



Dave Yost • Auditor of State

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

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COLUMBIANA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Liverpool City School District, Columbiana County, Ohio (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of East Liverpool City School District, Columbiana County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 11, 2016

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East Liverpool City School District
Columbiana County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The discussion and analysis of the East Liverpool City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- Net position increased \$1,499,772, which represents a 12% increase from 2014.
- Capital assets decreased \$454,351 during fiscal year 2015.
- During the year, outstanding capital leases increased from \$1,400,000 to \$3,100,000 due to principal payments made by the District offset by a new capital lease for the HVAC Project.
- The District implemented GASB 68, which reduced net position as previously reported by \$33.9 million.

Using this Annual Report

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

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 21. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund.

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

Proprietary Fund The District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 26.

Reporting the District's Fiduciary Responsibilities

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

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Columbiana County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2015 compared to 2014:

Table 1
Net Position

	Governmental Activities	
	2015	Restated 2014
Assets		
Current and Other Assets	\$ 23,448,468	\$ 20,291,247
Capital Assets	44,011,608	44,465,959
<i>Total Assets</i>	67,460,076	64,757,206
 Deferred Outflows of Resources	 2,079,680	 1,890,870
 Liabilities		
Other Liabilities	3,764,449	3,689,330
Long-Term Liabilities	42,200,923	46,362,468
<i>Total Liabilities</i>	45,965,372	50,051,798
 Deferred Inflows of Resources	 9,363,592	 3,885,258
 Net Position		
Net Investment in Capital Assets	35,276,203	36,066,719
Restricted	8,842,119	8,646,477
Unrestricted	(29,907,530)	(32,002,176)
<i>Total Net Position</i>	\$ 14,210,792	\$ 12,711,020

During 2015, the District 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 District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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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 District's proportionate share of each plan's collective:

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

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

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

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$46,601,884 to \$12,711,020.

At year end, capital assets represented 65% of total assets. Capital assets include, land, land improvements, buildings and improvements, furniture and fixtures, vehicles and construction in progress. Net investment in capital assets was \$35,276,203 at June 30, 2015. These capital assets are used to provide services to students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$8,842,119 or 62% represents resources that are subject to external restrictions on how they may be used. The deficit balance of government-wide unrestricted net position was (\$29,907,530), which is primarily the result of the implementation of GASB 68 and GASB 71 (See Note 2.R).

Current and other assets increased \$3,157,221, primarily due to an increase in sinking fund payments and revenue from reimbursement of pool disbursements from insurance claims resulting in more cash with fiscal agent. Revenue from lease agreement for HVAC Project in segregated cash; offset by a decrease in grants receivable at fiscal year end were also contributing factors.

Long-term liabilities decreased \$4,161,545, primarily due to lease payment, and a change in the unfunded net pension liability offset by timing of payment of bills for services and construction projects and increased retirement. Deferred inflows of resources increased \$5.4 million over fiscal year 2014 due to the implementation of GASB 68.

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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

Table 2
Changes in Net Position

	Governmental Activities	
	2015	Restated 2014
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,432,042	\$ 1,370,188
Operating Grants	5,451,046	5,889,757
Capital Grants	480	2,190
<i>Total Program Revenues</i>	<u>6,883,568</u>	<u>7,262,135</u>
<i>General Revenues:</i>		
Property Taxes	4,373,856	4,146,983
Grants and Entitlements Not Restricted	18,541,394	17,793,506
Other	723,017	299,735
<i>Total General Revenues</i>	<u>23,638,267</u>	<u>22,240,224</u>
<i>Total Revenues</i>	<u>30,521,835</u>	<u>29,502,359</u>
Program Expenses		
<i>Instruction:</i>		
Regular	11,123,282	12,175,900
Special	3,673,746	3,850,695
Vocational	1,080,295	1,219,942
Adult/Continuing	4,863	3,030
Student Intervention Services	9,401	1,399
Other	1,722,000	1,818,914
<i>Support Services:</i>		
Pupils	1,687,088	1,711,953
Instructional Staff	849,732	1,029,314
Board of Education	296,546	131,641
Administration	1,497,553	1,628,301
Fiscal	559,028	578,245
Business	4,170	4,334
Operation and Maintenance of Plant	3,483,655	3,346,075
Pupil Transportation	1,136,517	1,236,916
Central	46,976	47,634
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	1,162,269	1,194,966
Community Services	158,112	132,686
Extracurricular Activities	470,461	299,321
<i>Debt Service:</i>		
Interest and Fiscal Charges	56,369	83,695
<i>Total Expenses</i>	<u>29,022,063</u>	<u>30,494,961</u>
<i>Increase (Decrease) in Net Position</i>	<u>\$ 1,499,772</u>	<u>\$ (992,602)</u>

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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 \$1,890,870 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 \$1,385,288. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$	29,022,063
Pension expense under GASB 68		(1,385,288)
2015 contractually required contribution		1,795,839
Adjusted 2015 program expenses		29,432,614
Total 2014 program expenses under GASB 27		30,494,961
Decrease in program expenses not related pension	\$	(1,062,347)

Certain foundation payments for special education and transportation were reclassified to program revenue from general revenue for fiscal year 2015. For comparability purposes, fiscal year 2014 was also updated in Tables 2 and 3 to reflect this change. The increase in total revenues can be attributed to an increase in state funding.

The decrease in total expenditures can be attributed to a decrease in staffing and benefits.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

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Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2015	2014	2015	2014
Instruction:				
Regular	\$ 11,123,282	\$ 12,175,900	\$ 9,640,728	\$ 10,546,559
Special	3,673,746	3,850,695	1,167,830	1,306,344
Vocational	1,080,295	1,219,942	763,361	832,607
Adult/Continuing	4,863	3,030	4,463	(7,470)
Student Intervention Services	9,401	1,399	3,010	1,399
Other	1,722,000	1,818,914	1,595,143	1,651,259
Support Services:				
Pupils	1,687,088	1,711,953	1,333,049	1,468,743
Instructional Staff	849,732	1,029,314	680,795	566,193
Board of Education	296,546	131,641	296,546	131,641
Administration	1,497,553	1,628,301	1,315,073	1,455,766
Fiscal	559,028	578,245	549,140	569,716
Business	4,170	4,334	4,170	4,334
Operation and Maintenance of Plant	3,483,655	3,346,075	3,400,779	3,326,369
Pupil Transportation	1,136,517	1,236,916	1,012,729	1,111,795
Central	46,976	47,634	37,976	38,634
Operation of Non-Instructional Services:				
Food Service Operations	1,162,269	1,194,966	(65,209)	(17,010)
Community Services	158,112	132,686	10,392	(10,768)
Extracurricular Activities	470,461	299,321	332,151	173,020
Debt Service:				
Interest and Fiscal Charges	56,369	83,695	56,369	83,695
Total Expenses	\$ 29,022,063	\$ 30,494,961	\$ 22,138,495	\$ 23,232,826

The dependence upon general revenues for governmental activities is apparent. Over 76% of governmental activities are supported through taxes and other general revenues; such revenues are 76% of total governmental revenues. The community, as a whole, is by far the primary support for the District students.

Governmental Funds

Information about the District's major funds starts on page 21. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$30,724,527 and expenditures of \$29,645,839 for the fiscal year. The net change in fund balances for the fiscal year was an increase of \$2,978,688 for all governmental funds with the most significant increase in the general fund.

The general fund's net change in fund balance for fiscal year 2015 was an increase of \$1,212,967. The increase can be attributed to a decrease in staffing costs and health insurance, as well as an increase in collection of state foundation.

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The bond retirement fund's net change in fund balance for fiscal year 2015 was an increase of \$806,445. The increase in fund balance is due to collection of taxes and interest, but no debt payments due (See Note 10); however, the sinking fund debt payments are being made and held with an escrow agent. These payments will be recognized as an expenditure when the bond matures.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2015, the District did amend its general fund budget a few times. The District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the actual budget basis revenue was \$25,695,084; the final budget basis revenue was \$25,250,129, higher by \$444,955. Most of this difference is due to an under estimation of property and other local taxes and tuition and fees.

Final appropriations of \$26,105,751 were \$1,376,456 higher than the actual expenditures of \$24,729,295, due to an under estimation of special and regular instruction expenditures.

Original appropriations of \$26,200,432 were \$94,681 higher than the final appropriations of \$26,105,751, due to an over estimation of expenditures in general.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$44,011,608 invested in capital assets. Table 4 shows fiscal year 2015 balances compared with 2014.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2015	2014
Land	\$ 39,794	\$ 39,794
Construction in Progress	454,279	0
Land Improvements	1,245,988	1,391,879
Buildings and Building Improvements	40,046,084	40,662,196
Furniture and Fixtures	1,532,931	1,699,791
Vehicles	692,532	672,299
<i>Totals</i>	<u>\$ 44,011,608</u>	<u>\$ 44,465,959</u>

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The \$454,351 decrease in capital assets was attributable to depreciation exceeding current year additional purchases. See Note 8 for more information about the capital assets of the District.

Debt

At June 30, 2015, the District had \$7,900,000 in school improvement bonds and \$3,100,000 in lease obligations outstanding. See Notes 9 and 10 for additional details. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2015	2014
School improvement bonds	\$ 7,900,000	\$ 7,900,000
Lease obligations	3,100,000	1,400,000
<i>Total</i>	\$ 11,000,000	\$ 9,300,000

Current Issues

The District is financially responsible for educating approximately 2,463 students, grades PK-12. During Fiscal Year 2014-2015, 2,277 of those students were educated at the District's five schools housed in four physical plants compared with 2,243 students in the prior fiscal year, an increase of 34 students or about 1½%. The rest were educated either by other school districts in the State, mostly through open enrollment, or at community schools in accordance with State law. The enrollment pattern in recent years has been mixed, albeit relatively stable. By contrast, in the prior fiscal year, District "head count" enrollment decreased by 27 students, or about 1%. Since Fiscal Year 2009-2010, District enrollment patterns have settled in a narrow range of approximately 2,250 students in its classrooms. Nevertheless, the long-term (40-year) trend of the District has been in the direction of declining enrollment. For instance, in 1970, the District enrolled approximately 5,000 students. The countertrend of stable to modestly increasing enrollment in the prior few years has been believed attributable to the opening of renovated school facilities and modestly improving economic conditions in the East Liverpool region. An independent enrollment projection indicates that District enrollment is stabilizing in the range of 2,200 to 2,400 students. Preliminary enrollment data for the 2015-2016 shows that enrollment likely will remain stable.

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

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Unaudited

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

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

Approximately 75% of the District's students are eligible for free or reduced price meals made available through the National School Lunch Program. Effective with the start of the 2014-2015 school year, the District began to offer free breakfasts to all students due to its socio-economic status. As a result of the presence of poverty in the East Liverpool area, the District is a major recipient of federal funds on a per-pupil basis.

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

Local financial resources are limited. On a per-pupil basis, the taxable value of real property in the District is the 18th lowest of 614 school districts in the State of Ohio. This reflects the collapse of the pottery industry in the United States, which was once the largest private sector employer in the region. However, recent developments suggest a slight reversal in the fortunes of the pottery industry. A small pottery has won a contract to supply coffee mugs to Starbucks as part of a Starbucks' program to source the manufacture of products it sells in the United States. It reports that its business is steady. Still, an area that once boasted 60 potteries is down to a handful of potteries. The largest pottery in the region, the Homer Laughlin Co., manufacturer of Fiestaware, is located outside the corporate boundaries of the District in the State of West Virginia. However, it is a major private-sector employer of District residents.

Other manufacturing employment in the immediate area has also decreased substantially, especially in the steel industry. Somewhat offsetting these economic challenges is the ability of local residents to commute to employment in other nearby metropolitan areas, including Youngstown, Ohio; Steubenville, Ohio; Wheeling, W.Va.; and Pittsburgh, Pa. The District is located approximately 25 miles from Pittsburgh International Airport. Its southern boundary is the Ohio River. Major rail lines and controlled-access roadways also serve the community. U.S. Route 30 provides major east-west access to East Liverpool. The 101-mile long Lake Erie-Ohio River Expressway (State Route 11) provides the shortest expressway access between the Great Lakes at the Port of Ashtabula, Ohio, and the Mississippi River watershed at East Liverpool in the nation.

East Liverpool City School District
Columbiana County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
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The population of the East Liverpool area has been in decline for four decades. The City of East Liverpool had approximately 26,000 residents in 1970, according to the U.S. Census Bureau. Census figures show the population fell to about 12,000 in 2010. A significant amount of that population loss is the result of the out-migration of people from the East Liverpool area. During the Great Recession, this migration trend subsided and local population appears to have stabilized.

Since 2010, the eastern Ohio region, including East Liverpool, have benefitted from a boom in natural gas exploration. East Liverpool has a strategic location in the Marcellus Shale region of Ohio. Though estimates of economic activity and potential population growth vary widely, public officials in the region have stated the East Liverpool area will directly benefit from this exploration activity. Shell Oil Co. has begun construction on a processing plant 18 miles east of East Liverpool in Monaca, Pa. More than \$1 billion is expected to be invested in this facility. This investment has been cited as the largest economic investment in the Upper Ohio Valley in at least two generations.

The East Liverpool area remains one of the most affordable areas in the nation to live in terms of housing costs. The nearby Pittsburgh metropolitan area has weathered the economic downturn better than the majority of major American communities. In multiple recent reports of economic activity in the Pittsburgh region, PNC Bank economists have written that economic activity in the region is now above the pre-Great Recession peak. Further, the Pittsburgh region has one of the most robust economies in the nation. This is due to Pittsburgh's concentration of educational institutions, health care centers and technology companies. The Pittsburgh job market is accessible to East Liverpool residents.

Partially as a result of renewed economic activity in the region, the City of East Liverpool in 2013 retained Better City LLC of Ogden, Utah. Better City LLC is a consulting firm that specializes in working with economically depressed communities to improve business and economic conditions. The firm is in the process of assessing potential new markets for East Liverpool and has determined that education is among the industries with the potential to drive economic investment in the region. The consulting work of Better City LLC is ongoing. However, the Board of Education has been asked to consider working cooperatively with the City and consulting firm in those efforts. Topics broached with the Board of Education by the City and consulting firm include the possible creation of a Tax Increment Financing (TIF) District and development of a community school sponsored by the Board of Education. The first major result of these efforts is the announcement of intention for the location of a campus of the New Castle School of Trades within the City of East Liverpool. A second announcement of the renovation of a downtown building into a hotel also has been made recently. Additional economic development efforts stemming from the efforts of Better City LLC are expected to occur during Fiscal Year 2015-2016.

In terms of school funding, the District is heavily dependent on State financial support. Approximately 80% of the funds for day-to-day school operations are provided by the State of Ohio. This funding is subject to the biennial appropriation of the Ohio General Assembly. At this time, the State of Ohio is faring better than the nation as a whole in terms of economic activity and unemployment. For the past several years, the District has received no less than the same amount of money through the State Foundation program as it did the prior year. During fiscal year 2014-2015, the District received more than \$19 million through the State Foundation program. The current State budget calls for the District to receive about \$20 million for the 2015-2016 school year and \$20.7 million for the 2016-2017 school year. However, the District is receiving less revenue from programs designed to offset the loss of tangible property tax revenues than in the recent past. The Ohio General Assembly has enacted major revisions to the formula that distributes State funding to Ohio's school districts. The changes enacted appear to be favorable to the District based on information disseminated by the Legislative Service Commission.

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However, it is noteworthy that the new system mandates additional expenditures for local school districts. At this point, it is not certain how much the new expenditure mandates will offset the additional funding. For the 2014-2015 school year, the District had an operating budget of approximately \$26 million.

The District currently has strong reserves to withstand any possible financial difficulties. As of June 30, 2015, cash reserves were approximately \$4 million. This reserve amounts to a 60-day cushion in operating cash reserves. The current Five-Year Financial Forecast projects stable cash reserves for the coming school year but declining reserves for the balance of the forecast period. The Board of Education and administration are working together to chart the best future courses of action to address long-term financial challenges.

The current cash position of the District is in stark contrast to recent years. On December 18, 2003, the District was placed in fiscal emergency by the State of Ohio as a result of having insufficient resources to pay day-to-day operating costs. The District was released from Fiscal Emergency on March 24, 2009, a period of five years and three months. In order to gain release from Fiscal Emergency, the District substantially cut operating costs and made painful permanent staff reductions. These reductions included the elimination of nearly 40 full-time personnel; approximately 75% of those positions eliminated were teaching positions.

The District experienced a significant generational transition in its teaching faculty as the 2014-2015 school year drew to a close. Due to changes in Ohio retirement law for teachers and other factors, the District has seen more than 10% of its faculty members retire. During the summer of 2015, the District engaged in a major recruitment effort for new faculty members. Coupled with the turnover of faculty members who obtain new jobs over the summer, nearly 20% of the District's teaching positions are expected to be filled by teachers new to the District at the start of the 2015-2016 school year. Only one remaining faculty member will have more than 30 years of teaching experience. This is a dramatic shift in the experience profile of the District faculty from recent years.

The District currently operates five school units: LaCroft Elementary (grades K-4), North Elementary (grades K-4), Westgate Elementary (grades PK, 5-6), East Liverpool Junior High School (grades 7-8) and East Liverpool High School (grades 9-12). All facilities, except Westgate Elementary, were renovated under the auspices of the Ohio School Facilities Commission (OSFC), now known as the Ohio Facilities Construction Commission (OFFC). Construction was completed during the 2010-2011 school year. At this writing, the District has received permission from the OFFC to continue using the Westgate facility for student instructional purposes. However, the OFFC has declined to provide funding to renovate the building for student instructional purposes. Enrollment at the start of the 2013-2014 year was about 400 more students than a study commissioned by the OSFC projected it would be. The District's unusually high population of special education students requires more classroom space. State law mandates student teacher ratios for some special education programs that are less than half the standard student teacher ratio for regular education programs. Seeking to address socio-economic issues at an early age, the District has expanded preschool programs, which operate from the Westgate facility.

East Liverpool City School District
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During the summer of 2011, administrative officers were relocated to the Westgate facility from the former East Junior High School. The Board of Education authorized the sale of the East Junior High School facility to the City of East Liverpool in June 2012. In exchange, the District acquired property adjacent to East Liverpool High School. In May 2012, the Board of Education agreed to acquire property from BP Oil Co. that is directly west its football stadium, Monroe Patterson Field. This will provide space for maintenance facilities that need to be relocated from the East Junior High School facility. Both real property transactions closed in the fall of 2012. The closure of the East Junior High School facility has reduced District operating costs by more than \$50,000 per year. The District also owns and operates a bus and vehicle maintenance center that is adjacent to the BP Oil property. In 2013, the District completed \$1.4 million in improvements to Patterson Field, which included modern restrooms and a visitors' locker room facility. During the summer of 2015, the District is proceeding with a \$1.9 million project to rehabilitate and add air conditioning to the HVAC system at the Westgate facility.

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

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

Contacting the District's Financial Management

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

East Liverpool City School District
Columbiana County, Ohio
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 7,695,786
Cash and Cash Equivalents:	
Fiscal Agent	1,875,973
Escrow Agent	5,983,342
Segregated Accounts	1,900,000
Receivables:	
Accounts	2,869
Intergovernmental	986,293
Property Taxes	5,004,205
Nondepreciable Capital Assets	494,073
Depreciable Capital Assets (Net)	43,517,535
<i>Total Assets</i>	67,460,076
Deferred Outflows of Resources	
Pension	2,079,680
<i>Total Deferred Outflows of Resources</i>	2,079,680
Liabilities	
Accounts Payable	277,649
Accrued Wages and Benefits	1,830,495
Contracts Payable	324,801
Intergovernmental Payable	542,450
Accrued Vacation Leave Payable	97,931
Matured Compensated Absences Payable	167,113
Accrued Interest Payable	8,977
Claims Payable	515,033
Long Term Liabilities:	
Due Within One Year	470,002
Due In More Than One Year:	
Net Pension Liability (See Note 13)	30,112,238
Other Amounts Due in More Than One Year	11,618,683
<i>Total Liabilities</i>	45,965,372
Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	3,915,837
Pension	5,447,755
<i>Total Deferred Inflows of Resources</i>	9,363,592
Net Position	
Net Investment in Capital Assets	35,276,203
Restricted For:	
Capital Outlay	244,680
Debt Service	6,052,887
Other Purposes	2,544,552
Unrestricted	(29,907,530)
<i>Total Net Position</i>	\$ 14,210,792

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 11,123,282	\$ 690,027	\$ 792,527	\$ 0	\$ (9,640,728)
Special	3,673,746	159,822	2,346,094	0	(1,167,830)
Vocational	1,080,295	0	316,934	0	(763,361)
Adult/Continuing	4,863	0	400	0	(4,463)
Student Intervention Services	9,401	0	6,391	0	(3,010)
Other	1,722,000	126,857	0	0	(1,595,143)
Support Services:					
Pupils	1,687,088	0	354,039	0	(1,333,049)
Instructional Staff	849,732	0	168,937	0	(680,795)
Board of Education	296,546	0	0	0	(296,546)
Administration	1,497,553	40,581	141,899	0	(1,315,073)
Fiscal	559,028	0	9,888	0	(549,140)
Business	4,170	0	0	0	(4,170)
Operation and Maintenance of Plant	3,483,655	0	82,396	480	(3,400,779)
Pupil Transportation	1,136,517	13,552	110,236	0	(1,012,729)
Central	46,976	0	9,000	0	(37,976)
Operation of Non-Instructional Services:					
Food Service Operations	1,162,269	272,731	954,747	0	65,209
Community Services	158,112	0	147,720	0	(10,392)
Extracurricular Activities	470,461	128,472	9,838	0	(332,151)
Debt Service:					
Interest and Fiscal Charges	56,369	0	0	0	(56,369)
Total	\$ 29,022,063	\$ 1,432,042	\$ 5,451,046	\$ 480	(22,138,495)

General Revenues

Property Taxes Levied for:		
General Purposes		3,915,450
Debt Service		394,202
Other Purposes		64,204
Grants and Entitlements Not Restricted to Specific Programs		18,541,394
Investment Earnings		369,015
Miscellaneous		354,002
Total General Revenues		23,638,267
<i>Change in Net Position</i>		1,499,772
<i>Net Position Beginning of Year (Restated See Note 2)</i>		12,711,020
<i>Net Position End of Year</i>		\$ 14,210,792

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Balance Sheet
Governmental Funds
June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 4,800,293	\$ 0	\$ 2,895,493	\$ 7,695,786
Cash and Cash Equivalents with Escrow Agent	0	5,983,342	0	5,983,342
Cash and Cash Equivalents in Segregated Accounts	0	0	1,900,000	1,900,000
Receivables:				
Accounts	2,869	0	0	2,869
Interfund	31,765	0	0	31,765
Intergovernmental	180,140	0	806,153	986,293
Property Taxes	4,473,963	456,094	74,148	5,004,205
<i>Total Assets</i>	<u>\$ 9,489,030</u>	<u>\$ 6,439,436</u>	<u>\$ 5,675,794</u>	<u>\$ 21,604,260</u>
Liabilities				
Accounts Payable	\$ 201,271	\$ 0	\$ 76,378	\$ 277,649
Accrued Wages and Benefits	1,669,517	0	160,978	1,830,495
Contracts Payable	13,793	0	311,008	324,801
Intergovernmental Payable	496,131	0	46,319	542,450
Matured Compensated Absences Payable	167,113	0	0	167,113
Interfund Payable	0	31,522	243	31,765
<i>Total Liabilities</i>	<u>2,547,825</u>	<u>31,522</u>	<u>594,926</u>	<u>3,174,273</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	3,502,964	355,027	57,846	3,915,837
Unavailable Revenue	1,010,946	86,392	657,451	1,754,789
<i>Total Deferred Inflows of Resources</i>	<u>4,513,910</u>	<u>441,419</u>	<u>715,297</u>	<u>5,670,626</u>
Fund Balances				
Restricted	0	5,966,495	4,389,503	10,355,998
Committed	195,114	0	0	195,114
Assigned	430,823	0	0	430,823
Unassigned	1,801,358	0	(23,932)	1,777,426
<i>Total Fund Balances</i>	<u>2,427,295</u>	<u>5,966,495</u>	<u>4,365,571</u>	<u>12,759,361</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 9,489,030</u>	<u>\$ 6,439,436</u>	<u>\$ 5,675,794</u>	<u>\$ 21,604,260</u>

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances		\$ 12,759,361
 <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.		44,011,608
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 643,512	
Excess Costs	122,355	
SERS Reimbursement	57,785	
Property Taxes	931,137	1,754,789
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		1,360,940
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(8,977)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	2,079,680	
Deferred Inflows - Pension	(5,447,755)	
Net Pension Liability	(30,112,238)	(33,480,313)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
QZAB Bonds	(7,900,000)	
Capital Lease Obligation	(3,100,000)	
Vacations Payable	(97,931)	
Compensated Absences	(1,088,685)	(12,186,616)
<i>Net Position of Governmental Activities</i>		\$ 14,210,792

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 3,933,009	\$ 398,930	\$ 65,007	\$ 4,396,946
Intergovernmental	20,672,285	94,958	3,633,396	24,400,639
Investment Income	21,142	326,091	16	347,249
Tuition and Fees	1,001,524	0	0	1,001,524
Extracurricular Activities	40,581	0	108,417	148,998
Rentals	3,488	0	0	3,488
Charges for Services	1,120	0	272,731	273,851
Contributions and Donations	7,404	0	10,718	18,122
Miscellaneous	131,941	0	1,769	133,710
<i>Total Revenues</i>	<u>25,812,494</u>	<u>819,979</u>	<u>4,092,054</u>	<u>30,724,527</u>
Expenditures				
Current:				
Instruction:				
Regular	9,736,380	0	1,215,943	10,952,323
Special	3,367,096	0	446,222	3,813,318
Vocational	1,050,414	0	60,167	1,110,581
Adult Education	0	0	4,863	4,863
Student Intervention Services	1,552	0	7,849	9,401
Other	1,722,296	0	0	1,722,296
Support Services:				
Pupils	1,410,933	0	271,247	1,682,180
Instructional Staff	600,949	0	299,325	900,274
Board of Education	295,392	0	0	295,392
Administration	1,331,767	0	128,262	1,460,029
Fiscal	575,715	13,534	12,951	602,200
Business	1,206	0	0	1,206
Operation and Maintenance of Plant	2,624,478	0	246,065	2,870,543
Pupil Transportation	1,106,006	0	34,629	1,140,635
Central	37,976	0	9,000	46,976
Extracurricular Activities	229,093	0	191,531	420,624
Operation of Non-Instructional Services:				
Food Service Operations	1,556	0	1,163,602	1,165,158
Community Services	0	0	131,621	131,621
Capital Outlay	0	0	1,064,501	1,064,501
Debt Service:				
Principal Retirement	200,000	0	0	200,000
Interest and Fiscal Charges	51,718	0	0	51,718
<i>Total Expenditures</i>	<u>24,344,527</u>	<u>13,534</u>	<u>5,287,778</u>	<u>29,645,839</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,467,967</u>	<u>806,445</u>	<u>(1,195,724)</u>	<u>1,078,688</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	0	0	1,900,000	1,900,000
Transfers In	0	0	255,000	255,000
Transfers Out	(255,000)	0	0	(255,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(255,000)</u>	<u>0</u>	<u>2,155,000</u>	<u>1,900,000</u>
<i>Net Change in Fund Balance</i>	1,212,967	806,445	959,276	2,978,688
<i>Fund Balances Beginning of Year</i>	<u>1,214,328</u>	<u>5,160,050</u>	<u>3,406,295</u>	<u>9,780,673</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,427,295</u>	<u>\$ 5,966,495</u>	<u>\$ 4,365,571</u>	<u>\$ 12,759,361</u>

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Balances - Total Governmental Funds		\$ 2,978,688
 <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.		
Capital Asset Additions	\$ 1,208,363	
Current Year Depreciation	<u>(1,662,714)</u>	(454,351)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(51,224)	
Excess Costs	36,962	
SERS Reimbursement	57,785	
Intergovernmental	<u>(210,212)</u>	(166,689)
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		200,000
 Debt proceeds issued in the governmental funds that increase long-term in the statement of net position are not reported as revenues.		
Inception of Capital Lease		(1,900,000)
 Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,795,839
 Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,385,288)
 In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when debt payments are made.		
Accrued Interest Payable		(4,651)
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		261,129
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	192,049	
Vacations Payable	<u>(16,954)</u>	<u>175,095</u>
 <i>Change in Net Position of Governmental Activities</i>		 <u>\$ 1,499,772</u>

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 3,759,091	\$ 3,759,091	\$ 3,933,485	\$ 174,394
Intergovernmental	20,592,955	20,592,955	20,688,717	95,762
Investment Income	22,672	22,672	25,169	2,497
Tuition and Fees	858,054	858,054	1,001,524	143,470
Rentals	2,956	2,956	3,138	182
Contributions and Donations	0	0	500	500
Miscellaneous	14,401	14,401	42,551	28,150
<i>Total Revenues</i>	<u>25,250,129</u>	<u>25,250,129</u>	<u>25,695,084</u>	<u>444,955</u>
Expenditures				
Current:				
Instruction:				
Regular	10,350,190	9,997,731	9,774,277	223,454
Special	3,742,031	3,638,239	3,380,375	257,864
Vocational	1,226,783	1,291,458	1,153,306	138,152
Other	1,742,278	1,865,243	1,767,748	97,495
Support Services:				
Pupils	1,522,634	1,586,700	1,448,647	138,053
Instructional Staff	633,336	668,937	606,711	62,226
Board of Education	245,480	318,000	317,073	927
Administration	1,426,391	1,393,852	1,356,852	37,000
Fiscal	567,195	596,361	544,185	52,176
Business	235	1,696	1,695	1
Operation and Maintenance of Plant	2,914,145	2,897,185	2,655,690	241,495
Pupil Transportation	1,330,364	1,261,676	1,182,263	79,413
Central	38,967	39,159	38,130	1,029
Extracurricular Activities	292,789	297,514	250,625	46,889
Capital Outlay	0	282	0	282
Debt Service:				
Principal Retirement	200,000	200,000	200,000	0
Interest and Fiscal Charges	51,718	51,718	51,718	0
<i>Total Expenditures</i>	<u>26,284,536</u>	<u>26,105,751</u>	<u>24,729,295</u>	<u>1,376,456</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,034,407)</u>	<u>(855,622)</u>	<u>965,789</u>	<u>1,821,411</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	500	500	5	(495)
Refund of Prior Year Expenditures	40,000	40,000	86,963	46,963
Refund of Prior Year Receipts	(10,000)	(10,000)	0	10,000
Insurance Recoveries	1,500	1,500	1,874	374
Transfers Out	(50,000)	(755,000)	(755,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(18,000)</u>	<u>(723,000)</u>	<u>(666,158)</u>	<u>56,842</u>
<i>Net Change in Fund Balance</i>	<u>(1,052,407)</u>	<u>(1,578,622)</u>	<u>299,631</u>	<u>1,878,253</u>
<i>Fund Balance Beginning of Year</i>	<u>3,294,947</u>	<u>3,294,947</u>	<u>3,294,947</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>348,192</u>	<u>348,192</u>	<u>348,192</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,590,732</u>	<u>\$ 2,064,517</u>	<u>\$ 3,942,770</u>	<u>\$ 1,878,253</u>

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2015

	Governmental Activities - Internal Service Fund
	<hr/>
Assets	
<i>Current Assets</i>	
Cash and Cash Equivalents with Fiscal Agent	\$ 1,875,973
<i>Total Current Assets</i>	<hr/> 1,875,973 <hr/>
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	515,033
<i>Total Current Liabilities</i>	<hr/> 515,033 <hr/>
Net Position	
Unrestricted	1,360,940
<i>Total Net Position</i>	<hr/> \$ 1,360,940 <hr/> <hr/>

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	Governmental Activities - Internal Service Fund
Operating Revenue	
Charges for Services	\$ 4,444,114
Other	444,417
<i>Total Operating Revenues</i>	4,888,531
Operating Expenses	
Purchased Services	379,694
Claims	4,269,490
<i>Total Operating Expenses</i>	4,649,184
<i>Operating Income (Loss)</i>	239,347
Non-Operating Revenues (Expenses)	
Interest	21,782
<i>Total Non-Operating Revenues (Expenses)</i>	21,782
<i>Change in Net Position</i>	261,129
<i>Net Position Beginning of Year</i>	1,099,811
<i>Net Position End of Year</i>	\$ 1,360,940

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows From Operating Activities	
Cash Received from Service Charges	\$ 4,444,114
Other Cash Receipts	444,417
Cash Paid for Goods and Services	(379,694)
Cash Paid for Claims	(4,306,676)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>202,161</u>
 Cash Flows From Investing Activities	
Interest on Investments	<u>21,782</u>
<i>Net Cash Provided By (Used For) Investing Activities</i>	<u>21,782</u>
 <i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	223,943
 <i>Cash and Cash Equivalents, Beginning of Year</i>	<u>1,652,030</u>
 <i>Cash and Cash Equivalents, End of Year</i>	<u><u>\$ 1,875,973</u></u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ 239,347
Adjustments:	
Increase (Decrease) in Liabilities:	
Claims Payable	<u>(37,186)</u>
<i>Total Adjustments</i>	<u>(37,186)</u>
 <i>Net Cash Provided By (Used For) Operating Activities</i>	<u><u>\$ 202,161</u></u>

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 56,599	\$ 49,878
<i>Total Assets</i>	56,599	\$ 49,878
Liabilities		
Accounts Payable	0	\$ 2,199
Intergovernmental Payable	0	290
Due to Students	0	47,389
<i>Total Liabilities</i>	0	\$ 49,878
Net Position		
Held in Trust for Scholarships	\$ 56,599	

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
Additions	
Miscellaneous	\$ 20,738
Investment Earnings	75
<i>Total Additions</i>	20,813
Deductions	
Payments in Accordance with Trust Agreements	650
<i>Change in Net Position</i>	20,163
<i>Net Position Beginning of Year</i>	36,436
<i>Net Position End of Year</i>	\$ 56,599

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 1 - DESCRIPTION OF THE DISTRICT

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The District's significant accounting policies are described below.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For East Liverpool City School District, this includes the agencies and departments that provide the following services: general operations, food service, preschool, childcare and student related activities of the District.

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

East Liverpool City School District
Columbiana County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The following activities are included within the reporting entity:

Non-Public Schools

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

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Education Service System (ACCESS)

Area Cooperative Computerized Education Service System (ACCESS) is a computer network which provides data services to twenty-six school districts in Columbiana and Mahoning County, two educational service centers, twenty non-public schools and two Special Education Regional Resource Centers. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All of ACCESS revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo, Suite 105, Youngstown, Ohio 44512. During the year ended June 30, 2015 the District paid \$35,471 for basic service charges to ACCESS.

The District also participates in a claims servicing pool, the Jefferson Health Plan, which is presented in Note 20.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

East Liverpool City School District
Columbiana County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The following are the District's major governmental funds:

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

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

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

PROPRIETARY FUND

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

East Liverpool City School District
Columbiana County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

East Liverpool City School District
Columbiana County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Deferred Outflows/Outflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 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 governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 13).

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

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

E. Budgetary Data

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

East Liverpool City School District
Columbiana County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Estimated Resources: Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. On or before July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or before July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final amended certificates of estimated resources issued during fiscal year 2015.

Appropriations: Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. Supplemental appropriations were legally enacted during fiscal year 2015.

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

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

F. Cash and Investments

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

East Liverpool City School District
Columbiana County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

During fiscal year 2015, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which, is the price the investment could be sold for on June 30, 2015. Certificates of deposits are reported at cost.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$21,142, which includes \$10,018 assigned from other funds.

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

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

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

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

East Liverpool City School District
Columbiana County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

H. Interfund Balances

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net position.

I. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation absences are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is an estimate based on the District’s past experience of making termination payments for sick leave.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2015, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

East Liverpool City School District
Columbiana County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

J. 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.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

L. Fund Balance

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

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

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

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

East Liverpool City School District
Columbiana County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

M. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2015, there was no net position restricted by enabling legislation.

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

N. 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.

O. Interfund Activity

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

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P. Operating Revenues and Expenses

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

R. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2015, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

Net Position June 30, 2014	\$ 46,601,884
Adjustments:	
Net Pension Liability	(35,781,734)
Deferred Outflow - Payments Subsequent to Measurement Date	1,890,870
Restated Net Position, July 1, 2014	\$ 12,711,020

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

NOTE 3 - DEFICIT FUND BALANCES

Fund balances at June 30, 2015 included the following individual fund deficits:

	<u>Fund Balance</u>
Non-Major Other Governmental Funds:	
Vocational Education	\$ 8,683
Title-I	13,598
Miscellaneous Federal Grants	1,651

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At fiscal year-end, the carrying amount of the District's deposits was \$8,611,174. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2015, \$7,577,073 of the District's bank balance of \$8,726,360 was exposed to custodial risk as discussed below, while \$1,149,287 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$151,770 held in a STAR Plus account.

The District participates in the Jefferson Health Plan for employee benefits. The amount held at fiscal year end for the employee benefit self-insurance fund was \$1,875,973. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the health plan.

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

B. Investments

As of June 30, 2015, the District had the following investments and maturities:

Entity	Fair Value	Investment Maturity 0-6 Months	Percentage
STAROhio	\$ 2,047,612	\$ 2,047,612	100.00%

As of June 30, 2015, \$5,983,342 is held with an escrow agent in the District’s name. These monies are held for the construction costs associated with a lease-purchase agreement for Qualified Zone Academy Bonds (See Note 10).

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

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio to maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2015 is 53 days and carries a rating of AAAM by Standard & Poor’s.

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

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

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

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NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund Loans

Interfund loans receivable and payable consisted of the following at June 30, 2015, as reported on the fund statement:

	Interfund Receivable	Interfund Payable
General Fund	\$ 31,765	\$ 0
Bond Retirement	0	31,522
Other Governmental Funds:		
Miscellaneous Federal Grants	0	243
Total	\$ 31,765	\$ 31,765

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances were interfund loans which were not repaid in the current fiscal year, however expected to be repaid in the next fiscal year.

Interfund transactions between governmental funds are eliminated on the government-wide financial statements.

B. Interfund Transfers

Transfers made during fiscal year 2015 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 0	\$ 255,000
Nonmajor Governmental Funds	255,000	0
Total	\$ 255,000	\$ 255,000

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

NOTE 6 - PROPERTY TAXES

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

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Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 in the general, bond retirement and classroom facilities maintenance funds were \$140,194, \$14,675, and \$2,363, respectively. The amount available for advance at June 30, 2014, in the general, bond retirement and classroom facilities maintenance funds were \$140,669, \$14,737, and \$2,376, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 143,388,960	92.29%	\$ 144,177,720	92.15%
Public Utility Personal Property	11,981,520	7.71%	12,278,220	7.85%
	<u>\$ 155,370,480</u>	<u>100.00%</u>	<u>\$ 156,455,940</u>	<u>100.00%</u>
Full Tax Rate per \$1,000 of assessed valuation	<u>\$ 37.50</u>		<u>\$ 37.50</u>	

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Notes to the Basic Financial Statements
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NOTE 7 - RECEIVABLES

Receivables at June 30, 2015 consisted of property taxes, accounts (billings for user charged services and student fees), intergovernmental and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year. The intergovernmental receivable at June 30 consisted of federal grants and other receivables.

	Amount
General Fund	\$ 180,140
Other governmental funds:	
Early Childhood Education	41,176
IDEA-B	175,532
Vocational Education	686
Title I - School Improvement	585
Title I	247,504
IDEA - Preschool	14,584
Improving Teacher Quality	297,685
Miscellaneous Federal Grants	28,401
Total other governmental funds	806,153
	\$ 986,293

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East Liverpool City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 39,794	\$ 0	\$ 0	\$ 39,794
Construction in Progress	0	454,279	0	454,279
<i>Total Capital Assets, Not Being Depreciated</i>	<u>39,794</u>	<u>454,279</u>	<u>0</u>	<u>494,073</u>
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	3,208,514	5,264	0	3,213,778
Buildings and Improvements	55,228,351	541,685	0	55,770,036
Furniture and Fixtures	4,574,430	73,386	0	4,647,816
Vehicles	1,891,422	133,749	0	2,025,171
<i>Total Capital Assets, Being Depreciated</i>	<u>64,902,717</u>	<u>754,084</u>	<u>0</u>	<u>65,656,801</u>
<i>Accumulated Depreciation</i>				
Land Improvements	(1,816,635)	(151,155)	0	(1,967,790)
Buildings and Improvements	(14,566,155)	(1,157,797)	0	(15,723,952)
Furniture and Fixtures	(2,874,639)	(240,246)	0	(3,114,885)
Vehicles	(1,219,123)	(113,516)	0	(1,332,639)
<i>Total Accumulated Depreciated</i>	<u>(20,476,552)</u>	<u>(1,662,714)</u>	<u>0</u>	<u>(22,139,266)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>44,426,165</u>	<u>(908,630)</u>	<u>0</u>	<u>43,517,535</u>
<i>Governmental Activities, Capital Assets, Net</i>	<u>\$ 44,465,959</u>	<u>\$ (454,351)</u>	<u>\$ 0</u>	<u>\$ 44,011,608</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,278,385
Vocational	65,100
Support Services:	
Pupils	36,809
Instructional Staff	1,312
Board	1,360
Administration	37,908
Business	2,964
Operations and Maintenance of Plant	42,115
Pupil Transportation	102,799
Food Service Operations	26,002
Community Services	551
Extracurricular Activities	67,409
Total Depreciation	<u>\$ 1,662,714</u>

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NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

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

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

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

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

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

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

Year	Amount
2016	\$ 454,810
2017	446,743
2018	438,500
2019	430,083
2020	421,490
2020 - 2025	1,234,840
2026	198,409
	3,624,875
Less amount representing interest	(524,875)
Present Value of Minimum Lease Payments	\$3,100,000

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NOTE 10 - LONG-TERM OBLIGATIONS

During the fiscal year 2015, the following activity occurred in governmental activities long-term obligations:

	Restated Balance Outstanding June 30, 2014	Additions	Deductions	Balance Outstanding June 30, 2015	Amount Due Within One Year
Governmental Activities:					
Bonds:					
2003 QZAB School Improvement Bonds	\$ 7,900,000	\$ 0	\$ 0	\$ 7,900,000	\$ 0
Net Pension Liability:					
STRS	29,407,786	0	(4,720,120)	24,687,666	0
SERS	6,373,948	0	(949,376)	5,424,572	0
Total Net Pension Liability	35,781,734	0	(5,669,496)	30,112,238	0
Other Long-Term Liabilities:					
Compensated Absences	1,280,734	81,855	(273,904)	1,088,685	122,002
Capital Leases	1,400,000	1,900,000	(200,000)	3,100,000	348,000
Total Other Long-Term Liabilities	2,680,734	1,981,855	(473,904)	4,188,685	470,002
<i>Total Long-Term Obligations</i>	<u>\$ 46,362,468</u>	<u>\$ 1,981,855</u>	<u>\$ (6,143,400)</u>	<u>\$ 42,200,923</u>	<u>\$ 470,002</u>

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

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

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

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

Net Pension Liability: The District pays obligations related to employee compensation from the fund benefiting from their service.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. There is no limit on the amount they may accumulate. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 258 days for classified personnel and 275 days for certified personnel. Upon retirement, payment is made to classified employees for one-third of the first 90 days plus 10% of the remaining balance up to the 255 days maximum and to certified employees for one-third of the first 105 days plus 10% of the remaining balance up to 265 days maximum. In no case shall a certified retiree receive less than 10 days, regardless of the number of sick days accumulated.

B. Life Insurance

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

C. Health Insurance

During fiscal year 2009, the District joined the Jefferson Health Plan self-insurance plan (see Note 20) for its medical and dental insurance programs. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$50,000 per employee. The liability for unpaid claims of \$515,033 is reported in the internal service fund at June 30, 2015, in accordance with Governmental Accounting Standards Board Statement No. 10. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims	Claims Payments	Balance at Fiscal Year End
2014	\$ 551,877	\$ 5,269,822	\$ (5,269,480)	\$ 552,219
2015	552,219	4,269,490	(4,306,676)	515,033

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NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the District contracted for various types of insurance through the Ohio School Insurance Program. Coverage provided is as follows:

Types of Coverage	Coverage Amount
Property: All Building and Contents (\$1,000 deductible)	\$ 101,664,897
Flood: Field, Building and Contents (\$25,000 deductible)	1,000,000
Crime Insurance	25,000
Automobile	3,000,000
Uninsured	1,000,000
General Liability (\$1,000 deductible)	
Per Occurrence	3,000,000
Total Per Year	5,000,000

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

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

NOTE 13 – DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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

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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 - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

One year after an effective benefit date, a benefit recipient is entitled to a 3% cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18%. The remaining 0.82% of the 14% employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$379,038 for fiscal year 2015. Of this amount \$7,955 is reported as an intergovernmental receivable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1% July 1, 2014, and will be increased 1% each year until it reaches 14% on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,416,801 for fiscal year 2015. Of this amount \$224,215 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	\$ 24,687,666	\$ 5,424,572	\$ 30,112,238
Proportion of the Net Pension Liability	0.10149734%	0.10718500%	
Pension Expense	\$ 1,024,372	\$ 360,916	\$ 1,385,288

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At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 237,672	\$ 46,169	\$ 283,841
District contributions subsequent to the measurement date	<u>1,416,801</u>	<u>379,038</u>	<u>1,795,839</u>
Total Deferred Outflows of Resources	<u>\$ 1,654,473</u>	<u>\$ 425,207</u>	<u>\$ 2,079,680</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 4,567,332</u>	<u>\$ 880,423</u>	<u>\$ 5,447,755</u>

\$1,795,839 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 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:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	\$ (1,082,415)	\$ (208,564)	\$ (1,290,979)
2017	(1,082,415)	(208,564)	(1,290,979)
2018	(1,082,415)	(208,564)	(1,290,979)
2019	<u>(1,082,415)</u>	<u>(208,562)</u>	<u>(1,290,977)</u>
	<u>\$ (4,329,660)</u>	<u>\$ (834,254)</u>	<u>\$ (5,163,914)</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25%
Future Salary Increases, including inflation	4% to 22%
COLA or Ad Hoc COLA	3%
Investment Rate of Return	7.75% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 7,739,252	\$ 5,424,572	\$ 3,477,726

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 35,343,085	\$ 24,687,666	\$ 15,676,766

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$54,414, \$66,646 and \$48,899, respectively. For fiscal year 2015, 100% has been contributed. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$108,833, and \$93,221, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

East Liverpool City School District
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Notes to the Basic Financial Statements
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NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The Statement of Revenues, Expenditures and Changes in Fund Balances-Budget (Non-GAAP Basis) and Actual, presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget and the fund financial statements are the following:

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

	Fund
GAAP Basis	\$ 1,212,967
Net adjustments for revenue accruals	23,954
Net adjustments for expenditure accruals	(245,191)
Funds budgeted elsewhere**	(220,644)
Adjustments for encumbrances	(471,455)
Budget Basis	\$ 299,631

**As part of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support and termination benefits funds.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 16 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

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

C. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 17 - SET-ASIDES

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

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

	Capital Improvement Reserve
Set-Aside Restricted Balance, June 30, 2014	\$ 0
Current Year Set-Aside Requirement	370,939
Current Year Qualifying Expenditures	(262,704)
Current Year Offset	(239,801)
Total	\$ (131,566)
Balance Carried Forward to Fiscal Year 2016	\$ 0
Set-Aside Restricted Balance June 30, 2015	\$ 0

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The District had qualifying disbursements and offsets during the year that reduced the capital improvement set-asides below zero. This amount may not be used to reduce the set-aside requirement in future fiscal years. The negative balance is, therefore, not presented as being carried forward to future years.

NOTE 18 - COMMITMENTS

A. Construction Commitments

The following construction commitments at June 30, 2015 will be financed with capital project funds revenues:

	Contract Amount	Expenditures as of June 30, 2015	Amount Remaining on Contract
Cosmetology Technical School Room	\$ 92,831	\$ 26,912	\$ 65,919
HVAC Project (Westgate Building)	\$ 2,035,650	\$ 427,368	\$ 1,608,282

B. Other Commitments

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

Fund	Amount
General	\$ 356,832
Nonmajor Governmental	2,002,878
	\$ 2,359,710

East Liverpool City School District
Columbiana County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 19 - FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General	Bond Retirement	Other Governmental Funds	Total
Restricted for:				
Debt Service	\$ 0	\$ 5,966,495	\$ 0	\$ 5,966,495
Capital Outlay	0	0	2,509,275	2,509,275
Food Services	0	0	412,310	412,310
Classroom Facilities Maintenance	0	0	1,239,758	1,239,758
Other Purposes	0	0	228,160	228,160
Total Restricted	<u>0</u>	<u>5,966,495</u>	<u>4,389,503</u>	<u>10,355,998</u>
Committed-Termination Benefits	<u>195,114</u>	<u>0</u>	<u>0</u>	<u>195,114</u>
Assigned for:				
Encumbrances				
Instruction	172,078	0	0	172,078
Support Services	183,743	0	0	183,743
Extracurricular Activities	166	0	0	166
Public School Support	74,836	0	0	74,836
Total Assigned	<u>430,823</u>	<u>0</u>	<u>0</u>	<u>430,823</u>
Unassigned	<u>1,801,358</u>	<u>0</u>	<u>(23,932)</u>	<u>1,777,426</u>
Total Fund Balance	<u>\$ 2,427,295</u>	<u>\$ 5,966,495</u>	<u>\$ 4,365,571</u>	<u>\$ 12,759,361</u>

NOTE 20 - CLAIMS SERVICING POOL

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

East Liverpool City School District
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Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
<i>State Teachers Retirement System (STRS)</i>		
District's proportion of the net pension liability (asset)	0.10149734%	0.10149734%
District's proportionate share of the net pension liability (asset)	\$ 24,687,666	\$ 29,407,786
District's covered-employee payroll	\$ 10,883,323	\$ 9,322,146
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	226.84%	315.46%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
<i>School Employees Retirement System (SERS)</i>		
District's proportion of the net pension liability (asset)	0.10718500%	0.10718500%
District's proportionate share of the net pension liability (asset)	\$ 5,424,572	\$ 6,373,948
District's covered-employee payroll	\$ 3,434,618	\$ 3,102,392
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.94%	205.45%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

East Liverpool City School District
Columbiana County, Ohio
Required Supplementary Information
Schedule of District Contributions
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 1,416,801	\$ 1,414,832	\$ 1,211,879	\$ 1,270,317
Contributions in Relation to the Contractually Required Contribution	<u>(1,416,801)</u>	<u>(1,414,832)</u>	<u>(1,211,879)</u>	<u>(1,270,317)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 10,120,007	\$ 10,883,323	\$ 9,322,146	\$ 9,771,669
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%
 <i>School Employees Retirement System (SERS)</i>				
Contractually required contribution	\$ 379,038	\$ 476,038	\$ 429,371	\$ 392,846
Contributions in relation to the contractually required contribution	<u>(379,038)</u>	<u>(476,038)</u>	<u>(429,371)</u>	<u>(392,846)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 2,875,857	\$ 3,434,618	\$ 3,102,392	\$ 2,920,788
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

n/a - Information prior to 2008 is not available.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,251,036	\$ 1,178,665	\$ 1,164,680	\$ 1,294,581	\$ 1,397,716	\$ 1,437,683
<u>(1,251,036)</u>	<u>(1,178,665)</u>	<u>(1,164,680)</u>	<u>(1,294,581)</u>	<u>(1,397,716)</u>	<u>(1,437,683)</u>
<u>\$ 0</u>					
\$ 9,623,354	\$ 9,066,654	\$ 8,959,077	\$ 9,958,315	\$ 10,751,662	\$ 11,059,100
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 383,521	\$ 363,918	\$ 249,681	\$ 243,875	n/a	n/a
<u>(383,521)</u>	<u>(363,918)</u>	<u>(249,681)</u>	<u>(243,875)</u>	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a
\$ 3,051,082	\$ 2,687,725	\$ 2,537,409	\$ 2,483,452	n/a	n/a
12.57%	13.54%	9.84%	9.82%	n/a	n/a

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**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
<i>Nutrition Cluster:</i>					
<i>Non-Cash Assistance (Food Distribution):</i>					
National School Lunch Program	10.555		\$76,145		\$76,145
<i>Cash Assistance:</i>					
School Breakfast Program	10.553	\$218,166		\$218,166	
National School Lunch Program	10.555	641,388		641,388	
Total U.S. Department of Agriculture		<u>859,554</u>	<u>76,145</u>	<u>859,554</u>	<u>76,145</u>
UNITED STATES DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
Title 1 Grants to Local Educational Agencies (Title 1, Part A of the ESEA)	84.010	1,532,593		1,490,755	
<i>Special Education Cluster:</i>					
Special Education_Grants to States	84.027	534,706		550,309	
Special Education_Preschool Grants	84.173	13,130		13,832	
<i>Subtotal - Special Education Cluster</i>		<u>547,836</u>		<u>564,141</u>	
Career and Technical Education - Basic Grants to States	84.048	56,670		58,611	
Improving Teacher Quality State Grants (Title II-A)	84.367	263,199		253,486	
Rural Education	84.358	47,727		48,252	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	0		2,000	
Total U.S. Department of Education		<u>2,448,025</u>		<u>2,417,245</u>	
Totals		<u><u>\$3,307,579</u></u>	<u><u>\$76,145</u></u>	<u><u>\$3,276,799</u></u>	<u><u>\$76,145</u></u>

The accompanying notes are an integral part of this schedule.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Liverpool City School District, Columbiana County, (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 11, 2016. We also noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Governmental Accounting Standard No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 11, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the East Liverpool City School District's (the "District") compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the East Liverpool City School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the East Liverpool City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

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www.ohioauditor.gov

Report on Internal Control over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 11, 2016

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster (CFDA #10.553 & 10.555); and Improving Teacher Quality State Grants (CFDA #84.367)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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EAST LIVERPOOL CITY SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 5, 2016**