30, 2016, \$6,645,486 is held with an escrow agent in the District’s name. These monies are held for the construction costs associated with a lease-purchase agreement for Qualified Zone Academy Bonds (See Note 10).

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio to maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2016 is 53 days and carries a rating of AAAM by Standard & Poor's.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount it may invest in any one issuer. See percentages above.

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,682,395
Investments	1,943,904
Cash with fiscal agent	1,575,959
Cash with escrow agent	<u>6,645,486</u>
Total	<u>\$ 15,847,744</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 15,732,794
Private purpose trust funds	57,737
Agency funds	<u>57,213</u>
Total	<u>\$ 15,847,744</u>

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund Transfers

Transfers made during fiscal year 2016 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 106,812
Nonmajor Governmental Funds	<u>106,812</u>	<u>-</u>
Total	<u>\$ 106,812</u>	<u>\$ 106,812</u>

These transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.

B. Loans receivable/payable consisted of the following at June 30, 2016, as reported on the fund statement and the statement of fiduciary net position:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Agency fund	<u>\$ 4,000</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

C. Due to/from other funds consisted of the following at June 30, 2016, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 371,079</u>

The primary purpose of the amount due to the general fund from the nonmajor governmental fund was to eliminate negative cash balances. The amount will be repaid once cash is received.

Amounts due to/from between governmental funds are eliminated on the government-wide statements.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 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% of appraised market value. Real property taxes are payable annually or semi-annually. 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.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 in the general, bond retirement and classroom facilities maintenance funds were \$153,047, \$15,878, and \$2,579, respectively. The amount available for advance at June 30, 2015, in the general, bond retirement and classroom facilities maintenance funds were \$140,194, \$14,675, and \$2,363, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal 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 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow of resources.

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

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 144,177,720	92.15	\$ 143,071,530	90.92
Public utility personal	<u>12,278,220</u>	<u>7.85</u>	<u>14,295,310</u>	<u>9.08</u>
Total	<u>\$ 156,455,940</u>	<u>100.00</u>	<u>\$ 157,366,840</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$34.10		\$34.10	
Bond retirement	2.90		2.90	
Classroom facilities maint.	0.50		0.50	

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7 - RECEIVABLES

Receivables at June 30, 2016 consisted of property taxes, intergovernmental and accrued interest. 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 year guarantee of federal funds. Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year. The intergovernmental receivable at June 30 consisted of federal grants and other receivables.

Governmental activities:

Property taxes	\$ 5,114,650
Accrued interest	5,429
Intergovernmental	<u>1,748,216</u>
Total	<u>\$ 6,868,295</u>

NOTE 8 - CAPITAL ASSETS

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

	Balance <u>06/30/15</u>	Additions	Deductions	Balance <u>06/30/16</u>
<u>Governmental activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 39,794	\$ -	\$ -	\$ 39,794
Construction in progress	<u>454,279</u>	<u>1,708,833</u>	<u>(90,631)</u>	<u>2,072,481</u>
<i>Total capital assets, not being depreciated</i>	<u>494,073</u>	<u>1,708,833</u>	<u>(90,631)</u>	<u>2,112,275</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,213,778	-	-	3,213,778
Buildings and improvements	55,770,036	90,631	-	55,860,667
Furniture and fixtures	4,647,816	12,888	-	4,660,704
Vehicles	<u>2,025,171</u>	<u>144,955</u>	<u>(36,580)</u>	<u>2,133,546</u>
<i>Total capital assets, being depreciated</i>	<u>65,656,801</u>	<u>248,474</u>	<u>(36,580)</u>	<u>65,868,695</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,967,790)	(148,093)	-	(2,115,883)
Buildings and improvements	(15,723,952)	(1,164,572)	-	(16,888,524)
Furniture and fixtures	(3,114,885)	(273,143)	-	(3,388,028)
Vehicles	<u>(1,332,639)</u>	<u>(230,070)</u>	<u>32,922</u>	<u>(1,529,787)</u>
<i>Total accumulated depreciation</i>	<u>(22,139,266)</u>	<u>(1,815,878)</u>	<u>32,922</u>	<u>(23,922,222)</u>
Total capital assets, net	<u>\$ 44,011,608</u>	<u>\$ 141,429</u>	<u>\$ (94,289)</u>	<u>\$ 44,058,748</u>

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,302,152
Vocational	62,369
<u>Support services:</u>	
Pupil	39,091
Instructional staff	2,874
Board of education	1,360
Administration	36,321
Business	3,883
Operations and maintenance	58,639
Pupil transportation	208,620
Other non-instructional services	551
Extracurricular activities	71,331
Food service operations	<u>28,687</u>
Total depreciation expense	<u>\$ 1,815,878</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In December 2010, the District entered into a Ground Lease Agreement with Huntington National Bank, in which the District was the Lessor of District land (known as the "Project Site") for school facilities construction. On the same date, the District entered into a lease agreement with Huntington National Bank in which the District would lease, from Huntington National Bank, the Project Site and Project Facilities.

In return for the Ground Lease Agreement, Huntington National Bank agrees to make available \$2,000,000 for school facilities improvements. The term of the Ground Lease Agreement is 14 years and will end on December 31, 2025. As Lessee, Huntington National Bank made a one-time payment of \$1 to the District, which represents their leasehold interest in the Project Site over the term of the lease.

The Lease Agreement entered into between the same two parties had an initial lease term ending June 30, 2011. The Lease may be renewed by the Lessee (the District) annually for one year each through December 1, 2020. Each renewal shall be considered a new lease. Principal payments on each annual lease are in the amount of \$200,000.

In June 2015, the District amended the Ground Lease Agreement with Huntington National Bank, in which the District was the Lessor of District land (known as the "Project Site") for additional school facilities construction. On the same date, the District entered into a lease agreement with Huntington National Bank in which the District would lease, from Huntington National Bank, the Project Site and Project Facilities.

In return for the Ground Lease Agreement, Huntington National Bank agrees to make available \$1,900,000 for additional school facilities improvements. The term of the Ground Lease Agreement is 14 years and will end on December 1, 2025. As Lessee, Huntington National Bank made a one-time payment of \$1 to the District, which represents their leasehold interest in the Project Site over the term of the lease.

The Lease Agreement entered into between the same two parties had an initial lease term ending June 30, 2015. The Lease may be renewed by the Lessee (the "District") annually for one year each through July 1, 2026. Each renewal shall be considered a new lease. Principal payments on each annual lease are in the amount of \$200,000.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 446,743
2018	438,501
2019	430,082
2020	421,490
2021	412,723
2022 - 2026	<u>1,020,527</u>
Total minimum lease payments	3,170,066
Less: amount representing interest	<u>(418,066)</u>
Total	<u>\$ 2,752,000</u>

NOTE 10 - LONG-TERM OBLIGATIONS

During the fiscal year 2016, the following activity occurred in governmental activities long-term obligations:

	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>	<u>Amount Due</u>
	6/30/15			6/30/16	Within
					One Year
<u>Governmental Activities:</u>					
<u>Bonds:</u>					
2003 QZAB School Improvement Bonds	\$ 7,900,000	\$ -	\$ -	\$ 7,900,000	\$ -
Net Pension Liability	30,112,238	4,053,604	-	34,165,842	-
Compensated Absences	1,088,685	105,806	(5,405)	1,189,086	113,033
Capital Leases	<u>3,100,000</u>	<u>-</u>	<u>(348,000)</u>	<u>2,752,000</u>	<u>353,000</u>
Total Long-Term Obligations	<u>\$ 42,200,923</u>	<u>\$ 4,159,410</u>	<u>\$ (353,405)</u>	<u>\$ 46,006,928</u>	<u>\$ 466,033</u>

2003 QZAB School Improvement Bonds: During fiscal year 2003, the District issued \$7,900,000 in general obligation permanent improvement qualified zone academy bonds (QZABs) to be used for school building renovations and improvements. The QZAB's will be paid from the bond retirement fund. The QZABs mature in March 2018. The QZAB bonds will not be subject to redemption prior to maturity and no call provisions are offered. Since the bonds have been issued with a 0% interest rate, the bond owners will not receive interest income from the bonds. However, the owners of the bonds that are eligible taxpayers (generally banks, insurance companies, and corporations actively in the business of lending money) will receive income on the bonds in the form of an annual federal tax credit. The amount of the QZAB credit will be equal to the product of the QZAB credit rate or 5.66% multiplied by the principal amount of bonds owned on the credit allowance date, which is March 6, 2003 and each March 6 thereafter until maturity.

The principal requirement amounts do not total \$7,900,000. The District will be making annual sinking fund payments over a fifteen year period to Bank One Trust Company. This escrow agent will invest the sinking fund dollars at an interest rate that will generate at least \$1,974,094 over the loan period which is, the difference between the sinking payments and the bond principal. It is the assumption of the District that the money in the sinking fund will be invested and earn enough interest to allow the QZABs to be paid in full in March 2018.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Compensated Absences: Compensated absences will be paid from the fund from which the employees' salaries are paid. Compensated absences will primarily be paid from the general fund.

Capital Lease Obligations: The capital lease obligations will be paid from the general fund. See Note 9 for detail.

Net Pension Liability: The District pays obligations related to employee compensation from the fund benefiting from their service. See Note 13 for details.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. 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-five days of vacation per fiscal year, depending upon length of service. There is no limit on the amount they may accumulate. 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 258 days for classified personnel and 275 days for certified personnel. Upon retirement, payment is made to classified employees for one-third of the first 90 days plus 10% of the remaining balance up to the 255 days maximum and to certified employees for one-third of the first 105 days plus 10% of the remaining balance up to 265 days maximum. In no case shall a certified retiree receive less than 10 days, regardless of the number of sick days accumulated.

B. Life Insurance

The District provides term life insurance and accidental death and dismemberment insurance to all certified employees and to those classified employees working at least 22.5 hours per week through Fort Dearborn Life Insurance Company.

C. Health Insurance

During fiscal year 2009, the District joined the Jefferson Health Plan self-insurance plan (See Note 19) for its medical and dental insurance programs. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$50,000 per employee. The liability for unpaid claims of \$425,866 is reported in the internal service fund at June 30, 2016, in accordance with Governmental Accounting Standards Board Statement No. 10. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2016	\$ 515,033	\$ 3,735,507	\$ (3,824,674)	\$ 425,866
2015	552,219	4,269,490	(4,306,676)	515,033

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NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the District contracted for various types of insurance through the Ohio School Insurance Program. Coverage provided is as follows:

Types of Coverage	Coverage Amount
Property: All Building and Contents (\$1,000 deductible)	\$103,698,194
Flood: Field, Building and Contents (\$25,000 deductible)	1,000,000
Crime Insurance	25,000
Automobile	3,000,000
Uninsured	1,000,000
General Liability (\$1,000 deductible)	
Per Occurrence	3,000,000
Total Per Year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

The District pays the State Workers Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

NOTE 13 - 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 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.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –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 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 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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 entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$462,143 for fiscal year 2016. Of this amount, \$23,947 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description –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.

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 will be 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 years 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, member contributions are allocated among investment choices by the member, and employer contributions 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The 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 District's contractually required contribution to STRS was \$1,449,799 for fiscal year 2016. Of this amount, \$252,836 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the 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>
Proportionate share of the net pension liability	\$ 5,877,776	\$ 28,288,066	\$ 34,165,842
Proportion of the net pension liability	0.1030087%	0.102355%	
Pension expense	\$ 282,544	\$ 1,271,313	\$ 1,553,857

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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 96,105	\$ 1,288,072	\$ 1,384,177
Changes in proportionate share	-	133,656	133,656
District contributions subsequent to the measurement date	462,143	1,449,799	1,911,942
Total deferred outflows of resources	\$ 558,248	\$ 2,871,527	\$ 3,429,775
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 220,478	\$ 2,005,500	\$ 2,225,978
Changes in proportionate share	160,183	-	160,183
Total deferred inflows of resources	\$ 380,661	\$ 2,005,500	\$ 2,386,161

\$1,911,942 reported as deferred outflows of resources related to pension resulting from 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:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	\$ (130,139)	\$ (416,547)	\$ (546,686)
2018	(130,139)	(416,547)	(546,686)
2019	(130,137)	(416,547)	(546,684)
2020	105,859	665,869	771,728
Total	\$ (284,556)	\$ (583,772)	\$ (868,328)

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 22.00 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.

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 a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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 %	

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 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%)
District's proportionate share of the net pension liability	\$ 8,150,364	\$ 5,877,776	\$ 3,964,070

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 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

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	2.75 percent at age 70 to 12.25 percent at age 20
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 paid 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 not 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.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real 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	1.00	3.00
 Total	 <u>100.00 %</u>	

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.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the 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 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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 39,294,258	\$ 28,288,066	\$ 18,980,690

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The 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 under Employers/Audit Resources.

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COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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, 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, none of the employer contribution 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 District's surcharge obligation was \$54,060.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$54,060, \$54,414, and \$66,646, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$108,833, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While 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.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The Statement of Revenues, Expenditures and Changes in Fund Balances-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 and the fund financial statements are the following:

1. Revenues and other sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and other financing sources are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as assignments or commitments of fund balances (GAAP basis).
4. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

	<u>General fund</u>
Budget basis	\$ (156,062)
Net adjustment for revenue accruals	6,389
Net adjustment for expenditure accruals	(41,579)
Net adjustment for other sources/uses	(53,785)
Funds budgeted elsewhere	(19,974)
Adjustment for encumbrances	427,411
GAAP basis	\$ 162,400

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund and the termination benefits fund.

NOTE 16 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2016, if applicable, cannot be determined at this time.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 16 - CONTINGENCIES - (Continued)

B. Litigation

The District is not party to any claims or lawsuits that would, in the District's opinion, have a material effect of the basic financial statements.

C. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, 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 districts, 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 District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 17 - SET-ASIDES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at 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 year end set-aside amounts for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2015	\$ -
Current year set-aside requirement	372,270
Current year qualifying expenditures	-
Current year offsets	(79,136)
Prior year offset from bond proceeds	<u>(293,134)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside reserve balance June 30, 2016	<u><u>\$ -</u></u>

During fiscal year 2003, the District issued \$7,900,000 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$7,606,866 at June 30, 2016.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 18 - COMMITMENTS

A. Contractual Commitments

As of June 30, 2016, the District had the following contractual commitments outstanding:

<u>Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment June 30, 2016</u>
Conti Corporation - Westgate HVAC	\$ 1,885,404	\$ (1,877,701)	\$ 7,703

B. Other Commitments

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 334,385
Nonmajor governmental	<u>118,005</u>
Total	<u>\$ 452,390</u>

NOTE 19 - CLAIMS SERVICING POOL

Jefferson Health Plan - The District began participating in the Jefferson Health Plan during the 2009 fiscal year, a public entity risk management, insurance, and claims servicing pool, consisting of school districts within the region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the school districts' behalf. All participating members retain their risk and the Plan acts as the claims servicing agent.

NOTE 20 - SUBSEQUENT EVENT

The District and the Ohio School Facilities Commission signed the Certificate of Completion of the Project Agreement for a project completed in a prior year which resulted in the District receiving \$467,888 on July 26, 2016. At the October 24, 2016 meeting, the Board approved the closing of the Ohio Schools Facilities Commission Capital Projects Fund and transferred the remaining balance of \$818,874 to the Permanent Improvement Capital Projects Fund.

REQUIRED SUPPLEMENTARY INFORMATION

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.10300870%	0.10718500%	0.10718500%
District's proportionate share of the net pension liability	\$ 5,877,776	\$ 5,424,572	\$ 6,373,948
District's covered-employee payroll	\$ 2,875,857	\$ 3,434,618	\$ 3,102,392
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	204.38%	157.94%	205.45%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2014 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.10235550%	0.10149734%	0.10149734%
District's proportionate share of the net pension liability	\$ 28,288,066	\$ 24,687,666	\$ 29,407,786
District's covered-employee payroll	\$ 10,120,007	\$ 10,883,323	\$ 9,322,146
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	279.53%	226.84%	315.46%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2014 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST NINE FISCAL YEARS (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 462,143	\$ 379,038	\$ 476,038	\$ 429,371
Contributions in relation to the contractually required contribution	<u>(462,143)</u>	<u>(379,038)</u>	<u>(476,038)</u>	<u>(429,371)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,301,021	\$ 2,875,857	\$ 3,434,618	\$ 3,102,392
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

(1) Information prior to 2008 is not available.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 392,846	\$ 383,521	\$ 363,918	\$ 249,681	\$ 243,875
<u>(392,846)</u>	<u>(383,521)</u>	<u>(363,918)</u>	<u>(249,681)</u>	<u>(243,875)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,920,788	\$ 3,051,082	\$ 2,687,725	\$ 2,537,409	\$ 2,483,452
13.45%	12.57%	13.54%	9.84%	9.82%

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,449,799	\$ 1,416,801	\$ 1,414,832	\$ 1,211,879
Contributions in relation to the contractually required contribution	<u>(1,449,799)</u>	<u>(1,416,801)</u>	<u>(1,414,832)</u>	<u>(1,211,879)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 10,355,707	\$ 10,120,007	\$ 10,883,323	\$ 9,322,146
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,270,317	\$ 1,251,036	\$ 1,178,665	\$ 1,164,680	\$ 1,294,581	\$ 1,397,716
<u>(1,270,317)</u>	<u>(1,251,036)</u>	<u>(1,178,665)</u>	<u>(1,164,680)</u>	<u>(1,294,581)</u>	<u>(1,397,716)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,771,669	\$ 9,623,354	\$ 9,066,654	\$ 8,959,077	\$ 9,958,315	\$ 10,751,662
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

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

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
<i>Nutrition Cluster:</i>					
<i>Non-Cash Assistance (Food Distribution):</i>					
National School Lunch Program	10.555		\$81,776		\$81,776
<i>Cash Assistance:</i>					
School Breakfast Program	10.553	\$248,692		\$248,692	
National School Lunch Program	10.555	653,643		653,643	
Total U.S. Department of Agriculture		902,335	81,776	902,335	81,776
UNITED STATES DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
Title 1 Grants to Local Educational Agencies (Title 1, Part A of the ESEA)	84.010	918,299		978,084	
<i>Special Education Cluster:</i>					
Special Education_Grants to States	84.027	591,829		653,600	
Special Education_Preschool Grants	84.173	30,927		36,207	
<i>Subtotal - Special Education Cluster</i>		622,756		689,807	
Career and Technical Education - Basic Grants to States	84.048	56,856		61,059	
Improving Teacher Quality State Grants (Title II-A)	84.367	179,755		432,832	
Rural Education	84.358	7,610		39,347	
Total U.S. Department of Education		1,785,276		2,201,129	
Totals		\$2,687,611	\$81,776	\$3,103,464	\$81,776

The accompanying notes are an integral part of this schedule.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND 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 Receipts and Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of East Liverpool City School District (the 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 Government, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the 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, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or 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 District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

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

NOTE E - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE’s consent, schools can transfer unobligated amounts to the subsequent fiscal year’s program. The District transferred the following amounts from 2016 to 2017 programs:

Program Title	CFDA Number	Amt. Transferred
Title I Grants to Local Educational Agencies	84.010	\$ 202,512
Rural Education	84.358	\$ 34,298
Title VI-B Special Education Grants to States	84.027	\$ 107,853
Special Education Preschool Grants	84.173	\$ 11,679
Title II-A Improving Teacher Quality State Grants	84.367	\$ 87,265



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*

East Liverpool City School District
Columbiana County
810 West 8th Street
East Liverpool, Ohio 43920

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 East Liverpool City School District, Columbiana County, (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 13, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 13, 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

East Liverpool City School District
Columbiana County
810 West 8th Street
East Liverpool, Ohio 43920

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the East Liverpool City School District's (the "District") compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the East Liverpool City 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 District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 13, 2017

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

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

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

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

FINDING NUMBER 2016-001

Posting of Receipts - Material Weakness

Sound financial reporting is the responsibility of the Treasurer and Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Treasurer's office incorrectly posted a tangible personal property tax receipt to the General Fund totaling \$40,168. A portion of this receipt should have been posted to the Bond Retirement Debt Service Fund and Classroom Facilities Maintenance Special Revenue Fund. The amount of the mispostings resulted in the General Fund receiving an additional \$13,850 and the Bond Retirement Debt Service Fund and Classroom Facilities Maintenance Special Revenue Fund being understated by \$10,932 and \$2,918 less, respectively. The Treasurer has agreed to and made the correction to the accounting system. The adjustment is reflected in the accompanying financial statements.

Furthermore, the District netted open enrollment positive and negative figures from the semi-monthly foundation settlement sheets rather than posting positive open enrollment figures as revenue. This resulted in both revenue and expenditures being understated by \$319,459. The financial statements were not adjusted to reflect this correction due to no fund balance impact. However, this was additional evidence of a lack of control over financial postings.

The mispostings were attributed to the Treasurer not abiding by the adopted chart of accounts and not posting in accordance with the tax settlement sheets.

The Treasurer should maintain the accounting system to enable the District to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the chart of accounts and settlement sheets to help ensure that financial activity of the District is accurately recorded and reported.

Officials' Response: No response received.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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EAST LIVERPOOL CITY 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**