



Dave Yost · Auditor of State



**CITY OF BELPRE  
WASHINGTON COUNTY  
DECEMBER 31, 2016**

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**CITY OF BELPRE  
WASHINGTON COUNTY  
DECEMBER 31, 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

City of Belpre  
Washington County  
P.O. Box 160  
Belpre, Ohio 45714-0160

To the City Council:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Belpre, Washington County, Ohio (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Management is responsible for 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 City'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 City'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, the business activities, each major fund, and the aggregate remaining fund information of the City of Belpre, Washington County, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Street Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2017, on our consideration of the City'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 City's internal control over financial reporting and compliance.



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

June 20, 2017

## **CITY OF BELPRE, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016**

The discussion and analysis of the City of Belpre's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### **Financial Highlights**

Key financial highlights for 2016 are as follows:

In total, assets and deferred outflows of resources decreased \$713,026. Governmental activities decreased \$652,908; the business-type activities experienced a decrease of \$60,118.

In total, liabilities and deferred inflows of resources decreased \$263,706. Total liabilities and deferred inflows of resources of governmental activities increased \$451,361. Total liabilities and deferred inflows of resources of business-type activities decreased \$715,067 from 2015.

In total, net position decreased \$449,320. Net position of governmental activities decreased \$1,104,269, while net position of business-type activities increased \$654,949 from 2015.

#### **Using this Annual Financial Report**

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

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

#### ***Reporting the City of Belpre as a Whole***

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

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the changes in those assets. This change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as the condition of City capital assets will also need to be evaluated.

## CITY OF BELPRE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

**Governmental Activities** - Most of the City's services are reported here including police, fire, administration, and all departments with the exception of our sewer and water activities. Effective April 1, 2011, the City began reporting sanitation services in the General Fund.

**Business-Type Activities** - Sewer and water services have charges based upon the amount of usage. The City charges fees to recoup the cost of the entire operations of our Sewer and Water Treatment Plants as well as all depreciation associated with the facilities.

#### ***Reporting the City of Belpre's Most Significant Funds***

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

The basic governmental fund financial statements begin on page 16. Fund financial statements provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Belpre, our major funds are the General, Street, Sewer, and Water Funds.

***Governmental Funds*** - Most of the City's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in the 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 City'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 on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled as part of the financial statements.

***Proprietary Funds*** - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

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

##### ***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-65 of this report.

##### ***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 66-71 of this report.

## CITY OF BELPRE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

#### The City of Belpre as a Whole

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2016 compared to 2015. The net position at December 31, 2015 of the business-type activities has been restated as described in Note 3.B.

(Table 1) Net Position						
			(Restated)			
	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total	Restated Total
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and Other Assets	\$ 2,609,624	\$ 2,805,564	\$ 1,452,833	\$ 1,326,332	\$ 4,062,457	\$ 4,131,896
Capital Assets, Net	9,419,486	10,367,286	12,464,914	12,810,609	21,884,400	23,177,895
<i>Total Assets</i>	<u>12,029,110</u>	<u>13,172,850</u>	<u>13,917,747</u>	<u>14,136,941</u>	<u>25,946,857</u>	<u>27,309,791</u>
<b>Deferred outflows of resources</b>						
Pension	789,334	298,502	234,167	75,091	1,023,501	373,593
<i>Total deferred outflows of resources</i>	<u>789,334</u>	<u>298,502</u>	<u>234,167</u>	<u>75,091</u>	<u>1,023,501</u>	<u>373,593</u>
<i>Total Assets and Deferred Outflows of Resources</i>	<u>12,818,444</u>	<u>13,471,352</u>	<u>14,151,914</u>	<u>14,212,032</u>	<u>26,970,358</u>	<u>27,683,384</u>
<b>Liabilities</b>						
Current and Other Liabilities	151,198	147,636	187,466	194,490	338,664	342,126
Long-term Liabilities:						
Due Within One Year	139,847	188,561	699,995	925,191	839,842	1,113,752
Net Pension Liability	2,622,036	2,072,096	618,228	440,167	3,240,264	2,512,263
Other Amounts	100,155	232,337	273,896	951,521	374,051	1,183,858
<i>Total Liabilities</i>	<u>3,013,236</u>	<u>2,640,630</u>	<u>1,779,585</u>	<u>2,511,369</u>	<u>4,792,821</u>	<u>5,151,999</u>
<b>Deferred inflows of resources</b>						
Property Taxes Levied for The Next Fiscal Year	324,500	312,910	0	0	324,500	312,910
Pension	83,971	16,806	25,408	8,691	109,379	25,497
<i>Total Deferred Inflows Of Resources</i>	<u>408,471</u>	<u>329,716</u>	<u>25,408</u>	<u>8,691</u>	<u>433,879</u>	<u>338,407</u>
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>3,421,707</u>	<u>2,970,346</u>	<u>1,804,993</u>	<u>2,520,060</u>	<u>5,226,700</u>	<u>5,490,406</u>
<b>Net Position</b>						
Net Investment in Capital Assets	9,235,381	9,995,202	11,501,167	11,093,512	20,736,548	21,088,714
Restricted	317,442	318,524	126,688	123,914	444,130	442,438
Unrestricted (Deficit)	(156,086)	187,280	719,066	474,546	562,980	661,826
<i>Total Net Position</i>	<u>\$ 9,396,737</u>	<u>\$ 10,501,006</u>	<u>\$ 12,346,921</u>	<u>\$ 11,691,972</u>	<u>\$ 21,743,658</u>	<u>\$ 22,192,978</u>

## CITY OF BELPRE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

The City has adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

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

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

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

## **CITY OF BELPRE, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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

Total governmental assets and deferred outflows of resources decreased \$652,908. The largest decrease was capital assets. Capital assets decreased \$947,800 as a result of depreciation expense exceeding current year additions.

Total governmental liabilities and deferred inflows of resources increased \$451,361. Long-term liabilities increased \$369,044 with an increase of \$549,940 in net pension liability and \$7,665 in compensated absences, offset by capital lease and lease purchase payments of \$171,994, loan payments of \$15,985, and a reduction of \$582 in the police pension payable.

For business-type activities, total assets and deferred outflows of resources decreased \$60,118. While equity in pooled cash and cash equivalents increased \$101,065, accounts receivable increased \$27,196, materials and supplies inventory decreased \$729, prepayments decreased \$1,031 and capital assets decreased by \$345,695. Total liabilities and deferred inflows of resources decreased \$715,067. The most significant decrease was in long-term liabilities, decreasing \$724,760 with a capital lease payment of \$835,903 and other debt payments of \$89,288.

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## CITY OF BELPRE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

The following table shows the changes in net position for 2016 and 2015. The net position at December 31, 2015 of the business-type activities has been restated as described in Note 3.B.

(Table 2)  
Changes in Net Position

	Governmental Activities 2016	Business-Type Activities 2016	Total 2016	Governmental Activities 2015	Business-Type Activities 2015	Total 2015
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 1,363,317	\$ 2,540,232	\$ 3,903,549	\$ 1,183,702	\$ 2,457,734	\$ 3,641,436
Operating Grants,						
Contributions and Interest	368,046	0	368,046	558,152	0	558,152
Total Program Revenues	<u>1,731,363</u>	<u>2,540,232</u>	<u>4,271,595</u>	<u>1,741,854</u>	<u>2,457,734</u>	<u>4,199,588</u>
General Revenues						
Property Taxes	331,019	0	331,019	288,248	0	288,248
Income Tax	1,543,639	0	1,543,639	1,426,321	0	1,426,321
Franchise Tax	123,680	0	123,680	121,065	0	121,065
Grants and Entitlements	168,809	0	168,809	243,385	0	243,385
Interest	10,167	0	10,167	17,637	0	17,637
Donations	15,811	0	15,811	14,909	0	14,909
Other	65,770	28,552	94,322	144,768	20,069	164,837
Total General Revenues	<u>2,258,895</u>	<u>28,552</u>	<u>2,287,447</u>	<u>2,256,333</u>	<u>20,069</u>	<u>2,276,402</u>
<i>Total Revenues</i>	<u>3,990,258</u>	<u>2,568,784</u>	<u>6,559,042</u>	<u>3,998,187</u>	<u>2,477,803</u>	<u>6,475,990</u>
<b>Program Expenses</b>						
General Government	747,132	0	747,132	714,310	0	714,310
Security of Persons and Property:						
Police	1,498,728	0	1,498,728	1,378,545	0	1,378,545
Fire	194,622	0	194,622	186,831	0	186,831
Public Health Services	854,072	0	854,072	717,614	0	717,614
Transportation	1,420,721	0	1,420,721	1,552,499	0	1,552,499
Leisure Time Activities:						
Senior Center	94,217	0	94,217	90,147	0	90,147
Parks	154,586	0	154,586	162,592	0	162,592
Pool	118,366	0	118,366	115,578	0	115,578
Interest and Fiscal Charges	12,083	0	12,083	19,776	0	19,776
Sewer	0	1,191,508	1,191,508	0	1,135,046	1,135,046
Water	0	722,327	722,327	0	693,700	693,700
<i>Total Program Expenses</i>	<u>5,094,527</u>	<u>1,913,835</u>	<u>7,008,362</u>	<u>4,937,892</u>	<u>1,828,746</u>	<u>6,766,638</u>
<i>Increase (Decrease) in Net Position</i>	(1,104,269)	654,949	(449,320)	(939,705)	649,057	(290,648)
<i>Net Position Beginning of Year (Restated)</i>	10,501,006	11,691,972	22,192,978	11,440,711	11,042,915	22,483,626
<i>Net Position End of Year</i>	<u>\$ 9,396,737</u>	<u>\$ 12,346,921</u>	<u>\$ 21,743,658</u>	<u>\$ 10,501,006</u>	<u>\$ 11,691,972</u>	<u>\$ 22,192,978</u>

## CITY OF BELPRE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

#### *Governmental Activities*

Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. The income tax rate is 1.0 percent. General revenues from grants and entitlements, such as local government funds, are also a large revenue generator. The City monitors both of these revenue sources very closely for fluctuations because the income tax and intergovernmental revenue represent 51 percent of all revenues in the governmental activities.

Income tax collections experienced an increase of \$117,318. The City began using the Regional Income Tax (RITA) for its income tax collection effective January 1, 2012 (See Note 18.C for detail).

The City has worked very hard on increasing our income tax base by being proactive with new businesses and is continuing to strive to provide better service to the taxpayers at the lowest possible cost. The ability of the City to continue to provide quality services without income tax increases rests on City Management's ability to keep costs in line. The level of services provided have put a strain on the City's finances since no increase has occurred in the income tax rates since the enactment of the income tax levy in 1976.

Security of persons and property is a major activity of the City, generating 33% of the governmental expenses. During 2016, expenses for police and fire operations amounted to \$1,498,728 and \$194,622, respectively. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the activities of the police department with grants to enable the police department to widen the scope of its activities. The Belpre Volunteer Firefighters, Inc., an entity separate and distinct from the City, has worked hand in hand with the City to help reduce costs to the taxpayer by providing much of the equipment used by the fire department.

Transportation activities of the City accounted for 28% of the governmental expenses. The expenses were related to street maintenance, paving, and patching as well as street lighting.

#### *Business-Type Activities*

The City's business-type activities provide water and sewer services. Effective April 1, 2011, the City began reporting the revenues and expenses associated with sanitation services in the General Fund. The City, itself, does not provide trash pickup, but contracts this service from an outside vendor. The City provides the billing service for trash pickup on the existing utility bills and receives a commission from the vendor for providing this service for them. In July 2010, contracts were signed, commercial billing was audited, and correct rates were put into place. During 2016, program expenses for all water and sewer operations were exceeded by revenues by \$654,949.

The City's water and sewer departments continued to operate with low rates. In April 2012, the minimum water rate increased to \$9.78 from \$9.39 for the first 3,000 gallons of water consumed and the sewer rate increased to \$19.16 from \$18.42. The administration and city council are proud to be able to keep rates below the neighboring water associations and provide a quality product.

## CITY OF BELPRE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

#### **The City's Funds**

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$3,901,795 and expenditures of \$4,209,675. Revenues decreased \$159,834 and expenditures decreased \$63,436 from 2015 levels.

The fund balance of the General Fund decreased \$296,919. Revenues increased \$14,436 from 2015 levels mainly due to an increase in fines and forfeitures revenues of \$39,598, an increase in income taxes of \$12,012 and an increase in charges for services of \$140,684. Expenditures increased \$132,543 from 2015 levels mainly in public health and welfare expenditures, which increased \$135,133.

The Street Fund did not experience any significant changes from the previous year. The fund balance increased \$16,034. The increase in fund balance was mainly due to a decrease in transportation expenses of \$74,422.

During 2016, the Sewer Fund had operating revenues of \$1,508,886 (\$1,443,588 in 2015) and operating expenses of \$1,162,583 (\$1,087,106 in 2015). The Water Fund had operating revenues of \$1,053,684 (\$1,035,103 in 2015) and operating expenses of \$694,332 (\$650,602 in 2015).

#### ***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. From time to time during the year, the fund's budget may be amended as needs or conditions change.

During the course of 2016, the City's Estimated Revenues were not changed. Appropriations were increased \$110,096. Recommendations for any budget changes come from the City Auditor to the Finance Committee of Council for review before going to Council for Ordinance enactment on the change. The allocation of appropriations among objects, except personal services, within a fund may be modified during the year by the City Auditor without an ordinance of Council. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

The City's ending unencumbered cash balance in the General Fund was \$733,180, \$442,785 above the final budgeted amount. The City received \$169,596 more in revenues than anticipated partly explained by an increase in income taxes. The City also cut actual expenditures by \$270,050, reducing amounts in nearly all appropriated programs.

## CITY OF BELPRE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

#### **Capital Assets and Debt Administration**

(Table 3)  
Capital Assets at December 31, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,727,575	\$ 2,727,575	\$ 242,194	\$ 242,194	\$ 2,969,769	\$ 2,969,769
Construction in Progress	0	0	173,552	152,350	173,552	152,350
Buildings and Improvements	2,853,768	2,959,400	423,176	438,806	3,276,944	3,398,206
Machinery and Equipment	310,166	390,646	369,314	431,389	679,480	822,035
Vehicles	259,197	284,050	8,006	15,738	267,203	299,788
Infrastructure:						
City Streets	3,123,694	3,837,253	0	0	3,123,694	3,837,253
Street Signals	145,086	168,362	0	0	145,086	168,362
Sewer System	0	0	5,780,829	5,925,353	5,780,829	5,925,353
Water System	0	0	5,467,843	5,604,779	5,467,843	5,604,779
Totals	<u>\$ 9,419,486</u>	<u>\$ 10,367,286</u>	<u>\$ 12,464,914</u>	<u>\$ 12,810,609</u>	<u>\$ 21,884,400</u>	<u>\$ 23,177,895</u>

The capital assets of the City are reported at historical cost, net of depreciation. The City's major outlays for governmental activities included machinery and equipment of \$8,790 for the parks and \$108,482 in vehicles. The City's major outlays for business-type activities included \$27,360 for sewer machinery and equipment and \$21,202 in construction in progress for the sewer lift station project.

For additional information on capital assets, see Note 9 to the basic financial statements.

The following table shows the outstanding debt obligations as of December 31, 2016 and 2015. The long-term debt obligations at December 31, 2015 of the business-type activities has been restated as described in Notes 3.B and 12 to the basic financial statements.

(Table 4)  
Outstanding Debt at December 31, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	(Restated)		2016	2015
			2016	2015		
OPWC Loans	\$0	\$0	\$ 112,700	\$ 127,708	\$ 112,700	\$ 127,708
OWDA Loan	0	0	166,362	150,639	166,362	150,639
Other Loans	0	0	34,716	103,517	34,716	103,517
Ambulance Promissory Note	0	15,985	0	0	0	15,985
Capital Leases	116,865	267,162	649,969	1,485,872	766,834	1,753,034
Lease Purchase	67,240	88,937	0	0	67,240	88,937
Police Pension Liability	16,562	17,144	0	0	16,562	17,144
Totals	<u>\$ 200,667</u>	<u>\$ 389,228</u>	<u>\$ 963,747</u>	<u>\$ 1,867,736</u>	<u>\$ 1,164,414</u>	<u>\$ 2,256,964</u>

## **CITY OF BELPRE, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016**

The City had no bond issues outstanding but had a police pension liability, various loans payable, capital leases payable and a lease purchase agreement at December 31, 2016, totaling \$1,164,414, of which \$839,842 is due within one year. The City has two Ohio Public Works Issue II loans outstanding, one for a water well replacement and one for sewer treatment plant improvements. The City also has long-term loan outstanding for a water tank and an OWDA loan.

For additional information on debt, see Note 12 to the basic financial statements.

#### **Current Financial Related Activities**

The City of Belpre was pleased to welcome Marietta Memorial Health System in 2011 and are delighted that they continue to grow in our community. They have brought new jobs which has increased the tax base and customer traffic for current and new businesses. The city administration, city council and the Belpre Area Chamber of Commerce Economic Development committee have been working aggressively with realtors to move businesses into our available locations. Several new businesses have broken ground and we expect added growth and opportunities in the coming months.

The City is committed to improving the safety and health of our residents. The administration has a schedule for periodic replacement of fire hydrants that have been in place for over 50 years. Additions to equipment include: police vehicles, riding mowers and tractors to safely maintain our park system and other properties, and a tar melter to seal roadways extending the life of roadway surfaces. A Fit Trail was added to Civitan Park through grants from The Sisters Health Foundation and Belpre Area Community Development Foundation in time for the summer of 2016. This 10 station Fit Trail consists of equipment and instruction on how to improve mobility and flexibility.

#### **Contacting the City Auditor's Department**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with an overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Leslie Pittenger, Belpre City Auditor, 715 Park Drive, Belpre, Ohio 45714, 740-423-7592.

**CITY OF BELPRE, OHIO**

STATEMENT OF NET POSITION  
DECEMBER 31, 2016

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$1,153,263	\$1,163,554	\$2,316,817
Cash and cash equivalents in segregated accounts . . . . .	6,944	0	6,944
Receivables:			
Income taxes. . . . .	701,329	0	701,329
Property taxes . . . . .	351,677	0	351,677
Accounts. . . . .	116,740	269,918	386,658
Intergovernmental . . . . .	234,633	0	234,633
Materials and supplies inventory. . . . .	21,504	8,520	30,024
Prepayments . . . . .	23,534	10,841	34,375
Capital assets:			
Non-depreciable capital assets, net. . . . .	2,727,575	415,746	3,143,321
Depreciable capital assets, net. . . . .	6,691,911	12,049,168	18,741,079
Total capital assets, net. . . . .	<u>9,419,486</u>	<u>12,464,914</u>	<u>21,884,400</u>
Total assets . . . . .	<u>12,029,110</u>	<u>13,917,747</u>	<u>25,946,857</u>
<b>Deferred outflows of resources:</b>			
Pension OP&F . . . . .	350,692	0	350,692
Pension OPERS . . . . .	438,642	234,167	672,809
Total deferred outflows of resources . . . . .	<u>789,334</u>	<u>234,167</u>	<u>1,023,501</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	60,755	23,815	84,570
Contracts payable. . . . .	393	8,231	8,624
Accrued wages and benefits payable . . . . .	57,086	16,633	73,719
Intergovernmental payable . . . . .	12,624	5,452	18,076
Accrued interest payable . . . . .	90	1,167	1,257
Vacation benefits payable. . . . .	20,250	5,480	25,730
Customer deposits payable . . . . .	0	126,688	126,688
Long-term liabilities:			
Due within one year . . . . .	139,847	699,995	839,842
Due in more than one year:			
Net pension liability . . . . .	2,622,036	618,228	3,240,264
Other amounts due in more than one year. . . . .	<u>100,155</u>	<u>273,896</u>	<u>374,051</u>
Total liabilities . . . . .	<u>3,013,236</u>	<u>1,779,585</u>	<u>4,792,821</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	324,500	0	324,500
Pension OP&F. . . . .	36,375	0	36,375
Pension OPERS. . . . .	<u>47,596</u>	<u>25,408</u>	<u>73,004</u>
Total deferred inflows of resources . . . . .	<u>408,471</u>	<u>25,408</u>	<u>433,879</u>
<b>Net position:</b>			
Net investment in capital assets. . . . .	9,235,381	11,501,167	20,736,548
Restricted for:			
Capital projects . . . . .	4,881	0	4,881
Street improvements . . . . .	205,143	0	205,143
Community development programs . . . . .	21,529	0	21,529
Law enforcement . . . . .	24,948	0	24,948
Parks and recreation . . . . .	9,868	0	9,868
Mayor's court. . . . .	45,545	0	45,545
Unclaimed monies . . . . .	5,528	0	5,528
Customer deposits . . . . .	0	126,688	126,688
Unrestricted. . . . .	<u>(156,086)</u>	<u>719,066</u>	<u>562,980</u>
Total net position . . . . .	<u>\$9,396,737</u>	<u>\$12,346,921</u>	<u>\$21,743,658</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELPRE, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

		<b>Program Revenues</b>	
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>
<b>Governmental activities:</b>			
General government . . . . .	\$747,132	\$210,070	\$3,873
Security of persons and property			
Police. . . . .	1,498,728	148,412	0
Fire . . . . .	194,622	52,928	0
Public health and welfare . . . . .	854,072	876,484	0
Transportation. . . . .	1,420,721	27,366	364,173
Leisure time activities:			
Senior center . . . . .	94,217	0	0
Parks . . . . .	154,586	0	0
Pool . . . . .	118,366	48,057	0
Interest and fiscal charges . . . . .	12,083	0	0
Total governmental activities. . . . .	<u>5,094,527</u>	<u>1,363,317</u>	<u>368,046</u>
<b>Business-type activities:</b>			
Sewer. . . . .	1,191,508	1,508,886	0
Water. . . . .	<u>722,327</u>	<u>1,031,346</u>	<u>0</u>
Total business-type activities . . . . .	<u>1,913,835</u>	<u>2,540,232</u>	<u>0</u>
Total primary government. . . . .	<u><u>\$7,008,362</u></u>	<u><u>\$3,903,549</u></u>	<u><u>\$368,046</u></u>
<b>General revenues:</b>			
Property taxes levied for general purposes . . .			
Income taxes levied for general purposes . . .			
Franchise tax . . . . .			
Grants and entitlements not restricted			
to specific programs . . . . .			
Investment earnings . . . . .			
Donations . . . . .			
Miscellaneous . . . . .			
Total general revenues . . . . .			
Change in net position . . . . .			
<b>Net position at beginning of year (restated) .</b>			
<b>Net position at end of year. . . . .</b>			

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
(\$533,189)	\$0	(\$533,189)
(1,350,316)	0	(1,350,316)
(141,694)	0	(141,694)
22,412	0	22,412
(1,029,182)	0	(1,029,182)
(94,217)	0	(94,217)
(154,586)	0	(154,586)
(70,309)	0	(70,309)
(12,083)	0	(12,083)
<u>(3,363,164)</u>	<u>0</u>	<u>(3,363,164)</u>
0	317,378	317,378
0	309,019	309,019
0	626,397	626,397
<u>(3,363,164)</u>	<u>626,397</u>	<u>(2,736,767)</u>
331,019	0	331,019
1,543,639	0	1,543,639
123,680	0	123,680
168,809	0	168,809
10,167	0	10,167
15,811	0	15,811
65,770	28,552	94,322
<u>2,258,895</u>	<u>28,552</u>	<u>2,287,447</u>
(1,104,269)	654,949	(449,320)
<u>10,501,006</u>	<u>11,691,972</u>	<u>22,192,978</u>
<u>\$9,396,737</u>	<u>\$12,346,921</u>	<u>\$21,743,658</u>

**CITY OF BELPRE, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	<b>General</b>	<b>Street</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . .	\$782,072	\$128,445	\$237,218	\$1,147,735
Cash and cash equivalents in segregated accounts. . . . .	6,335	0	609	6,944
Receivables:				
Income taxes. . . . .	701,329	0	0	701,329
Property taxes. . . . .	351,677	0	0	351,677
Accounts. . . . .	116,482	0	258	116,740
Intergovernmental . . . . .	75,926	142,878	15,829	234,633
Materials and supplies inventory. . . . .	2,829	18,675	0	21,504
Prepayments . . . . .	18,735	4,799	0	23,534
Restricted assets:				
Equity in pooled cash and cash equivalents . .	5,528	0	0	5,528
Total assets . . . . .	<u>2,060,913</u>	<u>294,797</u>	<u>253,914</u>	<u>2,609,624</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	56,484	3,970	301	60,755
Contracts payable. . . . .	354	39	0	393
Accrued wages and benefits payable . . . . .	49,817	7,269	0	57,086
Intergovernmental payable . . . . .	11,501	1,123	0	12,624
Total liabilities . . . . .	<u>118,156</u>	<u>12,401</u>	<u>301</u>	<u>130,858</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . .	324,500	0	0	324,500
Delinquent property tax revenue not available. .	27,177	0	0	27,177
Income tax revenue not available . . . . .	495,424	0	0	495,424
Other nonexchange transactions. . . . .	56,769	93,344	7,569	157,682
Total deferred inflows of resources . . . . .	<u>903,870</u>	<u>93,344</u>	<u>7,569</u>	<u>1,004,783</u>
<b>Fund balances:</b>				
Nonspendable . . . . .	21,564	23,474	0	45,038
Restricted. . . . .	5,528	165,578	221,199	392,305
Committed . . . . .	0	0	24,845	24,845
Assigned . . . . .	677,263	0	0	677,263
Unassigned . . . . .	334,532	0	0	334,532
Total fund balances. . . . .	<u>1,038,887</u>	<u>189,052</u>	<u>246,044</u>	<u>1,473,983</u>
Total liabilities, deferred inflows of resources and fund balances. . . . .	<u><u>\$2,060,913</u></u>	<u><u>294,797</u></u>	<u><u>253,914</u></u>	<u><u>2,609,624</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELPRE, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2016

<b>Total governmental fund balances</b>	\$1,473,983
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,419,486
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.	
Income taxes receivable	\$495,424
Real and other taxes receivable	27,177
Intergovernmental receivable	<u>157,682</u>
Total	680,283
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(90)
Vacation is accrued on the statement of net position, whereas in the funds, vacation leave expenditures are reported when taken.	(20,250)
The net pension liability is not available to pay for current period expenditures and is not due and payable in the current period, respectively; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.	
Deferred outflows of resources	\$789,334
Deferred inflows of resources	(83,971)
Net pension liability	<u>(2,622,036)</u>
Total	(1,916,673)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	\$39,335
Police pension liability	16,562
Capital lease payable	116,865
Lease purchase agreement	<u>67,240</u>
Total	<u>(240,002)</u>
<b>Net position of governmental activities</b>	<u><u>\$9,396,737</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELPRE, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Street	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Income taxes . . . . .	\$1,469,586	\$0	\$0	\$1,469,586
Property taxes. . . . .	313,808	0	0	313,808
Charges for services. . . . .	1,116,219	0	48,057	1,164,276
Licenses and permits . . . . .	110,175	0	0	110,175
Fines and forfeitures . . . . .	150,030	0	11,879	161,909
Intergovernmental. . . . .	169,072	288,743	81,841	539,656
Investment income. . . . .	9,150	915	102	10,167
Rental income . . . . .	5,135	0	0	5,135
Contributions and donations. . . . .	15,811	0	0	15,811
Other . . . . .	60,635	27,366	23,271	111,272
Total revenues . . . . .	<u>3,419,621</u>	<u>317,024</u>	<u>165,150</u>	<u>3,901,795</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	669,921	0	0	669,921
Security of persons and property:				
Police. . . . .	1,311,823	0	16,939	1,328,762
Fire . . . . .	113,546	0	0	113,546
Public health and welfare. . . . .	853,022	0	0	853,022
Transportation . . . . .	86,722	430,200	120,858	637,780
Leisure time activities:				
Senior center . . . . .	81,808	0	0	81,808
Parks . . . . .	113,448	0	0	113,448
Pool. . . . .	0	0	87,999	87,999
Capital outlay . . . . .	120,742	0	2,000	122,742
Debt service:				
Principal retirement. . . . .	188,561	0	0	188,561
Interest and fiscal charges . . . . .	12,086	0	0	12,086
Total expenditures . . . . .	<u>3,551,679</u>	<u>430,200</u>	<u>227,796</u>	<u>4,209,675</u>
Excess expenditures over revenues . . . . .	<u>(132,058)</u>	<u>(113,176)</u>	<u>(62,646)</u>	<u>(307,880)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	3,139	9,210	434	12,783
Transfers in . . . . .	0	120,000	48,000	168,000
Transfers (out). . . . .	<u>(168,000)</u>	<u>0</u>	<u>0</u>	<u>(168,000)</u>
Total other financing sources (uses) . . . . .	<u>(164,861)</u>	<u>129,210</u>	<u>48,434</u>	<u>12,783</u>
Net change in fund balances . . . . .	<u>(296,919)</u>	<u>16,034</u>	<u>(14,212)</u>	<u>(295,097)</u>
<b>Fund balances at beginning of year . . . . .</b>	<b>1,335,806</b>	<b>173,018</b>	<b>260,256</b>	<b>1,769,080</b>
<b>Fund balances at end of year . . . . .</b>	<b><u>\$1,038,887</u></b>	<b><u>\$189,052</u></b>	<b><u>\$246,044</u></b>	<b><u>\$1,473,983</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELPRE, OHIO**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Net change in fund balances - total governmental funds** (\$295,097)

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$117,272
Current year depreciation	<u>(1,065,072)</u>
Total	(947,800)

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

Income taxes	\$74,053
Property taxes	17,211
Intergovernmental revenues	<u>(2,801)</u>
Total	88,463

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 188,561

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. 3

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 210,408

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (336,681)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (12,126)

**Change in net position of governmental activities** (\$1,104,269)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELPRE, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Income taxes . . . . .	\$1,141,689	\$1,141,689	\$1,252,595	\$110,906
Real and other taxes. . . . .	302,500	302,500	313,808	11,308
Charges for services. . . . .	1,101,043	1,101,043	1,111,673	10,630
Fees, licenses and permits. . . . .	140,100	140,100	146,943	6,843
Fines and forfeitures . . . . .	100,000	100,000	112,992	12,992
Intergovernmental. . . . .	165,900	165,900	169,485	3,585
Investment income. . . . .	10,000	10,000	9,150	(850)
Rental income . . . . .	3,000	3,000	5,135	2,135
Contributions and donations. . . . .	12,500	12,500	15,811	3,311
Other . . . . .	60,960	60,960	69,696	8,736
Total revenues . . . . .	<u>3,037,692</u>	<u>3,037,692</u>	<u>3,207,288</u>	<u>169,596</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	736,347	740,061	692,991	47,070
Security of persons and property:				
Police . . . . .	1,455,725	1,455,725	1,312,727	142,998
Fire . . . . .	119,054	149,054	114,861	34,193
Public health and welfare. . . . .	836,857	876,857	852,888	23,969
Transportation . . . . .	88,000	88,000	85,210	2,790
Leisure time activities:				
Senior center. . . . .	79,185	79,685	76,203	3,482
Parks . . . . .	131,010	136,892	120,039	16,853
Debt service:				
Principal retirement. . . . .	15,985	15,985	16,567	(582)
Interest and fiscal charges . . . . .	155	155	878	(723)
Total expenditures . . . . .	<u>3,462,318</u>	<u>3,542,414</u>	<u>3,272,364</u>	<u>270,050</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(424,626)</u>	<u>(504,722)</u>	<u>(65,076)</u>	<u>439,646</u>
<b>Other financing uses:</b>				
Sale of capital assets. . . . .	0	0	3,139	3,139
Transfers out . . . . .	<u>(138,000)</u>	<u>(168,000)</u>	<u>(168,000)</u>	<u>0</u>
Total other financing uses . . . . .	<u>(138,000)</u>	<u>(168,000)</u>	<u>(164,861)</u>	<u>3,139</u>
Net change in fund balances . . . . .	<u>(562,626)</u>	<u>(672,722)</u>	<u>(229,937)</u>	<u>442,785</u>
<b>Fund balance at beginning of year. . . . .</b>	<u>963,117</u>	<u>963,117</u>	<u>963,117</u>	<u>0</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$400,491</u>	<u>\$290,395</u>	<u>\$733,180</u>	<u>\$442,785</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELPRE, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
STREET FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Intergovernmental . . . . .	\$258,000	\$288,000	\$288,327	\$327
Investment income. . . . .	1,000	1,000	915	(85)
Other . . . . .	24,844	24,844	32,673	7,829
Total revenues . . . . .	<u>283,844</u>	<u>313,844</u>	<u>321,915</u>	<u>8,071</u>
<b>Expenditures:</b>				
Current:				
Transportation . . . . .	495,138	525,138	444,878	80,260
Total expenditures . . . . .	<u>495,138</u>	<u>525,138</u>	<u>444,878</u>	<u>80,260</u>
Excess of expenditures over revenues. . . . .	<u>(211,294)</u>	<u>(211,294)</u>	<u>(122,963)</u>	<u>88,331</u>
<b>Other financing sources:</b>				
Sale of capital assets. . . . .	0	0	9,210	9,210
Transfers in . . . . .	90,000	90,000	120,000	30,000
Total other financing sources . . . . .	<u>90,000</u>	<u>90,000</u>	<u>129,210</u>	<u>39,210</u>
Net change in fund balances . . . . .	<u>(121,294)</u>	<u>(121,294)</u>	<u>6,247</u>	<u>127,541</u>
<b>Fund balance at beginning of year. . . . .</b>	<b>122,198</b>	<b>122,198</b>	<b>122,198</b>	<b>0</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$904</u></b>	<b><u>\$904</u></b>	<b><u>\$128,445</u></b>	<b><u>\$127,541</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELPRE, OHIO**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2016**

<b>Business-type Activities - Enterprise Funds</b>				
	<b>Sewer</b>	<b>Water</b>	<b>Nonmajor Enterprise</b>	<b>Total</b>
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and cash equivalents . . . . .	\$322,655	\$271,353	\$442,858	\$1,036,866
Accounts. . . . .	162,552	107,366	0	269,918
Materials and supplies inventory. . . . .	3,748	4,772	0	8,520
Prepayments . . . . .	7,093	3,748	0	10,841
Restricted assets:				
Customer deposits - cash . . . . .	0	126,688	0	126,688
Total current assets . . . . .	<u>496,048</u>	<u>513,927</u>	<u>442,858</u>	<u>1,452,833</u>
Noncurrent assets:				
Capital assets:				
Non-depreciable capital assets. . . . .	243,767	171,979	0	415,746
Depreciable capital assets, net. . . . .	<u>6,237,233</u>	<u>5,811,935</u>	<u>0</u>	<u>12,049,168</u>
Total noncurrent assets . . . . .	<u>6,481,000</u>	<u>5,983,914</u>	<u>0</u>	<u>12,464,914</u>
Total assets . . . . .	<u>6,977,048</u>	<u>6,497,841</u>	<u>442,858</u>	<u>13,917,747</u>
<b>Deferred outflows of resources:</b>				
Pension OPERS	<u>180,938</u>	<u>53,229</u>	<u>0</u>	<u>234,167</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable. . . . .	13,681	10,134	0	23,815
Contracts payable. . . . .	8,231	0	0	8,231
Accrued wages and benefits payable . . . . .	13,205	3,428	0	16,633
Intergovernmental payable . . . . .	4,922	530	0	5,452
Accrued interest payable . . . . .	874	293	0	1,167
Vacation benefits payable . . . . .	4,363	1,117	0	5,480
Capital lease obligations payable . . . . .	361,486	288,483	0	649,969
OPWC loans payable . . . . .	10,915	4,395	0	15,310
Loans payable . . . . .	0	34,716	0	34,716
Customer deposits payable from restricted assets . . . . .	0	126,688	0	126,688
Total current liabilities . . . . .	<u>417,677</u>	<u>469,784</u>	<u>0</u>	<u>887,461</u>
Long-term liabilities:				
Compensated absences payable . . . . .	6,403	3,741	0	10,144
OWDA loan payable . . . . .	166,362	0	0	166,362
OPWC loans payable . . . . .	76,494	20,896	0	97,390
Net pension liability . . . . .	<u>477,699</u>	<u>140,529</u>	<u>0</u>	<u>618,228</u>
Total long-term liabilities . . . . .	<u>726,958</u>	<u>165,166</u>	<u>0</u>	<u>892,124</u>
Total liabilities . . . . .	<u>1,144,635</u>	<u>634,950</u>	<u>0</u>	<u>1,779,585</u>
<b>Deferred inflows of resources:</b>				
Pension OPERS. . . . .	<u>19,633</u>	<u>5,775</u>	<u>0</u>	<u>25,408</u>
<b>Net position:</b>				
Net investment in capital assets. . . . .	5,865,743	5,635,424	0	11,501,167
Restricted for other purposes . . . . .	0	126,688	0	126,688
Unrestricted . . . . .	<u>127,975</u>	<u>148,233</u>	<u>442,858</u>	<u>719,066</u>
Total net position. . . . .	<u>\$5,993,718</u>	<u>\$5,910,345</u>	<u>\$442,858</u>	<u>\$12,346,921</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELPRE, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewer</b>	<b>Water</b>	<b>Nonmajor Enterprise</b>	<b>Total</b>
<b>Operating revenues:</b>				
Charges for services . . . . .	\$1,508,886	\$1,031,346	\$0	\$2,540,232
Other operating revenues . . . . .	0	22,338	0	22,338
Total operating revenues. . . . .	<u>1,508,886</u>	<u>1,053,684</u>	<u>0</u>	<u>2,562,570</u>
<b>Operating expenses:</b>				
Personal services . . . . .	490,256	135,294	0	625,550
Contract services. . . . .	337,105	227,015	0	564,120
Materials and supplies. . . . .	120,534	131,005	0	251,539
Depreciation. . . . .	214,470	179,360	0	393,830
Other . . . . .	218	21,658	0	21,876
Total operating expenses. . . . .	<u>1,162,583</u>	<u>694,332</u>	<u>0</u>	<u>1,856,915</u>
Operating income . . . . .	<u>346,303</u>	<u>359,352</u>	<u>0</u>	<u>705,655</u>
<b>Nonoperating revenues (expenses):</b>				
Interest and fiscal charges . . . . .	(28,925)	(27,995)	0	(56,920)
Gain on sale of capital assets . . . . .	2,250	3,964	0	6,214
Total nonoperating revenues (expenses) . . . . .	<u>(26,675)</u>	<u>(24,031)</u>	<u>0</u>	<u>(50,706)</u>
Change in net position . . . . .	319,628	335,321	0	654,949
<b>Net position at beginning of year (restated).</b>	<u>5,674,090</u>	<u>5,575,024</u>	<u>442,858</u>	<u>11,691,972</u>
<b>Net position at end of year . . . . .</b>	<u><b>\$5,993,718</b></u>	<u><b>\$5,910,345</b></u>	<u><b>\$442,858</b></u>	<u><b>\$12,346,921</b></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELPRE, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewer</b>	<b>Water</b>	<b>Nonmajor Enterprise</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Cash received from customers . . . . .	\$1,480,765	\$1,032,271	\$0	\$2,513,036
Cash received from other operations . . . . .	0	22,338	0	22,338
Cash payments for personal services . . . . .	(457,216)	(136,330)	0	(593,546)
Cash payments for contractual services . . . . .	(338,336)	(225,860)	0	(564,196)
Cash payments for materials and supplies . . . . .	(120,869)	(133,540)	0	(254,409)
Cash payments for other expenses . . . . .	(218)	(18,884)	0	(19,102)
Net cash provided by operating activities . . . . .	<u>564,126</u>	<u>539,995</u>	<u>0</u>	<u>1,104,121</u>
<b>Cash flows from capital and related financing activities:</b>				
Gain on sale of capital assets . . . . .	2,250	4,391	0	6,641
Acquisition of capital assets . . . . .	(48,562)	0	0	(48,562)
Loan proceeds . . . . .	21,202	0	0	21,202
Principal retirement on OPWC loans . . . . .	(10,699)	(4,309)	0	(15,008)
Principal retirement on OWDA loan . . . . .	(5,479)	0	0	(5,479)
Principal retirement on other loans . . . . .	0	(68,801)	0	(68,801)
Principal retirement on capital leases . . . . .	(464,895)	(371,008)	0	(835,903)
Interest and fiscal charges . . . . .	(29,032)	(28,114)	0	(57,146)
Net cash used in capital and related financing activities . . . . .	<u>(535,215)</u>	<u>(467,841)</u>	<u>0</u>	<u>(1,003,056)</u>
Net increase in cash and cash equivalents . . . . .	<u>28,911</u>	<u>72,154</u>	<u>0</u>	<u>101,065</u>
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>293,744</b>	<b>325,887</b>	<b>442,858</b>	<b>1,062,489</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u>\$322,655</u></b>	<b><u>\$398,041</u></b>	<b><u>\$442,858</u></b>	<b><u>\$1,163,554</u></b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income . . . . .	\$ 346,303	\$ 359,352	\$ 0	\$ 705,655
Adjustments:				
Depreciation . . . . .	214,470	179,360	0	393,830
Changes in assets, deferred outflows of resources, liabilities and deferred outflows of resources:				
(Increase) decrease in materials and supplies inventory .	1,451	(722)	0	729
(Increase) decrease in accounts receivable . . . . .	(28,121)	925	0	(27,196)
Decrease in prepayments . . . . .	752	279	0	1,031
(Increase) in deferred outflows - pension - OPERS. . .	(124,413)	(34,663)	0	(159,076)
(Decrease) in accounts payable . . . . .	(3,565)	(931)	0	(4,496)
(Decrease) in contracts payable . . . . .	(382)	-	0	(382)
Increase (decrease) in accrued wages and benefits . . .	674	(354)	0	320
(Decrease) in intergovernmental payable. . . . .	(2,504)	(1,016)	0	(3,520)
Increase in compensated absences payable . . . . .	778	390	0	1,168
(Decrease) in vacation benefits payable . . . . .	(769)	(725)	0	(1,494)
Increase in customer deposits . . . . .	-	2,774	0	2,774
Increase in net pension liability. . . . .	146,361	31,700	0	178,061
Increase in deferred inflows - pension - OPERS. . . . .	<u>13,091</u>	<u>3,626</u>	<u>0</u>	<u>16,717</u>
Net cash provided by operating activities . . . . .	<u>\$ 564,126</u>	<u>\$ 539,995</u>	<u>\$ 0</u>	<u>\$ 1,104,121</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELPRE, OHIO**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2016**

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$10,000
Cash and cash equivalents in segregated accounts. . . . .	3,883
Total assets . . . . .	13,883
<b>Liabilities:</b>	
Intergovernmental payable . . . . .	3,883
Deposits held and due to others . . . . .	10,000
Total liabilities. . . . .	\$13,883

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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## **CITY OF BELPRE, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

#### **NOTE 1 - DESCRIPTION OF THE CITY AND REPORTING ENTITY**

The City of Belpre (the “City”) is a home-rule municipal corporation, incorporated under the laws of the State of Ohio. The City is organized as a Mayor/Council form of government. Located in the southern part of Washington County, Belpre became a city in 1961. The Mayor, Auditor, Treasurer, and Law Director, all with four year terms, and an eight member Council, with two year terms, are elected. Department directors and public members of various boards and commissions are appointed by the Mayor.

##### ***Reporting Entity***

A reporting entity consists of the primary government, component units, and other organizations that are included to ensure that financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City, this includes various services including police protection, recreation (including parks), planning and zoning, street maintenance and repair, sanitation, water and sewer, and general administrative services. The operation of each of these activities is directly controlled by Council through the budgetary process.

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

The City participates in the Community Action Program Corporation of Washington-Morgan Counties, Ohio, and the Wood, Washington, Wirt Planning Commission and the Regional Income Tax Agency, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 18.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **A. Basis of Presentation**

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

## CITY OF BELPRE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

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

#### **B. Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

***Governmental Funds*** - Governmental funds are those through which most governmental functions of the City 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 liabilities is reported as fund balance. The following are the City's major governmental funds:

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

## CITY OF BELPRE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

**Street Fund** - The Street Fund is used to account for the portion of the State gasoline tax and motor vehicle registration fees restricted for maintenance of streets within the City.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**Proprietary Funds** - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service. The City's proprietary funds are all classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

**Sewer Fund** - The Sewer Fund is used to account for the revenues generated from the charges for sanitary sewer services provided to the residential and commercial users of the City.

**Water Fund** - The Water Fund is used to account for the revenues generated from the charges for distribution of water to the residential and commercial users of the City.

**Fiduciary Funds** - Fiduciary fund reporting focuses on net position and changes in net position. There are four categories of fiduciary funds; pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds. The City's agency funds account for payroll activity, pass-thru activity, and mayor's court collections that are distributed to various local governments.

#### **C. Measurement Focus**

**Government-wide Financial Statements** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenditures) in total net position.

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

## CITY OF BELPRE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

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

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: municipal income taxes, hotel taxes, charges for services, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, grants, fees, and rentals.

## CITY OF BELPRE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

***Deferred Outflows of Resources and Deferred Inflows of Resources*** - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, See Note 15 for deferred outflows of resources related the City's net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements 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 City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the City, See Note 15 for deferred inflows of resources related to the City's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

#### **E. Budget Process**

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

## **CITY OF BELPRE, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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

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

#### **F. Cash and Cash Equivalents**

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool except for funds from the Mayor's Court, which is reported separately in cash and cash equivalents in segregated accounts. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

The City had no investments at December 31, 2016.

Following the Codified Ordinances of the City as well as Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is distributed to the General Fund and Street and State Highway Special Revenue Funds. Interest revenue credited to the General Fund during 2016 amounted to \$9,150, which includes \$5,565 assigned from other City funds.

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

#### **G. Inventory**

Inventories of all funds are stated at cost which is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditures in the governmental fund types and as expenses in the proprietary fund type.

#### **H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

## CITY OF BELPRE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

##### **I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent cash and cash equivalents set aside for repayment of deposits to utility customers. Unclaimed monies that are required to be held for five years before they may be utilized by the City are reported as restricted in the General Fund.

##### **J. Capital Assets**

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market value as of the date received. The City maintains a capitalization threshold of one thousand dollars. The City's infrastructure consists of City streets, street signs, traffic signals, and water and sewer systems. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	20 - 50 years	20 - 50 years
Machinery and Equipment	5 - 20 years	5 - 20 years
Vehicles	8 years	8 years
Infrastructure	30 years	50 - 65 years

The City's infrastructure consists of City streets, street signs, traffic signals, and water and sewer systems and includes infrastructure acquired prior to December 31, 1980.

## CITY OF BELPRE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

##### **K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable". The balances are to be used by employees in the year following the year in which the benefit was earned.

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

##### **L. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and special termination benefits 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. Long-term loans, lease purchase agreements and capital leases are recognized as a liability on the governmental fund financial statements when due.

##### **M. Fund Balance**

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally 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 in the general fund.

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

## CITY OF BELPRE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor 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 City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes.

*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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

#### **N. Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

#### **O. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sewer and water utility services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting the definition are reported as non-operating.

## **CITY OF BELPRE, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

##### **P. Contributions of Capital**

Contributions of capital in the governmental activities and the proprietary fund financial statements can arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. The City did not receive any contributions of capital during 2016.

##### **Q. Internal Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

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

##### **R. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

##### **S. 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.

## CITY OF BELPRE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

##### A. Change in Accounting Principles

For 2016, the City has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans" and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

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

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

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

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclosure certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the City.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the City.

## CITY OF BELPRE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### **NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the City.

#### **B. Prior Period Adjustment**

A prior period adjustment is required in order to restate net position and long-term obligations in the business-type activities and in the sewer fund for an Ohio Water Development Authority (OWDA) loan that was reported as a contribution of capital rather than a loan payable in the prior year. The business-type activities and sewer fund at January 1, 2016 have been restated as follows:

	Business-Type Activities	Sewer Fund
Net position as previously reported	\$ 11,842,611	\$ 5,824,729
OWDA Loan	<u>(150,639)</u>	<u>(150,639)</u>
Restated net position at January 1, 2016	<u>\$ 11,691,972</u>	<u>\$ 5,674,090</u>

See Note 12 to the basic financial statements for detail on the effect of the prior period adjustment to the long-term obligations of the business-type activities.

#### **NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the General Fund and Street Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

## **CITY OF BELPRE, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

#### **NOTE 4 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) 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 (as reported in the fund financial statements) to the budgetary basis statements for the General Fund and Street Fund:

#### **Net Change in Fund Balance**

	<u>General Fund</u>	<u>Street Fund</u>
Budget basis	\$ (229,937)	\$ 6,247
Net adjustment for revenue accruals	(38,187)	(4,891)
Net adjustment for expenditure accruals	492	14,678
Net adjustment for fund reclassification	<u>(29,287)</u>	<u>0</u>
GAAP basis	<u><u>\$ (296,919)</u></u>	<u><u>\$ 16,034</u></u>

Certain funds that are legally budgeted in separate special revenue and capital projects funds are considered part of the general fund on a GAAP basis.

#### **NOTE 5 - FUND BALANCES**

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

**CITY OF BELPRE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 5 - FUND BALANCES – (Continued)**

Fund balance	General	Street	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>				
Materials and supplies inventory	\$ 2,829	\$ 18,675	\$0	\$ 21,504
Prepays	18,735	4,799	0	23,534
<b>Total nonspendable</b>	<b>21,564</b>	<b>23,474</b>	<b>0</b>	<b>45,038</b>
<b>Restricted:</b>				
Street improvements	0	165,578	114,428	280,006
Community development	0	0	21,529	21,529
Law enforcement	0	0	24,948	24,948
Pool improvements	0	0	676	676
Parks and recreation	0	0	9,868	9,868
Mayor's Court	0	0	45,545	45,545
Unclaimed monies	5,528	0	0	5,528
Issue II improvements	0	0	4,205	4,205
<b>Total restricted</b>	<b>5,528</b>	<b>165,578</b>	<b>221,199</b>	<b>392,305</b>
<b>Committed:</b>				
Swimming pool operations	0	0	24,845	24,845
<b>Total committed</b>	<b>0</b>	<b>0</b>	<b>24,845</b>	<b>24,845</b>
<b>Assigned:</b>				
Subsequent year appropriations	677,263	0	0	677,263
<b>Total assigned</b>	<b>677,263</b>	<b>0</b>	<b>0</b>	<b>677,263</b>
Unassigned	334,532	0	0	334,532
<b>Total fund balances</b>	<b>\$ 1,038,887</b>	<b>\$ 189,052</b>	<b>\$ 246,044</b>	<b>\$ 1,473,983</b>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the City 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 City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

## **CITY OF BELPRE, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

#### **NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)**

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.

Protection of the City'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 City Auditor 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.

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, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. 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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above;
7. The State Treasurer's investment pool (STAR Ohio); and,
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

## **CITY OF BELPRE, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

#### **NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)**

The City may also invest any monies not required to be used for a period of six months or more in the following:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the City has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

#### **Deposits**

Custodial credit risk for deposits is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the City's deposits was \$2,337,644 and the bank balance was \$2,445,602. Of the bank balance, \$484,258 was covered by Federal depository insurance; \$1,961,344 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

#### **NOTE 7 - INTERFUND ACTIVITY**

Interfund transfers during 2016 consisted of the following:

Transfers to	Transfers from	
	General	
Street fund	\$ 120,000	
Nonmajor special revenue funds	48,000	
Total Transfers	\$ 168,000	

## **CITY OF BELPRE, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

#### **NOTE 7 - INTERFUND ACTIVITY - (Continued)**

Generally, transfers are used to move revenues from the fund that Statute or budget requires to collect them to the fund that Statute or budget requires to expend them; to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and to segregate money for anticipated capital projects.

The transfers from the General Fund to the Street Fund and to the State Highway and Swimming Pool Nonmajor Special Revenue Funds were made to supplement any revenue shortfalls.

Internal fund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at December 31, 2016 are reported on the statement of net position. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

#### **NOTE 8 - RECEIVABLES**

Receivables at December 31, 2016, consisted of municipal income tax, property taxes, interest, accounts (billings for user charged services including unbilled utility services), and intergovernmental receivables arising from entitlements and shared revenues. No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables, except property and income taxes, are expected to be received within one year. Property and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

##### **A. Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

## CITY OF BELPRE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### **NOTE 8 - RECEIVABLES - (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Belpre. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2016 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2016 operations and the collection of delinquent taxes has been offset by deferred inflows of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is reported as a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2016 was \$3.40 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2016 property tax receipts were based are as follows:

Real Property	\$ 120,097,770
Public Utility Tangible Property	<u>3,172,020</u>
Total Assessed Value	<u>\$ 123,269,790</u>

#### **B. Income Taxes**

The City levies a municipal income tax of one percent on substantially all earned income arising from employment or business activities within the City as well as income of residents earned outside of the City.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are distributed to the General Fund.

#### **C. Intergovernmental Receivables**

A summary of intergovernmental receivables follows:

<b>Governmental Activities</b>	<b>Amounts</b>
Local Government	\$ 49,400
Gasoline and Excise Tax	124,233
Motor Vehicle License Tax	30,230
Rollback and Homestead	25,500
Permissive Tax	4,244
Miscellaneous	<u>1,026</u>
	<u><u>\$234,633</u></u>

**CITY OF BELPRE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016, was as follows:

<b>Governmental Activities:</b>	Balance 12/31/15	Increases	Decreases	Balance 12/31/16
Capital Assets not being Depreciated:				
Land	\$ 2,727,575	\$0	\$0	\$ 2,727,575
Total Capital Assets not being Depreciated	<u>2,727,575</u>	<u>0</u>	<u>0</u>	<u>2,727,575</u>
Capital Assets being Depreciated:				
Buildings and Improvements	4,938,797	0	0	4,938,797
Machinery and Equipment	1,233,921	8,790	0	1,242,711
Vehicles	2,300,828	108,482	(90,056)	2,319,254
City Streets	21,263,638	0	0	21,263,638
Street Signals	698,289	0	0	698,289
Total Capital Assets being Depreciated	<u>30,435,473</u>	<u>117,272</u>	<u>(90,056)</u>	<u>30,462,689</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,979,397)	(105,632)	0	(2,085,029)
Machinery and Equipment	(843,275)	(89,270)	0	(932,545)
Vehicles	(2,016,778)	(133,335)	90,056	(2,060,057)
City Streets	(17,426,385)	(713,559)	0	(18,139,944)
Street Signals	(529,927)	(23,276)	0	(553,203)
Total Accumulated Depreciation	<u>(22,795,762)</u>	<u>(1,065,072)</u>	<u>90,056</u>	<u>(23,770,778)</u>
Total Capital Assets being Depreciated, Net	<u>7,639,711</u>	<u>(947,800)</u>	<u>0</u>	<u>6,691,911</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,367,286</u>	<u>\$ (947,800)</u>	<u>\$0</u>	<u>\$ 9,419,486</u>

Depreciation expense was charged to governmental programs as follows:

General Government	\$54,760
Security of Persons and Property:	
Police	70,502
Fire	81,076
Transportation	777,049
Leisure Time Activities:	
Senior Center	12,409
Parks	38,909
Pool	30,367
Total Depreciation Expense	<u>\$1,065,072</u>

Business-type activity for the year ended December 31, 2016, was as follows:

**CITY OF BELPRE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 9 - CAPITAL ASSETS - (Continued)**

<b>Business-Type Activities:</b>	<b>Balance 12/31/15</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/16</b>
Capital Assets not being Depreciated:				
Land	\$ 242,194	\$0	\$0	\$ 242,194
Construction in Progress	152,350	21,202	0	173,552
Total Capital Assets not being Depreciated	<u>394,544</u>	<u>21,202</u>	<u>0</u>	<u>415,746</u>
Capital Assets being Depreciated:				
Buildings and Improvements	761,774	0	0	761,774
Machinery and Equipment	1,603,482	27,360	0	1,630,842
Vehicles	129,610	0	(5,843)	123,767
Infrastructure	16,757,363	0	0	16,757,363
Total Capital Assets being Depreciated	<u>19,252,229</u>	<u>27,360</u>	<u>(5,843)</u>	<u>19,273,746</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(322,968)	(15,630)	0	(338,598)
Machinery and Equipment	(1,172,093)	(89,435)	0	(1,261,528)
Vehicles	(113,872)	(7,305)	5,416	(115,761)
Infrastructure	(5,227,231)	(281,460)	0	(5,508,691)
Total Accumulated Depreciation	<u>(6,836,164)</u>	<u>(393,830)</u>	<u>5,416</u>	<u>(7,224,578)</u>
Total Capital Assets being Depreciated, Net	<u>12,416,065</u>	<u>(366,470)</u>	<u>(427)</u>	<u>12,049,168</u>
Business-Type Activities Capital Assets, Net	<u>\$ 12,810,609</u>	<u>\$ (345,268)</u>	<u>\$ (427)</u>	<u>\$ 12,464,914</u>

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

In previous years, the City entered into a capitalized lease for energy and pool improvements. Capital lease payments have been reclassified and are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. The City made principal payments during 2016 of \$150,297 in the governmental activities and \$835,903 in the business-type activities.

The assets constructed through the capital lease are as follows:

	Governmental Activities	Business-Type Activities
Property under Capital Lease	\$1,337,675	\$7,503,557
Less Accumulated Depreciation	(232,825)	(1,217,883)
Total at December 31, 2016	<u>\$1,104,850</u>	<u>\$6,285,674</u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2016:

## CITY OF BELPRE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### **NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)**

Year Ending December 31,	Governmental Activities	Business-Type Activities	Total
2017	\$ 119,299	\$ 663,503	\$ 782,802
Total Minimum Lease Payments	119,299	663,503	782,802
Less: Amount Representing Interest	(2,434)	(13,534)	(15,968)
Present Value of Net Minimum Lease Payments	<u>\$ 116,865</u>	<u>\$ 649,969</u>	<u>\$ 766,834</u>

#### **NOTE 11 - LEASE PURCHASE OBLIGATION - LESSEE DISCLOSURE**

During 2014, the City entered into a lease purchase agreement in the amount of \$111,699 to finance HVAC improvements to the City building. Capital assets of \$111,699 have been reported in buildings and improvements of the governmental activities at December 31, 2016.

Lease purchase payments have been reclassified and are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. The City made principal payments during 2016 of \$21,697 in the governmental activities.

The following is a schedule of the future long-term minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2016:

Year Ending December 31,	Governmental Activities
2017	\$ 24,137
2018	24,137
2019	<u>22,125</u>
Total Minimum Lease Payments	70,399
Less: Amount Representing Interest	<u>(3,159)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 67,240</u>

#### **NOTE 12 - LONG-TERM OBLIGATIONS**

A schedule of changes in long-term obligations for the governmental activities of the City during 2016 follows:

	Balance 12/31/15	Additions	Retirements	Balance 12/31/16	Amounts Due in One Year
<b>Governmental Activities:</b>					
Capital Lease - 4.15%	\$ 267,162	\$ 0	\$ (150,297)	\$ 116,865	\$ 116,865
Lease Purchase - 3.087%	88,937	0	(21,697)	67,240	22,376
Ambulance Loan - 3.25%	15,985	0	(15,985)	0	0
Police Pension	17,144	0	(582)	16,562	606
Net Pension Liability	2,072,096	549,940	0	2,622,036	0
Compensated Absences	31,670	39,335	(31,670)	39,335	0
Total Governmental Activities	<u>\$ 2,492,994</u>	<u>\$ 589,275</u>	<u>\$ (220,231)</u>	<u>\$ 2,862,038</u>	<u>\$ 139,847</u>

**CITY OF BELPRE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

The beginning balance of the business-type activities long-term obligations has been restated to include a \$150,639 OWDA loan issued for the State Route 7 Sanitary Sewer Design that was outstanding at December 31, 2015. A schedule of changes in long-term obligations for the business-type activities of the City during 2016 follows:

	(Restated)			Amounts	
	Balance 12/31/15	Additions	Retirements	Balance 12/31/16	Due in One Year
<b>Business-Type Activities:</b>					
OPWC Loans:					
Water Well - 2%	\$ 29,600	0	\$ (4,309)	\$ 25,291	\$ 4,395
Wastewater Treatment Plant - 2%	98,108	0	(10,699)	87,409	10,915
Total OPWC Loans	<u>127,708</u>	<u>0</u>	<u>(15,008)</u>	<u>112,700</u>	<u>15,310</u>
OWDA Loan - Rt. 7 Project	<u>150,639</u>	<u>21,202</u>	<u>(5,479)</u>	<u>166,362</u>	<u>0</u>
Other Loans:					
Water Lines Loan - 3.75%	11,168	0	(11,168)	0	0
Water Tank Loan, 2014 - 3.99%	92,349	0	(57,633)	34,716	34,716
Total Other Loans	<u>103,517</u>	<u>0</u>	<u>(68,801)</u>	<u>34,716</u>	<u>34,716</u>
Capital Lease	1,485,872	0	(835,903)	649,969	649,969
Net Pension Liability	440,167	178,061	0	618,228	0
Compensated Absences	8,976	10,144	(8,976)	10,144	0
Total Business-Type Activities	<u>\$ 2,316,879</u>	<u>\$ 209,407</u>	<u>\$ (934,167)</u>	<u>\$ 1,592,119</u>	<u>\$ 699,995</u>

The police pension is paid from general property tax revenues from the General Fund. The police pension liability payments are reflected as program expenditures in the General Fund budgetary statement and principal and interest in the fund financial statements. Capital leases will be paid with energy savings from the General Fund and the Water and Sewer Enterprise Funds. The lease purchase agreement will be paid from the General Fund. Compensated absences for sick leave liabilities will be paid from the General Fund, Street Special Revenue Fund, and Sewer and Water Enterprise Funds. See Note 15 for details on the net pension liability.

On June 20, 2012, the City was approved for a \$120,812 loan to finance the purchase of a new ambulance. The loan matured on June 20, 2016.

The final draw on the Ohio Public Works Commission (OPWC) water well loan was received on September 18, 2000. The full amount of the loan was \$80,103 and was used for improvements to the water well. Charges for services in the Water Enterprise Fund will repay this obligation. The OPWC loan matures in 2024.

The final draw on the OPWC wastewater treatment plant loan was received in 2003. The full amount of the loan was \$207,000. On November 18, 1999, the City was approved for a \$1,023,600 loan for its portion of the Issue II treatment plant project. Since the treatment plant improvements were completed under budget, the City did not borrow the full amount of the approved loan. The amount borrowed was \$850,444. Charges for services in the Sewer Enterprise Fund will repay these obligations.

## **CITY OF BELPRE, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

#### **NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

On May 23, 2012, the City was approved for a \$100,250 loan to finance installation of new water lines. Charges for services in the Water Enterprise Fund will repay this obligation. The loan matures on May 23, 2016.

On July 10, 2003, the City was approved for an \$850,000 loan to construct a new water storage tank. The first draws on the loan were not made until 2004. Since the project was completed under budget, the City did not borrow the full amount of the approved loan. The amount borrowed was \$646,484. In January, 2014 the loan matured and a new loan in the amount of \$196,544 was issued, maturing on July 21, 2017. Charges for services in the Water Enterprise Fund will repay this obligation.

On January 29, 2015, the City was approved for a \$218,400 loan from the OWDA to finance the City's portion of the Route 7 sewer project. The City has pledged future sewer revenues to repay the OWDA loan. A final debt service schedule is not currently available for the loan. A debt service schedule will become available for this loan once all disbursements have been made and the loan is finalized. Annual principal and interest payments on the Route 7 sewer loan is expected to require .98 percent of net revenues and 0.36 percent of total revenues. At December 31, 2016 \$171,841 of the total loan amount has been disbursed. Principal paid for the current year was \$5,479, total net revenues were \$560,773 and total revenues were \$1,508,886.

The City's overall legal debt margin was \$12,943,328 at December 31, 2016.

Principal and interest requirements to retire the police pension liability at December 31, 2016, are as follows:

Year	Principal	Interest	Total
2017	\$ 606	\$ 699	\$ 1,305
2018	632	673	1,305
2019	658	647	1,305
2020	686	619	1,305
2021	715	590	1,305
2022 - 2026	4,054	2,471	6,525
2027 - 2031	4,985	1,540	6,525
2032 - 2035	<u>4,226</u>	<u>390</u>	<u>4,616</u>
	<u><u>\$ 16,562</u></u>	<u><u>\$ 7,629</u></u>	<u><u>\$ 24,191</u></u>

## CITY OF BELPRE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### **NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to retire the OPWC loans at December 31, 2016, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 15,310	\$ 2,178	\$ 17,488
2018	15,618	1,871	17,489
2019	15,931	1,557	17,488
2020	16,252	1,236	17,488
2021	16,577	910	17,487
2022	<u>33,012</u>	<u>957</u>	<u>33,969</u>
	<u>\$ 112,700</u>	<u>\$ 8,709</u>	<u>\$ 121,409</u>

Principal and interest requirements to retire the water tank loan at December 31, 2016, are as follows:

<u>Year</u>	Water Tank Loan		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	<u>\$ 34,716</u>	<u>\$ 468</u>	<u>\$ 35,184</u>

#### **NOTE 13 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2016, the City contracted with USI Midwest, LLC and insurance coverage is provided by the Public Entity Risk Services of Ohio (PERSO).

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the last three years. The various types of coverages, limits, and deductibles are as follows:

<u>Type of Coverage</u>	<u>Limit</u>	<u>Aggregate</u>	<u>Deductible</u>
<b>Property:</b>			
Blanket Building and Contents	\$26,510,766		\$1,000
<b>Liability:</b>			
General	1,000,000 per Occurrence	\$3,000,000	0
Public Officials Liability	1,000,000 per Occurrence	3,000,000	0
Law Enforcement	1,000,000 per Occurrence	3,000,000	2,000
<b>Vehicle:</b>			
Liability	3,000,000		0
Medical Expense	5,000		0

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

## **CITY OF BELPRE, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

#### **NOTE 14 - EMPLOYEE BENEFITS**

##### **A. Insurance**

The City provides life insurance and accidental death and dismemberment insurance for the union employees. The insurance is provided through the AFSCME Care Plan for AFSCME union members and through United Commercial Travelers for police personnel.

The City provides comprehensive major medical insurance for full time employees, other than police, through Medical Mutual and for police through the United Food & Commercial Worker's Union. The City pays 80% of the total monthly premium for the first plan and 94% of the monthly premium for the second plan. Premiums are paid from the same funds that pay the employees' salaries.

##### **B. Compensated Absences**

The criteria for determining vested sick leave are derived from negotiated agreements and State laws. Upon retirement, all employees with ten or more years of service with the City are paid twenty-five percent of their sick leave up to a maximum of 240 hours; however, union employees under the American Federation of State, County, and Municipal Employees with twenty or more years of service are paid twenty-five percent of their sick leave up to a maximum of 300 hours. Upon voluntary termination, death, or retirement, all employees will receive 100% of vacation earned for the current year and not previously taken.

#### **NOTE 15 - DEFINED BENEFIT PENSION PLANS**

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

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

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

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

## CITY OF BELPRE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### **NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

GASB 68 assumes any net pension 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 or overfunded benefits is presented as a long-term *net pension liability*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

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

Plan Description - City employees, other than full-time police, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

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

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

## CITY OF BELPRE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### **NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

## **CITY OF BELPRE, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

#### **NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

	State and Local
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0 %</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$150,690 for 2016. Of this amount, \$6,664 is reported as intergovernmental payable.

#### ***Plan Description – Ohio Police & Fire Pension Fund (OP&F)***

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

## **CITY OF BELPRE, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

#### **NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

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

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

		<u>Police</u>
<b>2016 Statutory Maximum Contribution Rates</b>		
Employer		19.50 %
Employee		12.25 %
<b>2016 Actual Contribution Rates</b>		
Employer:		
Pension		19.00 %
Post-employment Health Care Benefits		0.50 %
Total Employer		<u>19.50 %</u>
Employee		12.25 %

## CITY OF BELPRE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### **NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$112,165 for 2016. Of this amount \$5,094 is reported as intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2016, the specific liability of the City was \$16,562 payable in semi-annual payments through the year 2035.

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

The net pension liability for the OPERS Traditional Pension Plan and Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.0100707%	0.0235672%	
Proportion of the net pension liability current measurement date	<u>0.010255%</u>	<u>0.0227570%</u>	
Change in proportionate share	<u>-0.000452%</u>	<u>-0.0008102%</u>	
Proportionate share of the net pension liability	\$ 1,776,296	\$ 1,463,968	\$ 3,240,264
Pension expense	230,606	194,224	424,830

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF BELPRE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	OPERS	OP&F	Total
<b>Deferred outflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 522,119	\$ 238,280	\$ 760,399
Changes in employer's proportionate percentage/difference between employer contributions	0	247	247
City contributions subsequent to the measurement date	150,690	112,165	262,855
Total deferred outflows of resources	<u>\$ 672,809</u>	<u>\$ 350,692</u>	<u>\$ 1,023,501</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	34,321	4,111	38,432
Changes in employer's proportionate percentage/difference between employer contributions	38,683	32,264	70,947
Total deferred inflows of resources	<u>\$ 73,004</u>	<u>\$ 36,375</u>	<u>\$ 109,379</u>

\$262,855 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2017	\$ 95,746	\$ 55,819	\$ 151,565
2018	105,176	55,819	160,995
2019	130,038	55,817	185,855
2020	118,155	43,036	161,191
2021	0	(7,009)	(7,009)
Thereafter	0	(1,330)	(1,330)
Total	<u>\$ 449,115</u>	<u>\$ 202,152</u>	<u>\$ 651,267</u>

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

## CITY OF BELPRE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### **NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	Pre 1/7/2013 retirees: 3 percent, simple Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.80% simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

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

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 401 (h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

**CITY OF BELPRE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	20.70	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	18.30	7.40
Other investments	<u>18.00</u>	<u>4.59</u>
Total	<u>100.00 %</u>	<u>5.27 %</u>

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 2,830,072	\$ 1,776,295	\$ 887,468

**Changes Between Measurement Date and Report Date**

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Government's net pension liability is expected to be significant.

## CITY OF BELPRE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### **NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

##### ***Actuarial Assumptions – OP&F***

OP&F's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation date	January 1, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8.25 percent
Projected salary increases	4.25 percent to 11 percent
Payroll increases	3.75 percent
Inflation assumptions	3.25 percent
Cost of living adjustments	2.60 and 3.00 percent simple

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

The most recent experience study was completed for the five-year period ended December 31, 2011. The recommended assumption changes based on this experience study were adopted by OPF's Board and were effective beginning with the January 1, 2012 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2015 are summarized below:

**CITY OF BELPRE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Asset Class	Target Allocation	10 Year Expected Real Rate of Return **	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	0.00 %		
Domestic Equity	16.00	4.47 %	7.80 %
Non-US Equity	16.00	4.47	8.00
Core Fixed Income *	20.00	1.62	5.35
Global Inflation			
Protected Securities *	20.00	1.33	4.73
High Yield	15.00	3.39	7.21
Real Estate	12.00	3.93	7.43
Private Markets	8.00	6.98	10.73
Timber	5.00	4.92	7.35
Master Limited Partnerships	8.00	7.03	10.75
Total	<u><u>120.00 %</u></u>		

\* levered 2x

\*\* numbers include inflation

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

**Discount Rate** - The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	Current		
	1% Decrease (7.25%)	Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 1,930,785	\$ 1,463,968	\$ 1,068,538

## CITY OF BELPRE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### **NOTE 16 - POSTRETIREMENT BENEFIT PLANS**

##### **A. Ohio Public Employees Retirement System**

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2016, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2016 was 2.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$25,115, \$25,234, and \$26,237, respectively; 96.21% has been contributed for 2016 and 100% has been contributed for 2015 and 2014. The remaining 2016 post-employment health care benefits liability has been reported as intergovernmental payable on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

## CITY OF BELPRE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### **NOTE 16 - POSTRETIREE BENEFIT PLANS - (Continued)**

##### **B. Ohio Police and Fire Pension Fund**

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

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at [www.op-f.org](http://www.op-f.org).

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2016 thru December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

## **CITY OF BELPRE, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

#### **NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers for the years ended December 31, 2016, 2015 and 2014 were \$3,031, \$2,712 and \$2,589, respectively. 100% has been contributed for 2015 and 2014. 95.58% has been contributed for police for 2016. The remaining 2016 post-employment health care benefits liability has been reported as intergovernmental payable on the basic financial statements.

#### **NOTE 17 - CONTINGENT LIABILITIES**

##### **A. Litigation**

The City is not party to any legal proceedings.

##### **B. Federal and State Grants**

The City participates in several federally assisted programs. These programs are subject to financial and compliance audits by the grantor or their representative. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

#### **NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS**

##### **A. Community Action Program Corporation of Washington-Morgan Counties, Ohio**

The Community Action Program Corporation of Washington-Morgan Counties, Ohio, is operated as a non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program; the Community Action Bus Line (CABL); the Child Development Program; the Senior Nutrition Program; Women, Infants and Childrens' Supplemental Nutrition Program; the Home Weatherization Assistance and Energy Program; the Job Training and Partnership Act Program; Housing and Urban Development Section 8 Existing Housing Voucher/Certificate Program; and various other state and federal programs. The Corporation is the direct recipient of the federal and state monies. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Belpre and Washington and Morgan Counties, provides administrative services to these governments in specific programs. During 2016, the Corporation did not receive any administrative fees from the City. These fees were received by the Corporation directly from the granting agencies. The continued existence of the Corporation is not dependent on the City's continued participation and the City does not have an equity interest in the Corporation.

## **CITY OF BELPRE, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

#### **NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS- (Continued)**

##### **B. Wood, Washington, and Wirt Planning Commission**

The Wood, Washington, and Wirt Planning Commission was created to fulfill the requirements governing urban transportation planning under the Federal Highway Administration and Urban Mass Transportation Administration program regulations in Wood, Washington, and Wirt Counties. The Commission was formed pursuant to West Virginia Code Sections and Ohio Revised Code Section 713.30 and serves as a form of a regional planning commission. The Commission is composed of representatives from county and city governments and a cross section of members from the community appointed by the governmental units. Currently, the Commission has eight governmental representatives including the Mayor of the City of Belpre. Revenues are derived from Federal Highway and Federal Transportation Administration Grants distributed by the States of Ohio and West Virginia. Local governments contribute a ten percent local match.

During 2016, the City of Belpre contributed \$1,707. The continued existence of the Commission is not dependent on the City's continued participation and the City does not have an equity interest in the Commission.

##### **C. Regional Income Tax Agency (RITA)**

In 1971, 38 municipalities joined together to organize a Regional Council of Governments (RCOG) under the authority of Chapter 167 of the Ohio Revised Code to administer tax collection and enforcement concerns facing the cities and villages. The purpose of the RCOG is to foster cooperation between the municipalities through sharing facilities for their common benefit. This includes the establishment of a central collection facility for the purpose of administering the income tax laws of the various municipal corporations who are members of the RCOG and for the purpose of collecting income taxes on behalf of each member municipality, doing all things allowed by law to accomplish such purpose. The first official act of the RCOG was to form RITA. Today RITA serves as the income tax collection agency for 279 municipalities throughout the State of Ohio. The City began using RITA for its income tax collection effective January 1, 2012.

Each member municipality appoints its own delegate to the RCOG, including electing members to the RITA Board of Trustees. Regardless of the population or tax collections of member municipalities, each member of the RCOG has an equal say in the operations of RITA.

**CITY OF BELPRE, OHIO**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
 THE NET PENSION LIABILITY  
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

LAST THREE YEARS

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<i>Traditional Plan:</i>			
City's proportion of the net pension liability	0.010255%	0.010707%	0.010707%
City's proportionate share of the net pension liability	\$ 1,776,295	\$ 1,291,384	\$ 1,262,216
City's covered-employee payroll	\$ 1,261,683	\$ 1,278,467	\$ 1,230,738
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	140.79%	101.01%	102.56%
Plan fiduciary net position as a percentage of the total pension liability	81.08%	86.45%	86.36%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION.

**CITY OF BELPRE, OHIO**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
 THE NET PENSION LIABILITY  
 OHIO POLICE AND FIRE (OP&F) PENSION FUND**

LAST THREE YEARS

	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's proportion of the net pension liability	0.02275700%	0.02356720%	0.02356720%
City's proportionate share of the net pension liability	\$ 1,463,968	\$ 1,220,879	\$ 1,147,797
City's covered-employee payroll	\$ 528,095	\$ 521,263	\$ 517,904
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	277.22%	234.22%	221.62%
Plan fiduciary net position as a percentage of the total pension liability	66.77%	72.20%	73.00%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION.

**CITY OF BELPRE, OHIO**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CITY CONTRIBUTIONS  
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

**LAST TEN YEARS**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 150,690	\$ 151,402	\$ 153,416	\$ 159,996
Contributions in relation to the contractually required contribution	<u>(150,690)</u>	<u>(151,402)</u>	<u>(153,416)</u>	<u>(159,996)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 1,255,750	\$ 1,261,683	\$ 1,278,467	\$ 1,230,738
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION.

<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
\$ 121,533	\$ 118,382	\$ 80,212	\$ 85,014	\$ 60,688	\$ 74,192
(121,533)	(118,382)	(80,212)	(85,014)	(60,688)	(74,192)
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,215,330	\$ 1,183,820	\$ 899,574	\$ 1,046,326	\$ 866,971	\$ 888,527
10.00%	10.00%	8.92%	8.13%	7.00%	8.35%

**CITY OF BELPRE, OHIO**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CITY CONTRIBUTIONS  
 OHIO POLICE AND FIRE (OP&F) PENSION FUND**

**LAST TEN YEARS**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<i>Police:</i>				
Contractually required contribution	\$ 112,165	\$ 100,338	\$ 99,040	\$ 79,982
Contributions in relation to the contractually required contribution	<u>(112,165)</u>	<u>(100,338)</u>	<u>(99,040)</u>	<u>(79,982)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 590,342	\$ 528,095	\$ 521,263	\$ 503,559
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	19.00%	15.88%
<i>Fire:</i>				
Contractually required contribution	\$ 0	\$ 0	\$ 0	\$ 2,902
Contributions in relation to the contractually required contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,902)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 0	\$ 0	\$ 0	\$ 14,237
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	20.38%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION.

<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
\$ 61,054	\$ 54,550	\$ 70,101	\$ 76,428	\$ 74,518	\$ 60,404
(61,054)	(54,550)	(70,101)	(76,428)	(74,518)	(60,404)
<b>\$ 0</b>					
\$ 478,855	\$ 427,843	\$ 549,812	\$ 599,435	\$ 584,455	\$ 473,757
12.75%	12.75%	12.75%	12.75%	12.75%	12.75%
\$ 5,708	\$ 5,579	\$ 5,427	\$ 6,457	\$ 7,154	\$ 5,981
(5,708)	(5,579)	(5,427)	(6,457)	(7,154)	(5,981)
<b>\$ 0</b>					
\$ 33,090	\$ 32,342	\$ 31,461	\$ 37,432	\$ 41,472	\$ 34,672
17.25%	17.25%	17.25%	17.25%	17.25%	17.25%

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# 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

City of Belpre  
Washington County  
P.O. Box 160  
Belpre, Ohio 45714-0160

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Belpre, Washington County, Ohio (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 20, 2017.

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

As part of our financial statement audit, we considered the City'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 City'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 City'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 City'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*.

City of Belpre  
Washington County  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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



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

June 20, 2017



# Dave Yost • Auditor of State

CITY OF BELPRE

WASHINGTON 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
JULY 6, 2017