



Rea & associates a *brighter* way

# City of East Liverpool Columbiana County, Ohio

## *Audited Financial Statements*

For the Year Ended  
December 31, 2015





# Dave Yost • Auditor of State

City Council  
City of East Liverpool  
126 W 6th St.  
East Liverpool, Ohio 43920

We have reviewed the *Independent Auditor's Report* of the City of East Liverpool, Columbiana County, prepared by Rea & Associates, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

September 7, 2016



**City of East Liverpool**  
**Columbiana County, Ohio**  
*Table of Contents*  
*December 31, 2015*

	Page
Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	15
Statement of Activities .....	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund .....	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Police Fund .....	23
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Fire Fund .....	24
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Street Levy Fund .....	25
Statement of Fund Net Position – Proprietary Funds .....	26
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds .....	27
Statement of Cash Flows – Proprietary Funds .....	28
Statement of Fiduciary Assets and Liabilities – Agency Fund .....	30
Notes to the Basic Financial Statements .....	31

**City of East Liverpool**  
**Columbiana County, Ohio**  
*Table of Contents (Continued)*  
*December 31, 2015*

	Page
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Liability .....	69
Schedule of the City's Contributions .....	71
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	75
Schedule of Findings and Responses .....	77
Schedule of Prior Audit Findings .....	83

June 29, 2016

To Members of Council and Management  
City of East Liverpool  
Columbiana County, Ohio  
126 W 6th St.  
East Liverpool, Ohio 43920

## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio, (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund, police fund, fire fund and street levy fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

As described in Note 21, the City restated the net position balance to account for the implementation of Governmental Accounting Standard Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*." Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of the City's Proportionate Share of the Net Pension Liability, and Schedules of the City's Contributions on pages 4-13, 69-70, and 71-74, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 City's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

New Philadelphia, Ohio

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**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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The management's discussion and analysis of the City of East Liverpool's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for 2015 are:

- The City's governmental net position decreased during 2015 due to a decrease in cash and cash equivalents resulting from lower property taxes and income tax collections as well as from a decrease in net capital assets as deletions and annual depreciation exceeded current year additions. The business-type net position had a decrease in net position during 2015 primarily due to declining revenues. The decrease in business-type net position was partially offset by an increase in net capital assets as well as a decrease in long-term liabilities.
- Capital asset additions in 2015 included construction in progress on roadwork projects, building improvements, the purchase of various equipment and vehicles, upgrades to the water department communication system, construction work on new waterlines and construction on a new roof for the water treatment plant.
- The City reduced its long-term debt obligations in 2015 from continued debt service payments.
- For 2015, the City implemented GASB Statement No. 68 which reduced beginning net position reported by \$5,044,800 and \$1,374,991 for governmental and business-type activities, respectively.

**Using This Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the City of East Liverpool as a financial whole or as an entire operating entity. The statements proceed to provide an increasingly detailed look at our specific financial condition.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major 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 dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

**Reporting the City of East Liverpool as a Whole**

***Statement of Net Position and Statement of Activities***

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially during 2015?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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method used by the private sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the changes in net position. The changes in net position are important because they tell the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

The *Statement of Net Position* and the *Statement of Activities* are divided into the following categories:

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position
- Program Revenue and Expenses
- General Revenues
- Net Position Beginning of Year and Year's End

### **Reporting the City of East Liverpool's Most Significant Funds**

#### ***Fund Financial Statements***

The analysis of the City's major funds begins on page 11. Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds which account for the multitude of services, facilities and infrastructure provided to City residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of East Liverpool, the major funds are the general, police, fire, street levy, water, sewer and incinerator funds.

#### ***Governmental Funds***

Most of the City's activities are reported in the 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. Governmental funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. 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 financial statements.

#### ***Proprietary Funds***

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City's major enterprise funds are the water, sewer and incinerator funds.

Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The internal service fund accounts for the City's self-insurance program covering the deductible cost of medical insurance.

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds are agency funds.

**The City as a Whole**

The *Statement of Net Position* looks at the City as a whole. Table 1 provides a summary of the City's net position for 2015 compared to 2014.

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current and Other Assets	\$4,761,374	\$4,654,909	\$5,276,785	\$5,860,866	\$10,038,159	\$10,515,775
Capital Assets, Net	10,741,829	11,141,914	9,035,584	8,991,570	19,777,413	20,133,484
<i>Total Assets</i>	<u>15,503,203</u>	<u>15,796,823</u>	<u>14,312,369</u>	<u>14,852,436</u>	<u>29,815,572</u>	<u>30,649,259</u>
<b>Deferred Outflows of Resources</b>						
Pension	808,000	538,425	281,122	196,065	1,089,122	734,490
<b>Liabilities</b>						
Current and Other Liabilities	555,823	658,747	446,163	390,095	1,001,986	1,048,842
Long-Term Liabilities:						
Due Within One Year	409,688	444,785	382,962	329,967	792,650	774,752
Due in More than One Year						
Net Pension Liability	5,877,491	5,583,225	1,607,362	1,571,056	7,484,853	7,154,281
Other Amounts	1,821,995	2,049,096	2,939,251	3,106,374	4,761,246	5,155,470
<i>Total Liabilities</i>	<u>8,664,997</u>	<u>8,735,853</u>	<u>5,375,738</u>	<u>5,397,492</u>	<u>14,040,735</u>	<u>14,133,345</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	1,225,822	1,030,890	0	0	1,225,822	1,030,890
Pension	27,131	0	28,238	0	55,369	0
<i>Total Deferred Inflows of Resources</i>	<u>1,252,953</u>	<u>1,030,890</u>	<u>28,238</u>	<u>0</u>	<u>1,281,191</u>	<u>1,030,890</u>
<b>Net Position</b>						
Net Investment in Capital Assets	9,438,964	9,671,482	5,889,875	5,607,188	15,328,839	15,278,670
Restricted:						
Capital Projects	259,868	296,542	0	0	259,868	296,542
Debt Service	79,541	64,860	0	0	79,541	64,860
Street Maintenance and Repair	400,157	453,887	0	0	400,157	453,887
Community Development	447,530	146,083	0	0	447,530	146,083
Other Purposes	702,365	630,677	0	0	702,365	630,677
Unclaimed Monies	2,161	1,506	0	0	2,161	1,506
Unrestricted (Deficit)	<u>(4,937,333)</u>	<u>(4,696,532)</u>	<u>3,299,640</u>	<u>4,043,821</u>	<u>(1,637,693)</u>	<u>(652,711)</u>
<i>Total Net Position</i>	<u>\$6,393,253</u>	<u>\$6,568,505</u>	<u>\$9,189,515</u>	<u>\$9,651,009</u>	<u>\$15,582,768</u>	<u>\$16,219,514</u>

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," 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 City'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 new standards required by GASB 68, the net pension liability equals the City'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 City 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 City'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.

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation had the effect of restating net position at December 31, 2014, from \$11,613,305 to \$6,568,505 for governmental activities and from \$11,026,000 to \$9,651,009 for business-type activities.

Total current and other assets for governmental activities decreased due mainly to a decrease in cash and cash equivalents resulting from lower property taxes and income tax collections. The net investment in capital assets for governmental activities decreased due deletions and annual depreciation outpacing current year additions to construction in progress and machinery and equipment. The decrease in long-term liabilities was due to the continued pay-down of long-term obligations.

Total current and other assets for business-type activities decreased due to a decrease in cash and cash equivalents resulting from a drop in revenues as current year expenditures continued to exceed current year revenues. Net capital assets for business-type activities increased as a result of current year additions to construction in progress, buildings and improvements and machinery and equipment outpacing annual depreciation. The decrease in long-term liabilities for business-type activities decreased due to the continued pay-down of long-term obligations.

Table 2 shows the changes in net position for the years ended December 31, 2015 and December 31, 2014.

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$848,489	\$889,015	\$4,524,912	\$4,598,313	\$5,373,401	\$5,487,328
Operating Grants and Contributions	1,346,477	1,001,243	1,224	40,214	1,347,701	1,041,457
Capital Grants and Contributions	148,767	1,119,078	0	0	148,767	1,119,078
<i>Total Program Revenues</i>	<u>2,343,733</u>	<u>3,009,336</u>	<u>4,526,136</u>	<u>4,638,527</u>	<u>6,869,869</u>	<u>7,647,863</u>
<i>General Revenues:</i>						
Property Taxes	1,080,599	1,201,336	0	0	1,080,599	1,201,336
Income Tax	3,058,724	3,123,588	0	0	3,058,724	3,123,588
Hotel Taxes	3,636	7,652	0	0	3,636	7,652
Grants and Entitlements not Restricted to Specific Programs	207,458	189,501	0	0	207,458	189,501
Interest	865	1,085	1,794	1,926	2,659	3,011
Unrestricted Contributions	2,809	12,900	0	0	2,809	12,900
Other	25,533	39,907	76,119	119,451	101,652	159,358
<i>Total General Revenues</i>	<u>4,379,624</u>	<u>4,575,969</u>	<u>77,913</u>	<u>121,377</u>	<u>4,457,537</u>	<u>4,697,346</u>
<i>Total Revenues</i>	<u>\$6,723,357</u>	<u>\$7,585,305</u>	<u>\$4,604,049</u>	<u>\$4,759,904</u>	<u>\$11,327,406</u>	<u>\$12,345,209</u>

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

**Table 2**  
**Changes in Net Position (continued)**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<i>Program Expenses:</i>						
General Government	\$1,355,916	\$1,509,215	\$0	\$0	\$1,355,916	\$1,509,215
Security of Persons and Property	3,216,811	3,267,398	0	0	3,216,811	3,267,398
Transportation	1,635,523	1,418,212	0	0	1,635,523	1,418,212
Public Health and Welfare	208,390	210,450	0	0	208,390	210,450
Leisure Time Activities	153,274	142,194	0	0	153,274	142,194
Community and Economic Development	259,873	478,669	0	0	259,873	478,669
Interest and Fiscal Charges	68,822	77,707	0	0	68,822	77,707
Business-Type Activities	0	0	5,065,543	5,386,438	5,065,543	5,386,438
<i>Total Program Expenses</i>	<u>6,898,609</u>	<u>7,103,845</u>	<u>5,065,543</u>	<u>5,386,438</u>	<u>11,964,152</u>	<u>12,490,283</u>
<i>Excess Revenues over (under) Expenses</i>	(175,252)	481,460	(461,494)	(626,534)	(636,746)	(145,074)
Transfers	0	(5,000)	0	5,000	0	0
<i>Change in Net Position</i>	(175,252)	476,460	(461,494)	(621,534)	(636,746)	(145,074)
<i>Net Position Beginning of Year - Restated</i>	6,568,505	N/A	9,651,009	N/A	16,219,514	N/A
<i>Net Position End of Year</i>	<u>\$6,393,253</u>	<u>\$6,568,505</u>	<u>\$9,189,515</u>	<u>\$9,651,009</u>	<u>\$15,582,768</u>	<u>\$16,219,514</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$734,490 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$765,511. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-type Activities	Total
Total 2015 program expenses under GASB 68	\$6,898,609	\$5,065,543	\$11,964,152
Pension expense under GASB 68	(590,666)	(174,845)	(765,511)
2015 contractually required contribution	538,844	195,358	734,202
Adjusted 2015 program expenses	6,846,787	5,086,056	11,932,843
Total 2014 program expenses under GASB 27	7,103,845	5,386,438	12,490,283
Increase (Decrease) in program expenses not related to pension	<u>(\$257,058)</u>	<u>(\$300,382)</u>	<u>(\$557,440)</u>

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

**Governmental Activities**

Funding for the governmental activities comes from several different sources, with the most significant being the municipal income tax. Other prominent sources of revenue are property taxes, grants and entitlements, charges for services and capital grants.

The City's income tax rate is 1.5 percent. Both residents of the City and nonresidents who work inside the City are subject to the income tax.

Operating grants increased in 2015 due to an effort on the City's part to seek out additional sources of revenue to ensure the services of the City are maintained. Capital grants decreased significantly due to the completion of the Parkway/Walnut/5<sup>th</sup>/6<sup>th</sup> Street improvements Ohio Department of Transportation grant.

Security of Persons and Property, which includes police and fire services, represents the largest expense of the governmental activities. The police department is funded through the police special revenue fund. The department operates full time, 24 hours a day, 365 days a year with 17 officers and a full time police chief.

The fire department employs 12 full time employees, including the fire chief. The City is committed to maintaining a very efficient department. Regular meetings, drills and training sessions are held. There is a strong emphasis on equipment with financial planning in place for replacement on a regular basis of worn equipment. The department's functions include firefighting, emergency medical service including paramedic service, fire prevention education and investigation.

Another major expense of the City in 2015 was transportation, or the street maintenance and repair department. There was an increase from the prior year due to the City performing more maintenance and repair projects. The street department employs 7 full time employees who provide the City and its citizens many services which include road salting, leaf and debris pickup, paint striping and alley profiling.

Table 3 presents a summary for governmental activities, the total cost of services and the net cost of providing these services.

**Table 3**  
**Cost of Services**

	Governmental Activities			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2015	2014	2015	2014
General Government	\$1,355,916	\$1,509,215	\$773,155	\$915,380
Security of Persons and Property	3,216,811	3,267,398	2,990,519	2,951,918
Transportation	1,635,523	1,418,212	766,820	(473,166)
Public Health and Welfare	208,390	210,450	90,355	104,109
Leisure Time Activities	153,274	142,194	102,669	101,819
Community and Economic Development	259,873	478,669	(237,464)	416,742
Interest and Fiscal Charges	68,822	77,707	68,822	77,707
<b>Total</b>	<b>\$6,898,609</b>	<b>\$7,103,845</b>	<b>\$4,554,876</b>	<b>\$4,094,509</b>

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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**The City's Funds**

The City of East Liverpool uses fund accounting as mandated by governmental legal requirements. The intent of accounting and reporting using this method is to demonstrate compliance with these finance related requirements. Information about the City's governmental funds begins with the balance sheet.

***Governmental Funds***

The City's funds are accounted for using the modified accrual basis of accounting. The City focuses on its governmental funds to provide a financial picture on activities as they provide information on how the City did over a period of one year as well as where the City's funds stood at December 31, 2015. The information provided is useful to determine the City's available balances.

The City's major governmental funds are the general fund, police, fire and street levy special revenue funds. Despite a drop in general government expenditures, the general fund had a decrease in fund balance as expenditures and transfers out continued to exceed revenues. The police and fire special revenue funds had decreases in fund balance due to a reduction in revenues including property taxes, homestead and rollback and charges for services as well as to lower transfers in from the general fund. The street levy fund had an increase in fund balance due to a drop in street maintenance expenditures.

***Business-Type Funds***

As mentioned earlier, the City's major business-type funds are water, sewer and incinerator. The largest sources of operating revenue for these funds in 2015 were charges for services. In the water fund, despite a drop in operating expenditures, revenues continued to lag behind expenditures resulting in a decrease in net position. The sewer fund also experienced a decrease in net position as expenditures and other financing uses continued to outpace operating revenues. The incinerator fund experienced a decrease in charges for services revenue resulting in a decrease to net position.

***General Fund Budgeting Highlights***

The City'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. The general fund supports many major activities such as the legislative and executive, judicial, public health and planning activities. Some police, fire, and street activities are also funded with general fund dollars. By ordinance, these funds are transferred from the general fund to the police, fire, and street funds.

For the general fund, actual revenues were lower than the final budgeted revenues due mainly to lower than estimated income taxes. There was a decrease in actual expenditures made compared to the final budget. This was due to a decrease in general government expenditures for various department costs as a result of the City restricting spending.

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

**Capital Assets and Debt Administration**

***Capital Assets***

Table 4 shows the current balances of capital assets compared to the prior year.

**Table 4**  
**Capital Assets**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$1,820,262	\$1,820,262	\$25,771	\$25,771	\$1,846,033	\$1,846,033
Construction in Progress	101,842	0	410,109	0	511,951	0
Buildings and Improvements	152,926	159,314	1,743,606	1,791,307	1,896,532	1,950,621
Improvements other than Buildings	48,642	56,590	0	0	48,642	56,590
Machinery and Equipment	977,656	1,010,389	719,883	815,174	1,697,539	1,825,563
Infrastructure	7,640,501	8,095,359	4,756,673	4,933,511	12,397,174	13,028,870
Water Lines	0	0	831,795	852,981	831,795	852,981
Sewer Lines	0	0	547,747	572,826	547,747	572,826
<b>Totals</b>	<b>\$10,741,829</b>	<b>\$11,141,914</b>	<b>\$9,035,584</b>	<b>\$8,991,570</b>	<b>\$19,777,413</b>	<b>\$20,133,484</b>

Total governmental capital assets decreased due to deletions and annual depreciation outpacing current year additions. Current year additions included construction in progress on roadwork projects and the purchase of equipment and vehicles. Total business-type capital assets increased due to current year additions to construction in progress, buildings and improvements and machinery and equipment. This increase was partially offset by annual depreciation. For additional information see Note 10 to the basic financial statements.

***Debt***

At December 31, 2015, outstanding debt is comprised of installment loans, Ohio Public Works Commission (OPWC) loans, Ohio Water Development Authority (OWDA) loans, State Infrastructure Bank (SIB) loans, capital leases and police and fire pension liability. Table 5 summarizes all long-term debt outstanding.

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Installment Loans	\$214,381	\$277,306	\$158,190	\$151,418	\$372,571	\$428,724
OPWC Loans	254,842	288,185	21,316	25,580	276,158	313,765
OWDA Loans	0	0	2,866,413	3,080,296	2,866,413	3,080,296
SIB Loans	412,802	451,102	0	0	412,802	451,102
Capital Leases	420,840	453,839	235,306	127,088	656,146	580,927
Police and Fire Pension	720,243	743,666	0	0	720,243	743,666
<b>Totals</b>	<b>\$2,023,108</b>	<b>\$2,214,098</b>	<b>\$3,281,225</b>	<b>\$3,384,382</b>	<b>\$5,304,333</b>	<b>\$5,598,480</b>

The loans in governmental activities are to finance various improvement projects and equipment purchases and are paid from debt service fund, street levy special revenue fund and the capital improvements and river road improvement project capital project funds. The loans in the business-type activities are for various water and sewer improvement projects and equipment purchases, which are being paid from those funds.

The capital leases are for the lease-purchase of five copiers, police interceptor vehicles, a street department vehicle, a street sweeper, a dump truck, a digital radio system, a backhoe, a rear load packer incinerator and a sewer vactor. The police and fire pension liability is being paid from the police and fire special revenue funds.

For additional information see Notes 13 and 14 to the basic financial statements.

**Current Financial Related Activities**

The City continues to strive to provide the services its citizen's desire while maintaining costs. This is a challenge the City's administration deals with. The City is also continuing to upgrade its capital assets and infrastructure in an effort to make improvements when possible. During 2015, the City performed construction work on the River Road and 4<sup>th</sup> Street paving projects, purchased various equipment and vehicles, upgraded the water department communication system and performed construction work on a new roof for the water treatment plant and new waterlines.

**Contacting the City's Finance Department**

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends or invests. If you have any questions about this report or need financial information contact the City Auditor, Marilyn Bosco at 126 West 6<sup>th</sup> Street, East Liverpool, Ohio 43920, by telephone at (330) 385-4224, or by email at [auditormb@gmail.com](mailto:auditormb@gmail.com).

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**City of East Liverpool, Ohio**  
*Statement of Net Position*  
*December 31, 2015*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,193,586	\$4,174,952	\$5,368,538
Cash and Cash Equivalents in with Fiscal Agent	0	318,875	318,875
Materials and Supplies Inventory	21,965	23,164	45,129
Accounts Receivable	174,697	721,881	896,578
Intergovernmental Receivable	885,884	0	885,884
Prepaid Items	83,680	37,913	121,593
Income Taxes Receivable	737,027	0	737,027
Property Taxes Receivable	1,617,612	0	1,617,612
Hotel Taxes Receivable	624	0	624
Loans Receivable	46,299	0	46,299
Nondepreciable Capital Assets	1,922,104	435,880	2,357,984
Depreciable Capital Assets, Net	8,819,725	8,599,704	17,419,429
<i>Total Assets</i>	<u>15,503,203</u>	<u>14,312,369</u>	<u>29,815,572</u>
<b>Deferred Outflows of Resources</b>			
Pension	808,000	281,122	1,089,122
<b>Liabilities</b>			
Accounts Payable	35,987	132,358	168,345
Contracts Payable	6,800	25,000	31,800
Accrued Wages	106,209	53,917	160,126
Intergovernmental Payable	129,476	64,191	193,667
Matured Compensated Absences Payable	2,774	0	2,774
Accrued Interest Payable	13,917	48,295	62,212
Retainage Payable	0	19,246	19,246
Vacation Benefits Payable	242,777	103,156	345,933
Claims Payable	17,883	0	17,883
Long-Term Liabilities:			
Due Within One Year	409,688	382,962	792,650
Due In More Than One Year:			
Net Pension Liability (See Note 11)	5,877,491	1,607,362	7,484,853
Other Amounts	1,821,995	2,939,251	4,761,246
<i>Total Liabilities</i>	<u>8,664,997</u>	<u>5,375,738</u>	<u>14,040,735</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,225,822	0	1,225,822
Pension	27,131	28,238	55,369
<i>Total Deferred Inflows of Resources</i>	<u>1,252,953</u>	<u>28,238</u>	<u>1,281,191</u>
<b>Net Position</b>			
Net Investment in Capital Assets	9,438,964	5,889,875	15,328,839
Restricted for:			
Capital Projects	259,868	0	259,868
Debt Service	79,541	0	79,541
Street Maintenance and Repair	400,157	0	400,157
Community Development	447,530	0	447,530
Other Purposes	702,365	0	702,365
Unclaimed Monies	2,161	0	2,161
Unrestricted (Deficit)	(4,937,333)	3,299,640	(1,637,693)
<i>Total Net Position</i>	<u>\$6,393,253</u>	<u>\$9,189,515</u>	<u>\$15,582,768</u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2015

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants, Contributions and Assessments
<b>Governmental Activities:</b>				
General Government	\$1,355,916	\$582,761	\$0	\$0
Security of Persons and Property	3,216,811	98,670	127,622	0
Transportation	1,635,523	6,200	713,736	148,767
Public Health and Welfare	208,390	67,055	50,980	0
Leisure Time Activities	153,274	50,605	0	0
Community and Economic Development	259,873	43,198	454,139	0
Interest and Fiscal Charges	68,822	0	0	0
<i>Total Governmental Activities</i>	<u>6,898,609</u>	<u>848,489</u>	<u>1,346,477</u>	<u>148,767</u>
<b>Business-Type Activities:</b>				
Water	2,980,626	2,366,838	0	0
Sewer	1,101,122	1,225,106	0	0
Incinerator	938,858	904,916	0	0
Swimming Pool	18,731	8,893	1,224	0
Off Street Parking	26,206	19,159	0	0
<i>Total Business-Type Activities</i>	<u>5,065,543</u>	<u>4,524,912</u>	<u>1,224</u>	<u>0</u>
<i>Total - Primary Government</i>	<u><u>\$11,964,152</u></u>	<u><u>\$5,373,401</u></u>	<u><u>\$1,347,701</u></u>	<u><u>\$148,767</u></u>

**General Revenues**

Property Taxes Levied for:  
General Purposes  
Fire Department  
Police Department  
Street Maintenance and Repair  
General Obligation Bond Retirement  
Income Tax Levied for:  
General Purposes  
Street Maintenance and Repair  
Capital Improvements  
Hotel Taxes  
Grants and Entitlements not Restricted to Specific Programs  
Interest  
Unrestricted Contributions  
Other

*Total General Revenues*

Change in Net Position

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

*Net Position End of Year*

See accompanying notes to the basic financial statements

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$773,155)	\$0	(\$773,155)
(2,990,519)	0	(2,990,519)
(766,820)	0	(766,820)
(90,355)	0	(90,355)
(102,669)	0	(102,669)
237,464	0	237,464
(68,822)	0	(68,822)
<u>(4,554,876)</u>	<u>0</u>	<u>(4,554,876)</u>
0	(613,788)	(613,788)
0	123,984	123,984
0	(33,942)	(33,942)
0	(8,614)	(8,614)
0	(7,047)	(7,047)
<u>0</u>	<u>(539,407)</u>	<u>(539,407)</u>
<u>(4,554,876)</u>	<u>(539,407)</u>	<u>(5,094,283)</u>
129,563	0	129,563
511,938	0	511,938
52,647	0	52,647
321,669	0	321,669
64,782	0	64,782
2,828,449	0	2,828,449
78,767	0	78,767
151,508	0	151,508
3,636	0	3,636
207,458	0	207,458
865	1,794	2,659
2,809	0	2,809
25,533	76,119	101,652
<u>4,379,624</u>	<u>77,913</u>	<u>4,457,537</u>
(175,252)	(461,494)	(636,746)
<u>6,568,505</u>	<u>9,651,009</u>	<u>16,219,514</u>
<u>\$6,393,253</u>	<u>\$9,189,515</u>	<u>\$15,582,768</u>

**City of East Liverpool, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2015*

	General	Police	Fire	Street Levy
<b>Assets</b>				
Equity in Pooled Cash and				
Cash Equivalents	\$190,580	\$23,666	\$12,450	\$240,917
Materials and Supplies Inventory	0	0	0	0
Accounts Receivable	174,697	0	0	0
Intergovernmental Receivable	77,597	3,965	46,026	31,014
Prepaid Items	29,457	20,922	16,068	0
Income Taxes Receivable	681,750	0	0	0
Property Taxes Receivable	194,991	44,992	736,722	484,966
Hotel Taxes Receivable	468	0	0	0
Loans Receivable	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	2,161	0	0	0
<i>Total Assets</i>	<u>\$1,351,701</u>	<u>\$93,545</u>	<u>\$811,266</u>	<u>\$756,897</u>
<b>Liabilities</b>				
Accounts Payable	\$27,868	\$557	\$1,801	\$0
Contracts Payable	6,800	0	0	0
Accrued Wages	30,894	39,473	23,373	0
Intergovernmental Payable	38,585	45,887	31,541	0
Matured Compensated Absences	0	0	0	0
<i>Total Liabilities</i>	<u>104,147</u>	<u>85,917</u>	<u>56,715</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	147,491	35,681	558,494	366,215
Unavailable Revenue	619,995	11,558	224,254	149,765
<i>Total Deferred Inflows of Resources</i>	<u>767,486</u>	<u>47,239</u>	<u>782,748</u>	<u>515,980</u>
<b>Fund Balances</b>				
Nonspendable	31,618	20,922	16,068	0
Restricted	0	0	0	240,917
Committed	0	0	0	0
Assigned	151,237	0	0	0
Unassigned (Deficit)	297,213	(60,533)	(44,265)	0
<i>Total Fund Balances (Deficit)</i>	<u>480,068</u>	<u>(39,611)</u>	<u>(28,197)</u>	<u>240,917</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$1,351,701</u>	<u>\$93,545</u>	<u>\$811,266</u>	<u>\$756,897</u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2015*

Other Governmental Funds	Total Governmental Funds		
		<b>Total Governmental Fund Balances</b>	\$1,893,068
		<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
		Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,741,829
\$680,290	\$1,147,903	Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
21,965	21,965	Delinquent Property Taxes	391,790
0	174,697	Income Taxes	404,300
727,282	885,884	Intergovernmental	368,793
17,233	83,680	Fees, Licenses and Permits	152,833
55,277	737,027	Total	1,317,716
155,941	1,617,612	An internal service fund is used by management to charge the costs of workers' compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	25,639
156	624	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(13,917)
46,299	46,299	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:	
0	2,161	Deferred Outflows - Pension	808,000
\$1,704,443	\$4,717,852	Deferred Inflows - Pension	(27,131)
		Net Pension Liability	(5,877,491)
		Total	(5,096,622)
\$5,761	\$35,987	Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(242,777)
0	6,800	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
12,469	106,209	Installment Loans	(214,381)
13,463	129,476	OPWC Loans	(254,842)
2,774	2,774	SIB Loans	(412,802)
34,467	281,246	Capital Leases	(420,840)
		Compensated Absences	(208,575)
117,941	1,225,822	Police and Fire Pension	(720,243)
312,144	1,317,716	Total	(2,231,683)
430,085	2,543,538	<i>Net Position of Governmental Activities</i>	\$6,393,253
39,198	107,806		
1,187,249	1,428,166		
13,444	13,444		
0	151,237		
0	192,415		
1,239,891	1,893,068		
\$1,704,443	\$4,717,852		

**City of East Liverpool, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2015*

	General	Police	Fire	Street Levy
<b>Revenues</b>				
Property Taxes	\$138,691	\$34,457	\$525,612	\$343,952
Income Taxes	2,738,004	0	0	0
Hotel Taxes	2,682	0	0	0
Special Assessments	0	0	0	0
Intergovernmental	183,038	14,497	92,052	62,028
Interest	836	0	0	0
Fees, Licenses and Permits	509,589	0	0	0
Fines and Forfeitures	95,893	19,447	0	0
Charges for Services	8,512	47,500	0	0
Contributions and Donations	2,809	0	5,500	0
Other	2,651	5,316	1,164	690
<i>Total Revenues</i>	<u>3,682,705</u>	<u>121,217</u>	<u>624,328</u>	<u>406,670</u>
<b>Expenditures</b>				
Current:				
General Government	1,241,416	0	0	0
Security of Persons and Property	0	1,825,156	1,162,810	0
Transportation	0	0	0	287,919
Public Health and Welfare	144,473	0	0	0
Leisure Time Activities	134,394	0	0	0
Community and Economic Development	98,238	0	0	0
Capital Outlay	4,224	7,983	0	0
Debt Service:				
Principal Retirement	6,416	10,170	15,417	54,619
Interest and Fiscal Charges	1,135	10,792	20,641	8,383
<i>Total Expenditures</i>	<u>1,630,296</u>	<u>1,854,101</u>	<u>1,198,868</u>	<u>350,921</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,052,409</u>	<u>(1,732,884)</u>	<u>(574,540)</u>	<u>55,749</u>
<b>Other Financing Sources (Uses)</b>				
Inception of Capital Lease	4,224	7,983	0	0
SIB Loans Issued	0	0	0	0
Transfers In	0	1,705,000	475,000	0
Transfers Out	(2,222,392)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,218,168)</u>	<u>1,712,983</u>	<u>475,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(165,759)	(19,901)	(99,540)	55,749
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>645,827</u>	<u>(19,710)</u>	<u>71,343</u>	<u>185,168</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$480,068</u>	<u>(\$39,611)</u>	<u>(\$28,197)</u>	<u>\$240,917</u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2015*

Other Governmental Funds	Total Governmental Funds		
		<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$42,717</b>
		<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. This is the amount by which depreciation exceeded capital outlay in the current period:	
\$111,516	\$1,154,228	Capital Asset Additions	280,646
222,943	2,960,947	Current Year Depreciation	(668,617)
954	3,636	Total	(387,971)
6,423	6,423		
1,329,914	1,681,529	Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(12,114)
29	865		
17,675	527,264	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
142,376	257,716	Delinquent Property Taxes	(73,629)
5,405	61,417	Income Taxes	97,777
25,719	34,028	Intergovernmental	(16,469)
15,712	25,533	Fees, Licenses and Permits	2,092
1,878,666	6,713,586	Total	9,771
		Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	538,844
		Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(590,666)
		Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	352,876
		In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	3,528
		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:	
		Vacation Benefits Payable	(14,225)
		Compensated Absences	71,208
		Total	56,983
		Other financing sources in the governmental funds increase long-term liabilities in the statement of net position:	
		Inception of Capital Lease	(141,354)
		SIB Loans Issued	(20,532)
		Total	(161,886)
		The internal service funds used by management are not reported in the City-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	(27,334)
		<i>Change in Net Position of Governmental Activities</i>	<b>(\$175,252)</b>

**City of East Liverpool, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$146,000	\$146,000	\$161,248	\$15,248
Income Taxes	2,920,162	2,920,162	2,776,001	(144,161)
Hotel Taxes	9,915	9,915	3,666	(6,249)
Intergovernmental	136,219	136,219	179,541	43,322
Interest	1,050	1,050	836	(214)
Fees, Licenses and Permits	466,717	466,717	510,251	43,534
Fines and Forfeitures	117,000	117,000	95,793	(21,207)
Charges for Services	8,574	8,574	8,512	(62)
Contributions and Donations	0	0	2,809	2,809
Other	6,452	6,452	2,651	(3,801)
<i>Total Revenues</i>	3,812,089	3,812,089	3,741,308	(70,781)
<b>Expenditures</b>				
Current:				
General Government	1,400,223	1,372,916	1,310,740	62,176
Public Health and Welfare	160,014	162,248	160,597	1,651
Leisure Time Activities	122,781	119,781	113,197	6,584
Community and Economic Development	109,022	108,922	100,709	8,213
Debt Service:				
Principal Retirement	6,416	6,416	6,416	0
Interest and Fiscal Charges	1,135	1,135	1,135	0
<i>Total Expenditures</i>	1,799,591	1,771,418	1,692,794	78,624
<i>Excess of Revenues Over (Under) Expenditures</i>	2,012,498	2,040,671	2,048,514	7,843
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(2,236,309)	(2,338,309)	(2,222,892)	115,417
<i>Net Change in Fund Balance</i>	(223,811)	(297,638)	(174,378)	123,260
<i>Fund Balance Beginning of Year</i>	314,222	314,222	314,222	0
Prior Year Encumbrances Appropriated	11,608	11,608	11,608	0
<i>Fund Balance End of Year</i>	\$102,019	\$28,192	\$151,452	\$123,260

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Police Fund*  
*For the Year Ended December 31, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$34,838	\$34,838	\$38,930	\$4,092
Intergovernmental	14,462	14,462	14,497	35
Fines and Forfeitures	19,000	19,000	19,017	17
Charges for Services	45,000	45,000	47,500	2,500
Other	5,000	5,000	5,316	316
<i>Total Revenues</i>	118,300	118,300	125,260	6,960
<b>Expenditures</b>				
Current:				
Security of Persons and Property	1,872,722	1,917,722	1,886,130	31,592
Debt Service:				
Principal Retirement	10,170	10,170	10,170	0
Interest and Fiscal Charges	10,792	10,792	10,792	0
<i>Total Expenditures</i>	1,893,684	1,938,684	1,907,092	31,592
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,775,384)	(1,820,384)	(1,781,832)	38,552
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,721,000	1,816,000	1,705,000	(111,000)
<i>Net Change in Fund Balance</i>	(54,384)	(4,384)	(76,832)	(72,448)
<i>Fund Balance Beginning of Year</i>	43,968	43,968	43,968	0
Prior Year Encumbrances Appropriated	37,435	37,435	37,435	0
<i>Fund Balance End of Year</i>	\$27,019	\$77,019	\$4,571	(\$72,448)

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire Fund*  
*For the Year Ended December 31, 2015*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$609,830	\$609,830	\$609,960	\$130
Intergovernmental	92,000	92,000	92,052	52
Contributions and Donations	5,500	5,500	5,500	0
Other	315	315	1,164	849
<i>Total Revenues</i>	<u>707,645</u>	<u>707,645</u>	<u>708,676</u>	<u>1,031</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	1,171,411	1,226,410	1,192,920	33,490
Debt Service:				
Principal Retirement	15,417	15,417	15,417	0
Interest and Fiscal Charges	20,641	20,641	20,641	0
<i>Total Expenditures</i>	<u>1,207,469</u>	<u>1,262,468</u>	<u>1,228,978</u>	<u>33,490</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(499,824)	(554,823)	(520,302)	34,521
<b>Other Financing Sources (Uses)</b>				
Transfers In	482,000	550,000	475,000	(75,000)
<i>Net Change in Fund Balance</i>	(17,824)	(4,823)	(45,302)	(40,479)
<i>Fund Balance Beginning of Year</i>	28,961	28,961	28,961	0
Prior Year Encumbrances Appropriated	26,198	26,198	26,198	0
<i>Fund Balance End of Year</i>	<u>\$37,335</u>	<u>\$50,336</u>	<u>\$9,857</u>	<u>(\$40,479)</u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Street Levy Fund*  
*For the Year Ended December 31, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$374,067	\$374,067	\$400,035	\$25,968
Intergovernmental	63,000	63,000	62,028	(972)
Other	0	0	690	690
<i>Total Revenues</i>	437,067	437,067	462,753	25,686
<b>Expenditures</b>				
Current:				
Transportation	432,099	471,099	287,919	183,180
Debt Service:				
Principal Retirement	54,619	54,619	54,619	0
Interest and Fiscal Charges	8,383	8,383	8,383	0
<i>Total Expenditures</i>	495,101	534,101	350,921	183,180
<i>Net Change in Fund Balance</i>	(58,034)	(97,034)	111,832	208,866
<i>Fund Balance Beginning of Year</i>	120,620	120,620	120,620	0
Prior Year Encumbrances Appropriated	8,465	8,465	8,465	0
<i>Fund Balance End of Year</i>	\$71,051	\$32,051	\$240,917	\$208,866

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2015*

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
<b>Assets</b>						
<i>Current Assets:</i>						
Equity in Pooled Cash and Cash Equivalents	\$3,390,985	\$641,002	\$138,223	\$4,742	\$4,174,952	\$43,522
Cash and Cash Equivalents in with Fiscal Agent	0	318,875	0	0	318,875	0
Accounts Receivable	370,005	206,307	145,569	0	721,881	0
Materials and Supplies Inventory	21,634	1,530	0	0	23,164	0
Prepaid Items	15,362	15,362	7,189	0	37,913	0
<i>Total Current Assets</i>	<u>3,797,986</u>	<u>1,183,076</u>	<u>290,981</u>	<u>4,742</u>	<u>5,276,785</u>	<u>43,522</u>
<i>Non-Current Assets:</i>						
Nondepreciable Capital Assets	429,732	6,148	0	0	435,880	0
Depreciable Capital Assets, Net	7,482,005	695,450	403,538	18,711	8,599,704	0
<i>Total Non-Current Assets</i>	<u>7,911,737</u>	<u>701,598</u>	<u>403,538</u>	<u>18,711</u>	<u>9,035,584</u>	<u>0</u>
<i>Total Assets</i>	<u>11,709,723</u>	<u>1,884,674</u>	<u>694,519</u>	<u>23,453</u>	<u>14,312,369</u>	<u>43,522</u>
<b>Deferred Outflows of Resources</b>						
Pension	154,341	77,171	49,610	0	281,122	0
<b>Liabilities</b>						
<i>Current Liabilities:</i>						
Accounts Payable	22,256	86,374	23,572	156	132,358	0
Contracts Payable	25,000	0	0	0	25,000	0
Accrued Wages	29,634	16,635	7,648	0	53,917	0
Intergovernmental Payable	34,016	21,213	8,370	592	64,191	0
Accrued Interest Payable	43,241	5,026	28	0	48,295	0
Retainage Payable	19,246	0	0	0	19,246	0
Vacation Benefits Payable	58,993	34,639	9,524	0	103,156	0
Installment Loans Payable	48,292	8,916	0	0	57,208	0
OPWC Loans Payable	4,263	0	0	0	4,263	0
OWDA Loans Payable	211,662	9,073	0	0	220,735	0
Capital Leases Payable	24,350	33,013	34,188	0	91,551	0
Compensated Absences Payable	2,776	3,763	2,666	0	9,205	0
Claims Payable	0	0	0	0	0	17,883
<i>Total Current Liabilities</i>	<u>523,729</u>	<u>218,652</u>	<u>85,996</u>	<u>748</u>	<u>829,125</u>	<u>17,883</u>
<i>Long-Term Liabilities (net of current portion):</i>						
Installment Loans Payable	97,097	3,885	0	0	100,982	0
OPWC Loans Payable	17,053	0	0	0	17,053	0
OWDA Loans Payable	2,469,005	176,673	0	0	2,645,678	0
Capital Leases Payable	0	140,862	2,893	0	143,755	0
Net Pension Liability	882,474	441,236	283,652	0	1,607,362	0
Compensated Absences Payable	26,057	5,726	0	0	31,783	0
<i>Total Long-Term Liabilities</i>	<u>3,491,686</u>	<u>768,382</u>	<u>286,545</u>	<u>0</u>	<u>4,546,613</u>	<u>0</u>
<i>Total Liabilities</i>	<u>4,015,415</u>	<u>987,034</u>	<u>372,541</u>	<u>748</u>	<u>5,375,738</u>	<u>17,883</u>
<b>Deferred Inflows of Resources</b>						
Pension	15,503	7,752	4,983	0	28,238	0
<b>Net Position</b>						
Net Investment in Capital Assets	5,001,656	503,051	366,457	18,711	5,889,875	0
Unrestricted	2,831,490	464,008	148	3,994	3,299,640	25,639
<i>Total Net Position</i>	<u>\$7,833,146</u>	<u>\$967,059</u>	<u>\$366,605</u>	<u>\$22,705</u>	<u>\$9,189,515</u>	<u>\$25,639</u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2015*

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
<b>Operating Revenues</b>						
Charges for Services	\$2,366,838	\$1,225,106	\$904,916	\$28,052	\$4,524,912	\$215,735
Other	67,484	2,829	467	5,339	76,119	0
<i>Total Operating Revenues</i>	<u>2,434,322</u>	<u>1,227,935</u>	<u>905,383</u>	<u>33,391</u>	<u>4,601,031</u>	<u>215,735</u>
<b>Operating Expenses</b>						
Personal Services	1,418,975	665,573	473,631	31,269	2,589,448	0
Contractual Services	705,690	212,050	227,061	6,036	1,150,837	4,570
Materials and Supplies	388,364	159,666	136,603	5,676	690,309	0
Depreciation	370,825	47,368	94,461	1,781	514,435	0
Claims	0	0	0	0	0	238,499
Other	5,025	7,320	5,398	175	17,918	0
<i>Total Operating Expenses</i>	<u>2,888,879</u>	<u>1,091,977</u>	<u>937,154</u>	<u>44,937</u>	<u>4,962,947</u>	<u>243,069</u>
<i>Operating Income (Loss)</i>	<u>(454,557)</u>	<u>135,958</u>	<u>(31,771)</u>	<u>(11,546)</u>	<u>(361,916)</u>	<u>(27,334)</u>
<b>Non-Operating Revenues (Expenses)</b>						
Operating Grants	0	0	0	1,224	1,224	0
Interest	1,794	0	0	0	1,794	0
Interest and Fiscal Charges	(91,747)	(9,145)	(1,704)	0	(102,596)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(89,953)</u>	<u>(9,145)</u>	<u>(1,704)</u>	<u>1,224</u>	<u>(99,578)</u>	<u>0</u>
<i>Income (Loss) before Transfers</i>	<u>(544,510)</u>	<u>126,813</u>	<u>(33,475)</u>	<u>(10,322)</u>	<u>(461,494)</u>	<u>(27,334)</u>
Transfers In	181,917	0	0	0	181,917	0
Transfers Out	0	(171,617)	(10,300)	0	(181,917)	0
<i>Change in Net Position</i>	<u>(362,593)</u>	<u>(44,804)</u>	<u>(43,775)</u>	<u>(10,322)</u>	<u>(461,494)</u>	<u>(27,334)</u>
<i>Net Position Beginning of Year - Restated (See Note 21)</i>	<u>8,195,739</u>	<u>1,011,863</u>	<u>410,380</u>	<u>33,027</u>	<u>9,651,009</u>	<u>52,973</u>
<i>Net Position End of Year</i>	<u>\$7,833,146</u>	<u>\$967,059</u>	<u>\$366,605</u>	<u>\$22,705</u>	<u>\$9,189,515</u>	<u>\$25,639</u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2015

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>						
<b>Cash Flows from Operating Activities</b>						
Cash Received from Customers	\$2,333,056	\$1,308,990	\$911,192	\$28,052	\$4,581,290	\$0
Cash Received from Interfund Services Provided	0	0	0	0	0	215,735
Other Cash Receipts	67,484	2,829	467	5,339	76,119	0
Cash Payments to Employees for Services	(1,473,576)	(686,743)	(483,320)	(32,615)	(2,676,254)	0
Cash Payments for Goods and Services	(1,050,366)	(356,380)	(352,287)	(11,742)	(1,770,775)	(4,570)
Cash Payments for Claims	0	0	0	0	0	(241,378)
Other Cash Payments	(5,025)	(7,320)	(5,398)	(175)	(17,918)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(128,427)</u>	<u>261,376</u>	<u>70,654</u>	<u>(11,141)</u>	<u>192,462</u>	<u>(30,213)</u>
<b>Cash Flows from Noncapital Financing Activities</b>						
Operating Grants	0	0	0	1,224	1,224	0
Transfers In	181,917	0	0	0	181,917	0
Transfers Out	0	(171,617)	(10,300)	0	(181,917)	0
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>181,917</u>	<u>(171,617)</u>	<u>(10,300)</u>	<u>1,224</u>	<u>1,224</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Installment Loans Issued	50,000	0	0	0	50,000	0
Principal Paid on Installment Loans	(34,857)	(8,371)	0	0	(43,228)	0
Interest Paid on Installment Loans	(5,313)	(1,101)	0	0	(6,414)	0
Principal Paid on OWDA Loans	(205,041)	(8,842)	0	0	(213,883)	0
Interest Paid on OWDA Loans	(88,516)	(5,669)	0	0	(94,185)	0
Principal Paid on OPWC Loan	(4,264)	0	0	0	(4,264)	0
Principal Paid on Capital Lease	(23,745)	(145,630)	(41,282)	0	(210,657)	0
Interest Paid on Capital Lease	(1,226)	(43)	(1,760)	0	(3,029)	0
Payments for Capital Acquisitions	(472,319)	(16,155)	(69,975)	0	(558,449)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(785,281)</u>	<u>(185,811)</u>	<u>(113,017)</u>	<u>0</u>	<u>(1,084,109)</u>	<u>0</u>
<b>Cash Flows from Investing Activities</b>						
Interest on Investments	1,794	0	0	0	1,794	0
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(729,997)</u>	<u>(96,052)</u>	<u>(52,663)</u>	<u>(9,917)</u>	<u>(888,629)</u>	<u>(30,213)</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>4,120,982</u>	<u>737,054</u>	<u>190,886</u>	<u>14,659</u>	<u>5,063,581</u>	<u>73,735</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$3,390,985</u>	<u>\$641,002</u>	<u>\$138,223</u>	<u>\$4,742</u>	<u>\$4,174,952</u>	<u>\$43,522</u>

See accompanying notes to the basic financial statements

(continued)

**City of East Liverpool, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
For the Year Ended December 31, 2015

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
<b>Reconciliation of Operating Income (Loss) to</b>						
<b>Net Cash Provided by (Used for) Operating Activities</b>						
Operating Income (Loss)	(\$454,557)	\$135,958	(\$31,771)	(\$11,546)	(\$361,916)	(\$27,334)
Adjustments:						
Depreciation	370,825	47,368	94,461	1,781	514,435	0
<i>(Increase) Decrease in Assets:</i>						
Accounts Receivable	(33,782)	19,254	6,276	0	(8,252)	0
Prepaid Items	6	7	10	0	23	0
Materials and Supplies Inventory	22,816	(260)	0	0	22,556	0
(Increase) Decrease in Deferred Outflows - Pension	12,160	6,079	3,908	0	22,147	0
<i>Increase (Decrease) in Liabilities:</i>						
Accounts Payable	(13,324)	74,000	11,367	(30)	72,013	0
Contracts Payable	5,350	0	0	0	5,350	0
Accrued Wages	2,772	2,690	(1,204)	(486)	3,772	0
Accrued Vacation Leave Payable	(825)	(868)	1,023	0	(670)	0
Retainage Payable	19,246	0	0	0	19,246	0
Compensated Absences Payable	(10,417)	(3,025)	2,471	0	(10,971)	0
Intergovernmental Payable	(25,275)	(8,117)	(8,359)	(860)	(42,611)	0
Net Pension Liability	(16,268)	(8,134)	(5,229)	0	(29,631)	0
(Increase) Decrease in Deferred Inflows - Pension	(7,154)	(3,576)	(2,299)	0	(13,029)	0
Claims Payable	0	0	0	0	0	(2,879)
<i>Total Adjustments</i>	<u>326,130</u>	<u>125,418</u>	<u>102,425</u>	<u>405</u>	<u>554,378</u>	<u>(2,879)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>(\$128,427)</u></u>	<u><u>\$261,376</u></u>	<u><u>\$70,654</u></u>	<u><u>(\$11,141)</u></u>	<u><u>\$192,462</u></u>	<u><u>(\$30,213)</u></u>

**Noncash Capital Financing Activities**

During 2015, the Sewer fund issued \$318,875 for a capital lease purchase of a Sewer Vactor.

The City did not take possession of the Sewer Vactor until 2016, therefore the \$318,875 is shown as Cash and Cash Equivalents with Fiscal Agent at year end.

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2015*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$9,099
Cash and Cash Equivalents in Segregated Accounts	<u>11,496</u>
<i>Total Assets</i>	<u><u>\$20,595</u></u>
 <b>Liabilities</b>	
Undistributed Monies	<u><u>\$20,595</u></u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

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**Note 1 – Description of the City and Reporting Entity**

The City of East Liverpool, Ohio, (the City) is a body politic, incorporated as a municipal corporation under the laws of the State of Ohio established for the purpose of exercising the rights and privileges conveyed to it by the laws of the State of Ohio. The City is located in Columbiana County in Eastern Ohio on the Ohio River. The City is the second largest city in Columbiana County and was established in 1934.

The City operates under a Council-Mayor form of government. Legislative power is vested in an eight member Council, each elected for two-year terms, and other elected officials including a Mayor, Auditor, Treasurer and Law Director. The Mayor is elected to a four-year term. The Mayor appoints the department directors and public members of various boards and commissions.

***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 are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of East Liverpool, this includes police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, water and water pollution control, sanitation, and general administrative services.

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

The City is involved with the Columbiana Metropolitan Housing Authority and the Ohio Mid-Eastern Governments Association, which are defined as jointly governed organizations. These organizations are presented in Note 17 to the basic financial statements.

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

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

***Basis of Presentation***

The City'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.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

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***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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

***Fund Financial Statements*** During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

***Fund Accounting***

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The City's funds are classified as either governmental, proprietary or fiduciary.

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

***General Fund*** The general fund accounts for and reports all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Police Fund*** The police fund accounts for and reports restricted property taxes levied for the operation of its police department.

***Fire Fund*** The fire fund accounts for and reports restricted property taxes levied for the operation of its fire department.

***Street Levy Fund*** The street levy special revenue fund accounts for and reports restricted property taxes levied for the maintenance, repair, reconstruction and improvement of roads within the City.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

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The other governmental funds of the City account for and report grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The following are the City's major proprietary funds:

**Enterprise Fund** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City has three major enterprise funds.

**Water Fund** The water fund accounts for the provision of water service to the residents and commercial users located within the City.

**Sewer Fund** The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

**Incinerator Fund** The incinerator fund accounts for the provision of trash disposal for the residents and commercial users located within the City.

Other enterprise funds include the swimming pool fund which accounts for concession sales and user charges and the off street parking fund which accounts for monies from parking tickets, permits and meter collections.

**Internal Service Funds** Internal service funds account for and report the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund is a self-insurance program fund that accounts for the deductible cost of medical insurance for City employees.

**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 City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The City's only fiduciary funds are agency funds. The agency funds are used to account for insurance reimbursements for property owners that are held by the City until condemned properties have been demolished and for municipal court resources which are due to other cities.

**Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

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financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

***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; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 6) Revenue from grants, entitlements and donations is recognized in the 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 year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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 year end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants 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, represents 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 City, 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 11.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, 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 December 31, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, fees, licenses and permits and intergovernmental monies. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11)

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

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

***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.

***Cash and Cash Equivalents***

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

The City has segregated bank accounts for monies held separate from the City's central bank account. These non-interest bearing depository accounts are reported as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City Treasury.

The City also has a bank account for monies held from the City's central bank account related to the unreleased lease proceeds for the 2015 Sewer Vactor lease. The balance in this account is presented on the financial statements as "cash and cash equivalents with fiscal agent".

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2015 amounted to \$836, which includes \$741 assigned from other City funds.

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies.

***Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally 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. Capital assets utilized by the enterprise funds are reported both in the business-type activity column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000. 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. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activity Estimated Lives
Buildings and Improvements	10-50 years	20-50 years
Improvements Other than Buildings	7-25 years	N/A
Machinery and Equipment	5-15 years	5-10 years
Infrastructure	10-30 years	7-50 years
Water and Sewer Lines	N/A	50 years

The City's infrastructure consists of streets, sidewalks, curbs and culverts and includes infrastructure acquired prior to December 31, 1980.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

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***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Since the City's policy limits the accrual of vacation time to one year from the employee's anniversary date, the outstanding liability is recorded as "vacation benefits payable" on the statement of net position rather than as a long-term liability.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for union employees after ten years of service and for all non-union employees.

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have resigned or retired will be paid.

***Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary funds financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Capital leases and loans are recognized as a liability on the governmental fund financial statements when due.

***Fund Balance***

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

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

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

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Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**Committed** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally legally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. 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 City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by Council. In the general fund, assigned amounts represent intended uses established by policies of the City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the City Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenue and appropriations in 2016's budget and for recreation.

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

The City 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.

***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for drug law enforcement, police law enforcement, enforcement and education programs and fire prevention.

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

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***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary funds. For the City, these revenues are charges for services for water, sewer, incinerator, swimming pool, parking services and the self-insurance program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the funds. All revenues and expenses not meeting these definitions are reported as non-operating.

***Interfund Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller 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 non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***Estimates***

The preparation of 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.

***Budgetary Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department in the general fund and at the object level for all other funds. Budgetary modifications may only be made by ordinance of the City Council at the legal level of control.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by Council.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

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The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts on the budgetary statements reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

**Note 3 – Fund Deficits**

At December 31, 2015, the police and fire special revenue funds had deficit fund balances of \$39,611 and \$28,197, respectively. The deficits in the special revenue funds are caused by the application of generally accepted accounting principles to this fund. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 4 - Budgetary Basis of Accounting**

While the City is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed, or assigned of fund balance (GAAP).
4. Unreported cash represents amounts received and/or spent but not included as revenue and/or expenditure on the budgetary statements, but is reported on the operating statements prepared using GAAP).
5. Budgetary revenues and expenditures of the playground fund are reclassified to the general fund for GAAP reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and for the major special revenue funds.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

	Net Change in Fund Balance			
	General	Police	Fire	Street Levy
GAAP Basis	(\$165,759)	(\$19,901)	(\$99,540)	\$55,749
Adjustment for Revenue Accruals	37,120	(3,940)	84,348	56,083
Beginning Unrecorded Cash	14,847	0	0	0
Ending Unrecorded Cash	(4,175)	0	0	0
Adjustment for Expenditure Accruals	(21,732)	(33,896)	(27,517)	0
Perspective Difference:				
Playground Fund	2,350	0	0	0
Adjustment for Encumbrances	(37,029)	(19,095)	(2,593)	0
Budget Basis	<u>(\$174,378)</u>	<u>(\$76,832)</u>	<u>(\$45,302)</u>	<u>\$111,832</u>

**Note 5 - Deposits and Investments**

The City has chosen to follow State statutes and classify monies held by the City into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the City treasury. Active monies must be maintained either as cash in the City 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 Council 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 bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

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5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain commercial paper notes and bankers' acceptances for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

The City has passed an ordinance allowing the City to invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the City.

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 City, and must be purchased with the expectation that it will be held to maturity.

### **Deposits**

***Custodial Credit Risk.*** Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$5,245,152 of the City's bank balance of \$5,495,152 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

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**Note 6 - Receivables**

Receivables at December 31, 2015, consisted primarily of municipal income taxes, property taxes, accounts, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables except for delinquent property taxes and loans receivable are expected to be collected in one year. Property taxes, although ultimately collectible, include some portions of delinquencies that will not be collected within one year.

Loans receivable presented in the other governmental funds represents a low interest loan for development projects and home improvements granted to eligible City residents under Federal Grant programs. The loan bears interest at an annual rate of five percent. The loan is to be repaid over fifteen years. Loans expected to be collected in more than one year are \$39,161.

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes were levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2015, was \$17.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Real Estate:	
Residential/Agricultural	\$56,861,680
Commercial/Industrial	22,658,020
Minerals	70
Public Utility Personal Property	<u>8,888,770</u>
Total	<u><u>\$88,408,540</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2015, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2015 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

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***Municipal Income Taxes***

The City levies a municipal income tax of one and one half percent on all income earned within the City as well as on income of residents earned outside of the City. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly and file a declaration annually.

Additional increases in the City's income tax rate would require voter approval. The income tax, by ordinance, was allocated, after expenditures for collections, 7.5 percent to the capital improvements fund and the remainder to the general fund from January 1, 2015 to May 31, 2015 and 5 percent to the capital improvements fund, 2.5 percent to the permissive tax fund and the remainder to the general fund from June 1, 2015 to December 31, 2015.

***Intergovernmental Receivable***

A summary of the governmental activities' principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Community Housing Improvement Program Grants	\$350,000
Gasoline Tax	105,531
Homestead and Rollback	101,632
Vehicle Registration	95,709
Permissive Tax	82,863
Cents Per Gallon	54,195
Local Government	51,562
Municipal Court	13,308
Victim Witness Assistance Grant	13,184
Tangible Personal Property Tax Reimbursement	8,611
Brighter Future Grant	5,000
State of Ohio	2,571
US Treasury	1,718
Total Intergovernmental Receivables	<u><u>\$885,884</u></u>

**Note 7 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2015, the City contracted with U.S. Specialty Insurance Company for its property and liability insurance. Cooper Insurance serves as the City's agent.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2015

During 2015, the City purchased the following insurance coverage:

Coverage	Limit
Building and Contents	\$9,564,031
Inland Marine	1,207,180
Automobile Liability	1,000,000
Crime Insurance	30,000
Employee Dishonesty	50,000
Excess Liability	5,000,000
Wrongful Acts Liability	1,000,000
Employee Benefits Liability:	
Per Employee	1,000,000
Aggregate	3,000,000
General Liability:	
Per Occurrence	1,000,000
Aggregate	3,000,000
Law Enforcement Liability	1,000,000

Settled claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in commercial coverage in any of the past three years.

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

***Employee Insurance Benefits***

In mid-2012, the City elected to cover the deductible cost of medical insurance through a self-insured program. The maintenance of these benefits is accounted for in the internal service fund. The deductible amount for medical in 2015 was \$2,500 for single and \$5,000 for family. Incurred but not reported claims of \$17,883 have been accrued as a liability based on a review of January and February 2016 billings provided by the City Auditor's Office.

The claims liability of \$17,883 reported in the internal service fund at December 31, 2015 is based on the requirements of Governmental Accounting Standards Board Statement No. 30 "Risk Financing Omnibus," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the fund's claims liability amount for 2014 and 2015 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2014	\$15,824	\$203,912	\$198,974	\$20,762
2015	20,762	238,499	241,378	17,883

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

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**Note 8 – Contingencies**

***Grants***

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experiences, management believes such refunds, if any, would not be material.

***Litigation***

Several claims and lawsuits are pending against the City. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the City at December 31, 2015.

**Note 9 – Other Employee Benefits**

***Compensated Absences***

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation and sick leave at different rates depending upon length of service and type of employment. Vacation leave benefits are lost at year end if employees do not use these balances during the year unless prior approval has been obtained from the department head. Upon retirement or death, employees are paid to a maximum of 480 hours for accumulated unused sick leave.

***Insurance***

The City provides life insurance and accidental death and dismemberment insurance to all union employees as well as all non-union employees, excluding elected officials. The amount of the life insurance policy for the union employees is \$2,000 plus an amount paid by the employees' union to equal the employees' annual salary. Non-union employees' life insurance is based on their annual salary. The police and fire employees receive a \$25,000 policy.

The City contracts with Health America for medical, prescription, dental, and vision insurances for all employees and elected officials. The City pays monthly premiums up to a maximum amount, per union agreements. The additional premium costs are paid by the employee. City premiums are paid from the same funds that pay the employees' salaries.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2015

**Note 10 – Capital Assets**

Capital asset activity for governmental activities for the year ended December 31, 2015, was as follows:

	Balance 12/31/2014	Additions	Deductions	Balance 12/31/2015
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$1,820,262	\$0	\$0	\$1,820,262
Construction in Progress	0	101,842	0	101,842
<i>Total Capital Assets, not being depreciated</i>	<u>1,820,262</u>	<u>101,842</u>	<u>0</u>	<u>1,922,104</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	439,315	0	0	439,315
Improvements other than Buildings	306,791	0	0	306,791
Machinery and Equipment	4,007,779	178,804	(22,660)	4,163,923
Infrastructure	10,481,457	0	0	10,481,457
<i>Total Capital Assets, being depreciated</i>	<u>15,235,342</u>	<u>178,804</u>	<u>(22,660)</u>	<u>15,391,486</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(280,001)	(6,388)	0	(286,389)
Improvements other than Buildings	(250,201)	(7,948)	0	(258,149)
Machinery and Equipment	(2,997,390)	(199,423)	10,546	(3,186,267)
Infrastructure	(2,386,098)	(454,858)	0	(2,840,956)
<i>Total Accumulated Depreciation</i>	<u>(5,913,690)</u>	<u>(668,617) *</u>	<u>10,546</u>	<u>(6,571,761)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>9,321,652</u>	<u>(489,813)</u>	<u>(12,114)</u>	<u>8,819,725</u>
<i>Governmental Activities</i>				
<i>Capital Assets, Net</i>	<u>\$11,141,914</u>	<u>(\$387,971)</u>	<u>(\$12,114)</u>	<u>\$10,741,829</u>

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

General Government	\$11,019
Security of Persons and Property	116,586
Transportation	518,471
Public Health and Welfare	1,210
Leisure Time Activities	18,374
Community and Economic Development	<u>2,957</u>
Total Depreciation Expense	<u>\$668,617</u>

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2015

Capital asset activity for business-type activities for the year ended December 31, 2015, was as follows:

	Balance 12/31/2014	Additions	Deductions	Balance 12/31/2015
<b>Business-Type Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$25,771	\$0	\$0	\$25,771
Construction in Progress	0	410,109	0	410,109
<i>Total Capital Assets, not being depreciated</i>	<u>25,771</u>	<u>410,109</u>	<u>0</u>	<u>435,880</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	4,765,786	45,060	0	4,810,846
Machinery and Equipment	4,190,624	103,280	(6,122)	4,287,782
Infrastructure	9,132,493	0	0	9,132,493
Water Lines	1,875,849	0	0	1,875,849
Sewer Lines	2,873,362	0	0	2,873,362
<i>Total Capital Assets, being depreciated</i>	<u>22,838,114</u>	<u>148,340</u>	<u>(6,122)</u>	<u>22,980,332</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(2,974,479)	(92,761)	0	(3,067,240)
Machinery and Equipment	(3,375,450)	(198,571)	6,122	(3,567,899)
Infrastructure	(4,198,982)	(176,838)	0	(4,375,820)
Water Lines	(1,022,868)	(21,186)	0	(1,044,054)
Sewer Lines	(2,300,536)	(25,079)	0	(2,325,615)
<i>Total Accumulated Depreciation</i>	<u>(13,872,315)</u>	<u>(514,435) *</u>	<u>6,122</u>	<u>(14,380,628)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>8,965,799</u>	<u>(366,095)</u>	<u>0</u>	<u>8,599,704</u>
<i>Business-Type Activities</i>				
<i>Capital Assets, Net</i>	<u>\$8,991,570</u>	<u>\$44,014</u>	<u>\$0</u>	<u>\$9,035,584</u>

\* Depreciation expense was charged to business-type activities as follows:

Water	\$370,825
Sewer	47,368
Incinerator	94,461
Off Street Parking	1,650
Swimming Pool	131
Total	<u>\$514,435</u>

**Note 11 - 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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

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

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

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

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

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
<b>2015 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2015 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$383,055 for 2015. Of this amount, \$42,354 is reported as an intergovernmental payable.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

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***Plan Description – Ohio Police & Fire Pension Fund (OPF)***

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

	<u>Police</u>	<u>Firefighters</u>
<b>2015 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
<b>2015 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$351,147 for 2015. Of this amount \$40,549 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2015, the unfunded liability of the City was \$720,243 payable in semi-annual payments through the year 2035.

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

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City'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>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,151,688	\$4,333,165	\$7,484,853
Proportion of the Net Pension Liability	0.02613098%	0.08364510%	
Pension Expense	\$342,831	\$422,680	\$765,511

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2015

	OPERS	OP&F	Total
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$168,165	\$186,755	\$354,920
City contributions subsequent to the measurement date	383,055	351,147	734,202
Total Deferred Outflows of Resources	\$551,220	\$537,902	\$1,089,122
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$55,369	\$0	\$55,369

\$734,202 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2016	\$16,494	\$46,689	\$63,183
2017	16,494	46,689	63,183
2018	37,767	46,689	84,456
2019	42,041	46,688	88,729
Total	\$112,796	\$186,755	\$299,551

**Actuarial Assumptions - OPERS**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2015

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

**Discount Rate** The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$5,798,203	\$3,151,688	\$922,685

***Actuarial Assumptions – OPF***

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the 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. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2015

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

\* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** The total pension liability was calculated using the discount rate of 8.25 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 longer-term assumed investment rate of return 8.25 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, a 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 City'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 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$5,993,423	\$4,333,165	\$2,927,431

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

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**Note 12 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a health reimbursement arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml> by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

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Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2015, 2014 and 2013 was \$63,843, \$68,905 and \$31,422, respectively. For 2015, 88.94 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

***Police and Fire Pension Fund***

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined postemployment healthcare plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at [www.opf.org](http://www.opf.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B premium reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2015 through December 31, 2015. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2015

The City's contributions to OPF which were allocated to fund postemployment health care benefits for police and firefighters were \$4,978 and \$3,447 for the year ended December 31, 2015, \$5,342 and \$4,032 for the year ended December 31, 2014, and \$34,795 and \$24,172 for the year ended December 31, 2013. For 2015, 88.75 percent has been contributed for police and 88.10 percent has been contributed for firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

**Note 13 – Capital Leases**

In prior years, the City entered into capital leases for two copiers, a street truck, a street sweeper, a digital radio system and police interceptor vehicles in the governmental activities and a backhoe and rear load packer in the business-type activities. In 2015, the City entered into a capital leases for a dump truck and three copiers in the governmental activities and a sewer vector in the business-type activities. These lease obligations meet the criteria of a capital lease and have been recorded as capital assets on the government-wide statements and on the proprietary statement of fund net position. Capital lease payments are reflected as debt service expenditures in the various funds on the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

	Governmental Activities	Business-Type Activities
Asset:		
Machinery and Equipment	\$684,106	\$196,171
Less: Accumulated Depreciation	(149,963)	(39,048)
Current Book Value	\$534,143	\$157,123

Such agreements provide for minimum, annual lease payments as follows:

	Governmental Activities	Business-type Activities
2016	\$141,777	\$97,306
2017	114,153	40,433
2018	112,743	37,534
2019	64,610	37,534
2020	19,872	37,534
2021	164	0
Total Minimum Lease Payments	453,319	250,341
Less: Amount representing interest	(32,479)	(15,035)
Present Value of Minimum Lease Payments	\$420,840	\$235,306

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2015

**Note 14 - Long-Term Obligations**

The changes in long-term obligations during the year were as follows:

	Balance 12/31/2014	Issued	Retired	Balance 12/31/2015	Amounts Due In One Year
<b>Governmental Activities</b>					
Installment Loans:					
2007 Aerial Fire Truck - 5.95%	\$25,689	\$0	(\$8,306)	\$17,383	\$8,818
2014 Street Paving - 3.65%	251,617	0	(54,619)	196,998	56,691
<i>Total Installment Loans</i>	<u>277,306</u>	<u>0</u>	<u>(62,925)</u>	<u>214,381</u>	<u>65,509</u>
Ohio Public Works Commission Loans:					
2003 State Route 39 Improvement Loan - 0.00%	202,285	0	(23,798)	178,487	23,799
2012 St. Clair Avenue Improvement Loan - 0.00%	85,900	0	(9,545)	76,355	9,544
<i>Total Ohio Public Works Commission Loans</i>	<u>288,185</u>	<u>0</u>	<u>(33,343)</u>	<u>254,842</u>	<u>33,343</u>
State Infrastructure Bank Loans:					
2011 Road Improvements Loan - 3.00%	451,102	0	(58,832)	392,270	60,610
2015 River Road Improvement Loan - 3.00%	0	20,532	0	20,532	0
<i>Total State Infrastructure Bank Loans</i>	<u>451,102</u>	<u>20,532</u>	<u>(58,832)</u>	<u>412,802</u>	<u>60,610</u>
Capital Leases:					
2011 Copier - 6.27%	2,164	0	(2,164)	0	0
2011 Copier - 6.10%	5,913	0	(2,867)	3,046	3,046
2012 Copier - 7.62%	6,624	0	(2,595)	4,029	2,799
2012 Police Interceptor - 5.65%	11,598	0	(11,598)	0	0
2012 Street Truck - 6.20%	24,413	0	(11,840)	12,573	12,573
2013 Street Sweeper - 2.95%	180,511	0	(30,697)	149,814	31,608
2013 K-9 Police Cruiser - 6.50%	10,994	0	(10,994)	0	0
2013 Police Cruisers - 6.00%	21,529	0	(21,529)	0	0
2013 Digital Radio System - 3.93%	167,529	0	(39,494)	128,035	41,046
2013 Light Fixtures - 12.00%	5,207	0	(5,207)	0	0
2014 Police Interceptor - 6.50%	17,357	0	(8,405)	8,952	8,952
2015 Dump Truck	0	124,240	(25,889)	98,351	23,685
2015 Copier - 8.83%	0	4,907	(120)	4,787	1,505
2015 Copier - 8.71%	0	4,224	(954)	3,270	791
2015 Copier - 8.71%	0	7,983	0	7,983	1,217
<i>Total Capital Leases</i>	<u>453,839</u>	<u>141,354</u>	<u>(174,353)</u>	<u>420,840</u>	<u>127,222</u>
Net Pension Liability:					
OPERS	1,509,446	34,880	0	1,544,326	0
OP&F	4,073,779	259,386	0	4,333,165	0
<i>Total Net Pension Liability</i>	<u>5,583,225</u>	<u>294,266</u>	<u>0</u>	<u>5,877,491</u>	<u>0</u>
Compensated Absences	279,783	107,106	(178,314)	208,575	98,574
Police and Fire Pension	743,666	0	(23,423)	720,243	24,430
<b>Total Governmental Activities</b>	<u><u>\$8,077,106</u></u>	<u><u>\$563,258</u></u>	<u><u>(\$531,190)</u></u>	<u><u>\$8,109,174</u></u>	<u><u>\$409,688</u></u>

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2015

	Balance 12/31/2014	Issued	Retired	Balance 12/31/2015	Amounts Due In One Year
<b>Business-Type Activities</b>					
Installment Loans:					
2007 Anderson Boulevard Water Loan - 6.25%	\$30,246	\$0	(\$11,959)	\$18,287	\$12,736
2007 Anderson Boulevard Sewer Loan - 6.25%	21,172	0	(8,371)	12,801	8,916
2014 Painting Upflow Water Loan - 3.65%	100,000	0	(18,575)	81,425	19,255
2015 Communications Upgrade Water Loan - 2.85%	0	50,000	(4,323)	45,677	16,301
<i>Total Installment Loans</i>	<u>151,418</u>	<u>50,000</u>	<u>(43,228)</u>	<u>158,190</u>	<u>57,208</u>
Ohio Public Works Commission Loans:					
2001 Henry Avenue Waterline Water Loan - 0.00%	25,580	0	(4,264)	21,316	4,263
Ohio Water Development Authority Loans:					
2004 Project #4181 Water Loan - 3.35%	2,386,949	0	(182,774)	2,204,175	188,948
2013 Project #6489 Water Loan - 2.00%	498,759	0	(22,267)	476,492	22,714
2013 Project #6488 Sewer Loan - 2.59%	194,588	0	(8,842)	185,746	9,073
<i>Total Ohio Water Development Authority Loans</i>	<u>3,080,296</u>	<u>0</u>	<u>(213,883)</u>	<u>2,866,413</u>	<u>220,735</u>
Capital Leases:					
2010 Trash Compactor Incinerator Lease - 6.19%	8,053	0	(8,053)	0	0
2013 Backhoe Water Lease - 2.55%	48,095	0	(23,745)	24,350	24,350
2013 Light Fixtures Sewer Lease - 12.00%	630	0	(630)	0	0
2014 Rear Load Packer Incinerator Lease - 2.85%	70,310	0	(33,229)	37,081	34,188
2015 Sewer Vactor Sewer Lease - 2.60%	0	318,875	(145,000)	173,875	33,013
<i>Total Capital Leases</i>	<u>127,088</u>	<u>318,875</u>	<u>(210,657)</u>	<u>235,306</u>	<u>91,551</u>
Net Pension Liability - OPERS:					
Water	862,541	19,933	0	882,474	0
Sewer	431,270	9,966	0	441,236	0
Incinerator	277,245	6,407	0	283,652	0
<i>Total Net Pension Liability - OPERS</i>	<u>1,571,056</u>	<u>36,306</u>	<u>0</u>	<u>1,607,362</u>	<u>0</u>
Compensated Absences	51,959	3,547	(14,518)	40,988	9,205
<b>Total Business-Type Activities</b>	<u><u>\$5,007,397</u></u>	<u><u>\$408,728</u></u>	<u><u>(\$486,550)</u></u>	<u><u>\$4,929,575</u></u>	<u><u>\$382,962</u></u>

Within governmental activities, the City has outstanding installment loans, OPWC loans and SIB loans. These loans are to finance various projects and equipment purchases. The installment loans are being paid from the capital improvements capital project fund and the street levy special revenue fund. The OPWC loans are being paid from the debt service fund. The SIB loans are being paid from the capital improvements and river road improvement project capital project funds.

Within business-type activities, the City has installment loans, OPWC loans and OWDA loans. These loans are to finance various projects and equipment purchases. The installment loans are being paid from the City's water and sewer funds. The OPWC loans are being paid from the water fund. The OWDA loans are being paid from the water and sewer funds.

A line of credit has been established with the Ohio Water Development Authority in the amount of \$530,896 for the St. George waterline replacement design project (Project #6489 Water loan). As of December 31, 2015, only \$520,587 of business-type proceeds has been received and a loan payment schedule has not been finalized; therefore, the repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

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A line of credit has been established with the Ohio Water Development Authority in the amount of \$225,394 for the St. George main replacement design project (Project #6488 Sewer loan). As of December 31, 2015, only \$198,924 of business-type proceeds has been received and a loan payment schedule has not been finalized; therefore, the repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates.

A line of credit has been established with the Ohio Department of Transportation for a State Infrastructure Bank Loan in the amount of \$1,256,000 for the river road project. As of December 31, 2015, only \$20,532 of governmental proceeds has been received and a loan payment schedule has not been finalized; therefore, the repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates.

The City has pledged future revenues, net of operating expenses, to repay OPWC and OWDA loans in the City of East Liverpool water fund. The debt is payable solely from net revenues and are payable through 2033. Annual principal and interest payments on the debt issues are expected to require less than 100 percent of net revenues in future years; however, in 2015, principal and interest payments on the loans exceeded net revenues. The total principal and interest remaining to be paid on the debt is \$3,109,997. Interest remaining to be paid on the St. George waterline replacement design project loan has not been calculated due to the loan payment schedule not being finalized. Principal and interest paid for the current year and total net revenues were \$297,821 and (\$81,938), respectively.

The City has pledged future revenues, net of operating expenses, to repay OWDA loans in the City of East Liverpool sewer fund. The debt is payable solely from net revenues and are payable through 2033. Annual principal and interest payments on the debt issues are expected to require less than 6 percent of net revenues. The total principal remaining to be paid on the debt is \$185,746. Total interest remaining to be paid on the debt has not been calculated due to the loan payment schedule not being finalized. Principal and interest paid for the current year and total net revenues were \$14,511 and \$247,956, respectively.

The City also has thirteen capital leases. The street truck and street sweeper capital leases will be paid from the street capital improvement fund. The copier capital leases will be paid from the general fund, the police special revenue fund and the maintenance fee capital project fund. The digital radio system lease will be paid from the debt service fund. The police interceptor and dump truck capital leases will be paid from the capital improvements capital projects fund. The rear load packer business-type activities' capital lease will be paid from the incinerator fund. The backhoe business-type activities' capital lease will be paid from the water fund. The sewer vactor business-type activities' capital lease will be paid from the sewer fund.

The compensated absences liability will be paid from the general, police, fire, street, water, sewer and incinerator funds.

The City pays obligations related to employee compensation from the fund benefitting from their service. See Note 11 for additional information related to the net pension liability.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2015

As of December 31, 2015, the City's overall legal debt margin was \$8,461,679 and the unvoted legal debt margin was \$4,041,252. Principal and interest requirements to retire the outstanding debt at December 31, 2015, are as follows:

	Governmental-Wide				
	Installment Loans		OPWC Loans	SIB Loan	
	Principal	Interest	Principal	Principal	Interest
2016	\$65,509	\$7,120	\$33,343	\$60,610	\$11,317
2017	67,366	4,460	33,342	62,442	9,485
2018	61,014	1,987	33,343	64,329	7,598
2019	20,492	157	33,343	66,273	5,653
2020	0	0	33,342	68,276	3,650
2021-2023	0	0	88,129	70,340	1,587
Totals	<u>\$214,381</u>	<u>\$13,724</u>	<u>\$254,842</u>	<u>\$392,270</u>	<u>\$39,290</u>

  

	Business-Type Funds				
	Installment Loans		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Principal	Interest
2016	\$57,208	\$5,522	\$4,263	\$188,948	\$72,270
2017	46,192	3,117	4,263	195,331	65,888
2018	33,310	1,742	4,263	201,930	59,289
2019	21,480	795	4,263	208,751	52,468
2020	0	0	4,264	215,802	45,416
2021-2025	0	0	0	1,193,413	112,683
Totals	<u>\$158,190</u>	<u>\$11,176</u>	<u>\$21,316</u>	<u>\$2,204,175</u>	<u>\$408,014</u>

**Note 15 - Conduit Debt Obligations**

From time to time, the City has issued Hospital Facilities Revenue Bonds to provide funding for the construction of the East Liverpool hospital facilities and the acquisition and installation of medical equipment deemed to be in the public interest. The bonds are secured by trust indentures and an irrevocable letter of credit between the hospital and the bank. Upon repayment of the bonds, ownership of the acquired facilities transfers to the hospital served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2015, there were two series of Hospital Facilities Revenue Bonds with an aggregate outstanding principal amount payable of \$23,195,000 and an original issue amount of \$33,990,000.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

**Note 16 – Interfund Transfers**

Interfund transfers for the year ended December 31, 2015, consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>			
	General	Sewer	Incinerator	Total
Police	\$1,705,000	\$0	\$0	\$1,705,000
Fire	475,000	0	0	475,000
Other Governmental Funds	42,392	0	0	42,392
Water	0	171,617	10,300	181,917
Grand Total	<u>\$2,222,392</u>	<u>\$171,617</u>	<u>\$10,300</u>	<u>\$2,404,309</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to provide additional resources for current operations or debt service; to segregate money for anticipated capital projects; and to return money to the fund from which it was originally provided once a project is completed.

The transfers from the general fund were to subsidize police and fire, as well as street operations of the City, the victim witness assistance program and Broadway Wharf. The transfers from the sewer and incinerator enterprise funds to the water fund were for billing reimbursements.

**Note 17 - Jointly Governed Organizations**

***Columbiana Metropolitan Housing Authority (the Authority)***

The Authority is a non-profit organization established to provide adequate public housing for low income individuals and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a five member board of commissioners. Two members are appointed by the Mayor of East Liverpool, one member is appointed by the Columbiana County Commissioners, one member is appointed by the judge of the probate court, and one member is appointed by the judge of the court of common pleas. The board exercises total control over the Authority's operations including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the board. The City did not contribute any amounts to the Authority during 2015. Information can be obtained from 325 Moore Street, East Liverpool, Ohio 43920.

***Ohio Mid-Eastern Governments Association (OMEGA)***

OMEGA is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a seventeen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. A county commissioner serves as the County's representative on the board. The board has total control over budgeting, personnel and financial matters. Each member's degree of control is limited to its representation on the board. Each member currently pays a per capita membership fee based on the most recent United States census. During 2015, OMEGA received \$1,679 from the City of East Liverpool for an annual fee. Information can be obtained from 326 Highland Avenue, PO Box 130, Cambridge, Ohio 43725.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

**Note 18 – Significant Commitments**

*Contractual Commitments*

As of December 31, 2015, the City had the following contractual construction commitments outstanding:

Vendor Name	Contract Amount	Amount Paid to Date	Remaining Contract
Dallas Dawson	\$63,770	\$38,100	\$25,670
CT Construction	91,910	81,310	10,600
Utility Services	218,931	200,687	18,244
Data Commons	50,000	39,790	10,210
Set, Inc.	549,845	223,233	326,612
Hissom Roofing	50,000	25,000	25,000
	<u>\$1,024,456</u>	<u>\$608,120</u>	<u>\$416,336</u>

Remaining commitment amounts were encumbered at year-end.

*Encumbrances*

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

<i>Governmental Funds:</i>		<i>Proprietary Funds:</i>	
General	\$37,029	Water	\$434,536
Police	19,095	Sewer	25,986
Fire	2,593	Incinerator	27,087
Other Governmental Funds	101,307	Total Proprietary	<u>\$487,609</u>
Total Governmental	<u>\$160,024</u>		

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2015

**Note 19 – Fund Balances**

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

Fund Balances	General	Police	Fire	Street Levy	Other Governmental Funds	Total
<u><b>Nonspendable:</b></u>						
Inventory	\$0	\$0	\$0	\$0	\$21,965	\$21,965
Prepays	29,457	20,922	16,068	0	17,233	83,680
Unclaimed Monies	2,161	0	0	0	0	2,161
<i>Total Nonspendable</i>	<u>31,618</u>	<u>20,922</u>	<u>16,068</u>	<u>0</u>	<u>39,198</u>	<u>107,806</u>
<u><b>Restricted:</b></u>						
Transportation	0	0	0	240,917	180,075	420,992
Public Health and Safety	0	0	0	0	152,200	152,200
Police Pension	0	0	0	0	6,581	6,581
Fire Pension	0	0	0	0	6,575	6,575
Economic Development	0	0	0	0	461,053	461,053
Food Service	0	0	0	0	9,729	9,729
Court Computerization	0	0	0	0	18,987	18,987
Probation Services	0	0	0	0	83,618	83,618
Debt Service	0	0	0	0	56,346	56,346
Capital Improvements	0	0	0	0	212,085	212,085
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>240,917</u>	<u>1,187,249</u>	<u>1,428,166</u>
<u><b>Committed:</b></u>						
Economic Development	0	0	0	0	13,444	13,444
<u><b>Assigned:</b></u>						
Recreation	85	0	0	0	0	85
2016 Budget	128,335	0	0	0	0	128,335
Purchases on Order:						
Contractual Services	22,817	0	0	0	0	22,817
<i>Total Assigned</i>	<u>151,237</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>151,237</u>
Unassigned (Deficit)	<u>297,213</u>	<u>(60,533)</u>	<u>(44,265)</u>	<u>0</u>	<u>0</u>	<u>192,415</u>
<b>Total Fund</b>						
Balance (Deficit)	<u>\$480,068</u>	<u>(\$39,611)</u>	<u>(\$28,197)</u>	<u>\$240,917</u>	<u>\$1,239,891</u>	<u>\$1,893,068</u>

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

**Note 20 – Closure and Post-closure Care Cost**

In 1993, the City agreed to sell the East Liverpool City Landfill to the East Liverpool Landfill, Inc. The landfill and all contractual obligations were subsequently acquired by USA Waste Service, Inc. (USA). USA is in the process of closing the landfill. Under the original sales agreement, the City indemnified the purchaser for all cost incurred with regard to the activities or operations of the landfill prior to 1990.

USA has assured the City that they are closing the landfill at their sole cost and expense. USA has posted all required closure and post-closure bonds with the Environmental Protection Agency (EPA). The City's post-closure liability relating to the pre-1990 operations, if any, cannot be determined.

**Note 21 – Change in Accounting Principle and Restatement of Net Position**

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68". GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported at December 31, 2014:

	Governmental Activities	Business-Type Activities
Net Position December 31, 2014	\$11,613,305	\$11,026,000
Adjustments:		
Net Pension Liability	(5,583,225)	(1,571,056)
Deferred Outflow - Payments Subsequent to Measurement Date	538,425	196,065
Restated Net Position December 31, 2014	\$6,568,505	\$9,651,009

	Water	Sewer	Incinerator
Net Position December 31, 2014	\$8,950,637	\$1,389,311	\$653,025
Adjustments:			
Net Pension Liability	(862,541)	(431,270)	(277,245)
Deferred Outflow - Payments Subsequent to Measurement Date	107,643	53,822	34,600
Restated Net Position December 31, 2014	\$8,195,739	\$1,011,863	\$410,380

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2015*

	Other Enterprise Funds	Total Enterprise
Net Position December 31, 2014	\$33,027	\$11,026,000
Adjustments:		
Net Pension Liability	0	(1,571,056)
Deferred Outflow - Payments Subsequent to Measurement Date	0	196,065
Restated Net Position December 31, 2014	\$33,027	9,651,009

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**Note 22 – Non-compliance**

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. During 2015, the City made expenditures without proper certification by the fiscal officer. The City is in the process of implementing purchase orders over these expenditures.

Ohio Revised Code Section 735.05 generally requires that all contracts made by the legislative authority of a city for material and labor which exceed \$50,000 are subject to competitive bidding procedures. The City entered into a contract without following competitive bidding procedures. The City is working to ensure all contracts going forward follow the required competitive bidding procedures if applicable.

**Note 23 – Subsequent Event**

In March 2016, the City entered into a lease agreement with US Bank for the acquisition of two Ford F-550 trucks for the water department. The total lease principal amount is \$166,094 to be paid over a three year period. The interest rate on the lease is 2.29 percent.

**City of East Liverpool, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the*  
*Net Pension Liability*  
*Ohio Public Employees Retirement System - Traditional Plan*  
*Last Two Years (1)*

	2014	2013
City's Proportion of the Net Pension Liability	0.02613098%	0.02613098%
City's Proportionate Share of the Net Pension Liability	\$3,151,688	\$3,080,502
City's Covered-Employee Payroll	\$3,203,675	\$3,104,947
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	98.38%	99.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date which is the prior year end.

**City of East Liverpool, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the*  
*Net Pension Liability*  
*Ohio Police and Fire Pension Fund*  
*Last Two Years (1)*

	2014	2013
City's Proportion of the Net Pension Liability	0.08364510%	0.08364510%
City's Proportionate Share of the Net Pension Liability	\$4,333,165	\$4,073,779
City's Covered-Employee Payroll	\$1,679,505	\$1,630,431
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	258.00%	249.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date which is the prior year end.

**City of East Liverpool, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Contributions*  
*Ohio Public Employees Retirement System - Traditional Plan*  
*Last Three Years (1)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$383,055	\$384,441	\$403,643
Contributions in Relation to the Contractually Required Contribution	<u>(383,055)</u>	<u>(384,441)</u>	<u>(403,643)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$3,192,129	\$3,203,675	\$3,104,947
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

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**City of East Liverpool, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Contributions*  
*Ohio Police and Fire Pension Fund*  
*Last Ten Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$351,147	\$350,049	\$289,044	\$240,727
Contributions in Relation to the Contractually Required Contribution	<u>(351,147)</u>	<u>(350,049)</u>	<u>(289,044)</u>	<u>(240,727)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,684,876	\$1,679,505	\$1,630,431	\$1,647,502
Contributions as a Percentage of Covered-Employee Payroll	20.84%	20.84%	17.73%	14.61%

2011	2010	2009	2008	2007	2006
\$240,133	\$240,068	\$294,690	\$293,722	\$296,045	\$252,672
<u>(240,133)</u>	<u>(240,068)</u>	<u>(294,690)</u>	<u>(293,722)</u>	<u>(296,045)</u>	<u>(252,672)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,644,290	\$1,648,435	\$2,006,510	\$1,973,623	\$1,981,467	\$1,813,579
14.60%	14.56%	14.69%	14.88%	14.94%	13.93%

June 29, 2016

To Members of Council and Management  
City of East Liverpool  
Columbiana County, Ohio  
126 W 6th St.  
East Liverpool, Ohio 43920

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of East Liverpool, Columbiana County, Ohio, (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2016, wherein we noted the City restated net position to account for the implementation of Governmental Accounting Standard Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*."

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

City of East Liverpool  
Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2015-001 and 2015-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2015-003, 2015-004 and 2015-005 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as items 2015-006 and 2015-007.

### **The City's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rea & Associates, Inc.*

New Philadelphia, Ohio

**City of East Liverpool**  
**Columbiana County, Ohio**  
*Schedule of Findings and Responses*  
*December 31, 2015*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number: 2015-001**

**Material Weakness – Cash Reconciliations**

**Criteria:** The City’s management has a responsibility to design and maintain internal controls over financial reporting. Internal controls must exist over the cash reconciliation process. Timely reconciliation and review should be completed by the appropriate personnel.

**Condition:** While obtaining an understanding of internal controls over the cash reconciliation process, we identified a deficiency in the City’s controls such that there was a reasonable possibility that a material misstatement of the entity’s financial statements would not be prevented, or detected and corrected in a timely manner. A crucial step in the internal control over financial reporting is to reconcile monthly the cash bank balance and investments to the balance in the accounting records and provide support for reconciling items. The reconciliation process will help ensure complete, accurate and timely posting of receipts and will promote the detection of errors or irregularities by the City’s management in a timely manner.

**Cause:** The factors that resulted in the control weakness are a lack of ability to reconcile book transactions to bank activity. At year end, there was an immaterial unreconciled variance identified in the bank reconciliations.

**Effect:** Without monthly comprehensive cash reconciliations, the City risks the potential of having transactions posted improperly and/or misrepresenting actual cash balances to City Council for use with budgeting decisions.

**Recommendation:** We recommend the City Treasurer obtain a complete understanding of the City’s accounting processes in order to diagnose the source of the unreconciled differences and implement controls to maintain a seamless reconciliation process. The completed reconciliation should be done monthly and should show evidence of management review and approval and should also be presented to Council in the subsequent month for approval.

**Management’s Response:** The City has taken steps in 2016 to begin the process for timely bank reconciliations. The Treasurer will work on identifying all reconciling items and make sure necessary adjustments are posted.

**Finding Number: 2015-002**

**Material Weakness – Internal Controls over Financial Reporting**

**Criteria:** The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 122 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client’s internal control over financial reporting. This new standard requires the audit to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, SAS No. 122 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

**City of East Liverpool**  
**Columbiana County, Ohio**  
*Schedule of Findings and Responses (Continued)*  
*December 31, 2015*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number: 2015-002 (Continued)**

**Material Weakness – Internal Controls over Financial Reporting**

**Condition Found:** There were material audit adjustments made to the financial statements presented for audit.

**Cause:** Amounts available for advance were improperly included in the calculation of property taxes receivable. In addition, over-payments by a sewer customer were improperly included in charges for services and no credit balance was reflected in accounts receivable.

**Effect:** The first condition noted above resulted in overstatements of revenues and fund balances for funds that receive property taxes. The second condition noted above resulted in an overstatement of sewer fund charges for services and accounts receivable.

**Recommendations:** To ensure the City's financial statements and notes to the financial statements are complete and accurate, the City should adopt procedures, including a final review of the statements and note disclosures by the City Auditor, to identify and correct errors and omissions.

**Management Response:** We will review our procedures for classifying property taxes receivable and charges for services in the utility funds.

**Finding Number: 2015-003**

**Significant Deficiency – Segregation of Duties**

**Criteria:** Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity, at various stages within business processes, and over the technology environment. They may be preventive or detective in nature and may encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews. Segregation of duties is typically built into the selection and development of control activities.

**Condition:** While obtaining an understanding of internal controls of the City's operations we noted the following conditions:

- § Auditor's Office - We noted that the Deputy Auditor prepared and posted journal entries to the accounting system with no evidence of oversight from the City Auditor.
- § Planning Department – We noted personnel in the planning department have the ability to collect cash and checks, create deposit slips and make deposits to the bank.
- § Mayor's Office – We noted the Mayor's Administrative Assistant bills customers, collects payments and prepares the deposit.

**Cause:** The factors that resulted in the control weakness are a lack of segregation of duties and sufficient oversight of the activities performed within the respective processes.

**City of East Liverpool**  
**Columbiana County, Ohio**  
*Schedule of Findings and Responses (Continued)*  
*December 31, 2015*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number: 2015-003 (Continued)**

**Significant Deficiency – Segregation of Duties**

**Effect:** Errors could occur and remain undetected by management. A lack of segregation of duties and oversight exposes the City to increased risk of error or fraud.

**Recommendation:** To improve segregation of duties, each department should implement appropriate oversight procedures to ensure errors or fraud could be prevented or detected in a timely manner. The City should consider changing procedures to properly segregate duties.

**Management’s Response:** Management will review processes and implement procedures to properly segregate duties.

**Finding Number: 2015-004**

**Significant Deficiency – Vendor Verification**

**Criteria:** The electronic vendor master file is a centralized store of data pertaining to the City’s vendors. The vendor master file is of particular importance supporting the transactional accounts payable process, as it is utilized to access vendor information in order to generate check payments. The City has the responsibility to develop internal control procedures to protect the integrity of the vendor master file.

**Condition:** As part of our review of the City’s vendor activity, we extracted the vendor master file from the City’s accounting system and analyzed it utilizing ACL (data mining software). Through this analysis, we noted the vendor master contained many duplicate vendors as well as vendors with missing address details. In addition, new vendors initiated outside of the Auditor’s Office are set up in the vendor master file without verification of legitimacy.

**Cause:** The Auditor’s Office has not developed internal control procedures to maintain the integrity of the electronic vendor master file.

**Effect:** Lack of internal controls regarding the electronic vendor master expose the City to an increased risk of fraud or error in the accounts payable process.

**Recommendation:** We recommend the Auditor’s Office perform a periodic review of the vendor master file for potential purging of duplicate vendors, procedures to ensure that all vendor details are entered into the electronic vendor master file. We also recommend verification of vendors to ensure that all new vendors are legitimate and for a proper business purpose.

**Management’s Response:** We recognize the importance of controls over the vendor master file. In 2016, we began requiring W-9s to be completed for all new vendors prior to payment. In addition, we worked with SSI to make duplicate vendor numbers inactive, leaving only one vendor number per vendor.

**City of East Liverpool**  
**Columbiana County, Ohio**  
*Schedule of Findings and Responses (Continued)*  
*December 31, 2015*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number: 2015-005**

**Significant Deficiency – Fiscal Plan**

**Criteria:** The City’s management is responsible for sound financial reporting. An essential part of financial reporting is financial planning and ensuring the City has adequate funding to support future operations for a reasonable period of time.

**Condition Found:** For several years, the City’s appropriations have exceeded estimated receipts and the shortfall in revenues has been subsidized by residual fund balances. The available fund balances have been steadily decreasing for several years and management of the City has not prepared a formal plan to reduce appropriations in line with expected revenues.

**Cause:** Management has not taken the appropriate steps to reduce costs in line with expected revenues and has relied on fund balances to offset shortfalls.

**Effect:** Without actions taken, the City could face potential fund deficits, particularly in the general fund in future periods.

**Recommendations:** The City should prepare a formal fiscal plan to reduce expenditures down to a sustainable level. Cash flow as well as budget versus actual amounts should be closely monitored to determine what steps should be taken to remain solvent.

**Management’s Response:** Council and management are aware of the current financial situation. They take this matter seriously, and they are currently considering all options to alleviate declining fund balances.

**Finding Number: 2015-006**

**Material Non-Compliance – Proper Purchasing Procedures**

**Criteria:** Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

The following explains the main exceptions to the standard requirement stated above, which are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

**City of East Liverpool**  
**Columbiana County, Ohio**  
*Schedule of Findings and Responses (Continued)*  
*December 31, 2015*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number: 2015-006 (Continued)**

**Material Non-Compliance – Proper Purchasing Procedures (Continued)**

1. (continued) Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.
2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**Condition:** While gaining an understanding of the purchasing process we noted purchase orders were not generated for utility payments across all departments.

**Cause:** The auditor’s office has decided that the cost of implementing purchase orders for utility payments outweighs the benefit of utilizing them.

**Effect:** Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

**Recommendation:** To improve controls over disbursements and to help reduce the possibility of the City’s funds exceeding budgetary spending limitations, we recommend the auditor certify that funds are available prior to incurring expenditures in order to remain in compliance with aforementioned statute.

**Management’s Response:** Council and management are aware of the requirement for the fiscal certification of purchases. The auditor has communicated to Council regularly on the importance of having purchase orders in place before an order is placed. She has begun to use super blanket purchase orders for utilities, but this will be a work in progress; because there are many funds included in the utility purchase orders.

**Finding Number: 2015-007**

**Material Non-Compliance – Competitive Bidding Requirements**

**Criteria:** Ohio Revised Code Section 735.05 generally requires that all contracts made by the legislative authority of a city for material and labor which exceed \$50,000 are subject to competitive bidding procedures.

**City of East Liverpool**  
**Columbiana County, Ohio**  
*Schedule of Findings and Responses (Continued)*  
*December 31, 2015*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number: 2015-007 (Continued)**

**Material Non-Compliance – Competitive Bidding Requirements**

**Condition Found:** The City entered into a contract for approximately \$300,000 for roof repairs at the water plant without going through the required competitive bidding procedures.

**Cause:** There was confusion at the City as to whether or not the roof repairs were required to go through the formal bidding process. The City believed that since only \$50,000 was expected to be spent each year on the multi-year project that bidding requirements did not apply.

**Effect:** Noncompliance with competitive bidding procedures required by Ohio Revised Code Section 735.05.

**Recommendations:** We recommend the City follow the required competitive bid procedures for all contracts for material and labor in excess of \$50,000.

**Management's Response:** Council and management were under the impression that, if expenditures for a project are \$50,000 or less per year, the contract is not required to go through the formal bidding process. They are aware of the requirement and will follow the formal bidding procedures for all contracts of more than \$50,000 moving forward.

**City of East Liverpool**  
**Columbiana County, Ohio**  
*Schedule of Prior Audit Findings*  
*December 31, 2015*

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Partially Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid Explain</b>
2014-001	Cash reconciliations not performed properly	No	Repeated as Finding 2015-001
2014-002	Material Audit Adjustments	No	Repeated as Finding 2015-002
2014-003	Segregation of Duties	No	Repeated as Finding 2015-003
2014-004	Vendor Verification	No	Repeated as Finding 2015-004

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# Dave Yost • Auditor of State

**CITY OF EAST LIVERPOOL**

**COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 20, 2016**