



Rea & associates *a brighter way*

# City of East Liverpool Columbiana County, Ohio

## *Audited Financial Statements*

For the Year Ended  
December 31, 2017





# Dave Yost • Auditor of State

City Council  
City of East Liverpool  
126 West Sixth Street  
East Liverpool, Ohio 43920

We have reviewed the *Independent Auditor's Report* of the City of East Liverpool, Columbiana County, prepared by Rea & Associates, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 24, 2018

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**City of East Liverpool**  
**Columbiana County, Ohio**  
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August 6, 2018

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

## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund, police fund, fire fund and street levy fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of the City's Proportionate Share of the Net Pension Liability, and Schedules of the City's Contributions on pages 4-13, 70-71, and 72-75, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards, as required *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

*Hea & Associates, Inc.*

New Philadelphia, Ohio

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

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The management's discussion and analysis of the City of East Liverpool's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. 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 financial statements to enhance their understanding of the City's financial performance.

### **Financial Highlights**

Key financial highlights for 2017 are:

- The City's governmental net position increased during 2017 due to revenues exceeding expenditures, increases in accounts receivable and increases in net capital assets. The business-type net position had an increase in net position during 2017 primarily due to revenues exceeding expenditures and increases in accounts receivable offset by an increase in net pension liability. The increase in business-type net position was partially offset by an increase net pension liability.
- Capital asset additions in 2017 included construction in progress on roadwork projects, building improvements and the purchase of various equipment and vehicles.
- The City complies with GASB 68 and GASB 71, which establish standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources and expense/expenditure.

### **Using This Financial Report**

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

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

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

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

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially during 2017?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting method used by the private sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

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

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

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

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

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

The analysis of the City's major funds begins on page 10. Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds which account for the multitude of services, facilities and infrastructure provided to City residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of East Liverpool, the major funds are the general, police, fire, street levy, neighborhood street paving project, water, sewer and incinerator funds.

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

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

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

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

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

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
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***Fiduciary Funds***

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

**The City as a Whole**

The *Statement of Net Position* looks at the City as a whole. Table 1 provides a summary of the City's net position for 2017 compared to 2016.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current and Other Assets	\$5,670,680	\$4,816,341	\$4,699,753	\$4,418,488	\$10,370,433	\$9,234,829
Capital Assets, Net	13,104,644	11,449,846	9,630,419	9,597,244	22,735,063	21,047,090
<i>Total Assets</i>	18,775,324	16,266,187	14,330,172	14,015,732	33,105,496	30,281,919
<b>Deferred Outflows of Resources</b>						
Pension	1,875,930	2,029,732	1,176,878	936,862	3,052,808	2,966,594
<b>Liabilities</b>						
Current and Other Liabilities	628,155	529,501	370,452	401,516	998,607	931,017
Long-Term Liabilities:						
Due Within One Year	478,493	377,783	443,162	431,540	921,655	809,323
Due in More than One Year						
Net Pension Liability	7,605,342	7,497,438	3,001,912	2,313,645	10,607,254	9,811,083
Other Amounts	2,493,441	2,603,304	2,451,340	2,728,944	4,944,781	5,332,248
<i>Total Liabilities</i>	11,205,431	11,008,026	6,266,866	5,875,645	17,472,297	16,883,671
<b>Deferred Inflows of Resources</b>						
Property Taxes	1,385,837	1,396,684	0	0	1,385,837	1,396,684
Pension	386,027	106,466	55,964	93,712	441,991	200,178
<i>Total Deferred Inflows of Resources</i>	1,771,864	1,503,150	55,964	93,712	1,827,828	1,596,862
<b>Net Position</b>						
Net Investment in Capital Assets	10,934,765	9,303,109	6,797,065	6,498,752	17,731,830	15,801,861
Restricted:						
Capital Projects	465,737	369,495	0	0	465,737	369,495
Debt Service	493,418	69,733	0	0	493,418	69,733
Street Maintenance and Repair	441,271	403,134	0	0	441,271	403,134
Community Development	106,849	99,290	0	0	106,849	99,290
Other Purposes	654,014	799,380	0	0	654,014	799,380
Unclaimed Monies	2,299	2,011	0	0	2,299	2,011
Unrestricted (Deficit)	(5,424,394)	(5,261,409)	2,387,155	2,484,485	(3,037,239)	(2,776,924)
<i>Total Net Position</i>	\$7,673,959	\$5,784,743	\$9,184,220	\$8,983,237	\$16,858,179	\$14,767,980

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
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The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the 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.

GASB 68 requires the net pension liability to equal 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.

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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.

Total current and other assets for governmental activities increased due mainly to an increase in cash and cash equivalents resulting from higher fines and forfeiture revenues as well as to increases in accounts receivable relating to an agreement with local businesses to help fund the cost of roadway improvements to River Road. Net capital assets for governmental activities increased as a result of current year additions outpacing annual depreciation.

Total current and other assets for business-type activities increased due to an increase in cash and cash equivalents resulting from higher charges for services revenue as well as to increases in accounts receivable relating to customer accounts. Net capital assets for business-type activities increased as a result of current year additions outpacing annual depreciation. The decrease in long-term liabilities, other amounts, for business-type activities was due to the continued pay-down of long-term obligations exceeding issuances of capital leases.

Table 2 shows the changes in net position for the years ended December 31, 2017 and December 31, 2016.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$1,946,679	\$990,726	\$5,459,670	\$4,883,704	\$7,406,349	\$5,874,430
Operating Grants and Contributions	970,407	1,139,713	35,189	5,175	1,005,596	1,144,888
Capital Grants and Assessments	1,943,321	195,949	0	0	1,943,321	195,949
<i>Total Program Revenues</i>	<u>4,860,407</u>	<u>2,326,388</u>	<u>5,494,859</u>	<u>4,888,879</u>	<u>10,355,266</u>	<u>7,215,267</u>
<i>General Revenues:</i>						
Property Taxes	1,418,163	1,296,885	0	0	1,418,163	1,296,885
Income Tax	3,015,664	3,056,243	0	0	3,015,664	3,056,243
Hotel Taxes	990	2,115	0	0	990	2,115
Grants and Entitlements not Restricted to Specific Programs	160,670	186,352	0	0	160,670	186,352
Interest	13	184	3,783	666	3,796	850
Unrestricted Contributions	418,201	10,629	0	0	418,201	10,629
Gain on Sale of Capital Assets	0	8,795	0	45,000	0	53,795
Other	62,159	44,767	83,375	73,574	145,534	118,341
<i>Total General Revenues</i>	<u>5,075,860</u>	<u>4,605,970</u>	<u>87,158</u>	<u>119,240</u>	<u>5,163,018</u>	<u>4,725,210</u>
<i>Total Revenues</i>	<u>\$9,936,267</u>	<u>\$6,932,358</u>	<u>\$5,582,017</u>	<u>\$5,008,119</u>	<u>\$15,518,284</u>	<u>\$11,940,477</u>

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*Management's Discussion and Analysis*  
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**Table 2**  
**Changes in Net Position (continued)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<i>Program Expenses:</i>						
General Government	\$1,517,459	\$1,411,865	\$0	\$0	\$1,517,459	\$1,411,865
Security of Persons and Property	3,901,064	3,471,826	0	0	3,901,064	3,471,826
Transportation	1,710,019	1,508,750	0	0	1,710,019	1,508,750
Public Health and Welfare	354,938	278,797	0	0	354,938	278,797
Leisure Time Activities	153,523	120,207	0	0	153,523	120,207
Community and						
Economic Development	329,461	687,864	0	0	329,461	687,864
Interest and Fiscal Charges	75,587	61,559	0	0	75,587	61,559
Business-Type Activities	0	0	5,386,034	5,214,397	5,386,034	5,214,397
<i>Total Program Expenses</i>	<u>8,042,051</u>	<u>7,540,868</u>	<u>5,386,034</u>	<u>5,214,397</u>	<u>13,428,085</u>	<u>12,755,265</u>
<i>Excess Revenues over (under) Expenses</i>	1,894,216	(608,510)	195,983	(206,278)	2,090,199	(814,788)
Transfers	(5,000)	0	5,000	0	0	0
<i>Change in Net Position</i>	<u>1,889,216</u>	<u>(608,510)</u>	<u>200,983</u>	<u>(206,278)</u>	<u>2,090,199</u>	<u>(814,788)</u>
<i>Net Position Beginning of Year</i>	<u>5,784,743</u>	<u>6,393,253</u>	<u>8,983,237</u>	<u>9,189,515</u>	<u>14,767,980</u>	<u>15,582,768</u>
<i>Net Position End of Year</i>	<u>\$7,673,959</u>	<u>\$5,784,743</u>	<u>\$9,184,220</u>	<u>\$8,983,237</u>	<u>\$16,858,179</u>	<u>\$14,767,980</u>

**Governmental Activities**

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

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

Charges for services program revenue increased due to increased revenues generated from fines and forfeitures. Capital grants and contributions program revenue increased in 2017 due to more monies received from ODOT grants.

Security of Persons and Property, which includes police and fire services, represents the largest expense of the governmental activities. The police department is funded through the police special revenue fund. The department operates full time, 24 hours a day, 365 days a year with 19 officers and a full time police chief.

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

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Another major expense of the City in 2017 was transportation, or the street maintenance and repair department. There was an increase from the prior year due to the City performing more maintenance and repair projects. The street department employs 9 full time employees who provide the City and its citizens many services which include road salting, leaf and debris pickup, paint striping and alley profiling.

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

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

	Governmental Activities			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2017	2016	2017	2016
General Government	\$1,517,459	\$1,411,865	\$685,541	\$787,524
Security of Persons and Property	3,901,064	3,471,826	2,833,942	3,214,531
Transportation	1,710,019	1,508,750	(856,849)	536,099
Public Health and Welfare	354,938	278,797	157,229	120,956
Leisure Time Activities	153,523	120,207	114,293	80,632
Community and Economic Development	329,461	687,864	171,901	413,179
Interest and Fiscal Charges	75,587	61,559	75,587	61,559
<b>Total</b>	<b>\$8,042,051</b>	<b>\$7,540,868</b>	<b>\$3,181,644</b>	<b>\$5,214,480</b>

**The City's Funds**

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

**Governmental Funds**

The City's funds are accounted for using the modified accrual basis of accounting. The City focuses on its governmental funds to provide a financial picture on activities as they provide information on how the City did over a period of one year as well as where the City's funds stood at December 31, 2017. The information provided is useful to determine the City's available balances.

The City's major governmental funds are the general fund, the police, fire, street levy special revenue funds and the neighborhood street paving capital projects fund. The general fund had an increase in fund balance due to an increase in revenues generated from fines and forfeitures. The police special revenue fund had an increase in fund balance due to increase revenues generated from fines and forfeitures. The fire special revenue fund had an increase in fund balance due to reduced expenditures and a transfer from the general fund. The street levy special revenue fund had a decrease in fund balance due to expenditures exceeding revenues. The neighborhood paving capital projects fund had no change in fund balance as a result of intergovernmental revenues matching capital expenditures.



**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

***Business-Type Funds***

As mentioned earlier, the City's major business-type funds are water, sewer and incinerator. The largest sources of operating revenue for these funds in 2017 were charges for services. Despite an increase in revenues, the water fund had a decrease in net position as expenses continued to exceed revenues and transfers in. The sewer and incinerator funds experienced an increase in net position as revenues plus transfers in outpaced expenses and transfers out.

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. The general fund supports many major activities such as the legislative and executive, judicial, public health and planning activities. Some police, fire, and street activities are also funded with general fund dollars. By ordinance, these funds are transferred from the general fund to the police, fire, and street funds.

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

**Capital Assets and Debt Administration**

***Capital Assets***

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

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$1,837,762	\$1,820,262	\$25,771	\$25,771	\$1,863,533	\$1,846,033
Construction in Progress	2,245,108	224,077	33,648	150,000	2,278,756	374,077
Buildings and Improvements	140,151	146,538	1,772,504	1,661,952	1,912,655	1,808,490
Improvements other than Buildings	35,116	41,714	0	0	35,116	41,714
Machinery and Equipment	1,083,392	943,480	1,581,887	1,311,187	2,665,279	2,254,667
Infrastructure	7,763,115	8,273,775	4,402,997	4,579,835	12,166,112	12,853,610
Water Lines	0	0	1,315,174	1,345,831	1,315,174	1,345,831
Sewer Lines	0	0	498,438	522,668	498,438	522,668
<b>Totals</b>	<b>\$13,104,644</b>	<b>\$11,449,846</b>	<b>\$9,630,419</b>	<b>\$9,597,244</b>	<b>\$22,735,063</b>	<b>\$21,047,090</b>

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

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

**Debt**

At December 31, 2017, outstanding debt is comprised of installment loans, Ohio Public Works Commission (OPWC) loans, Ohio Water Development Authority (OWDA) loans, State Infrastructure Bank (SIB) loans, capital leases and police and fire pension liability. Table 5 summarizes all long-term debt outstanding.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Installment Loans	\$81,506	\$148,872	\$54,790	\$100,982	\$136,296	\$249,854
OPWC Loans	188,156	221,499	12,789	17,053	200,945	238,552
OWDA Loans	0	0	2,423,321	2,649,589	2,423,321	2,649,589
SIB Loans	1,480,271	1,448,351	0	0	1,480,271	1,448,351
Capital Leases	419,946	328,015	342,454	330,868	762,400	658,883
Police and Fire Pension	670,335	695,813	0	0	670,335	695,813
<b>Totals</b>	<b>\$2,840,214</b>	<b>\$2,842,550</b>	<b>\$2,833,354</b>	<b>\$3,098,492</b>	<b>\$5,673,568</b>	<b>\$5,941,042</b>

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

The capital leases are for the lease-purchase of various pieces machinery and equipment.

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

**Current Financial Related Activities**

The City continues to strive to provide the services its citizen's desire while maintaining costs. This is a challenge the City's administration deals with. The City is also continuing to upgrade its capital assets and infrastructure in an effort to make improvements when possible. During 2017, the City performed construction work on various paving projects, purchased various equipment and vehicles and performed construction work on a new roof for the pump house.

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

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**Contacting the City's Finance Department**

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

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## Basic Financial Statements

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**City of East Liverpool, Ohio**

*Statement of Net Position*

December 31, 2017

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,820,281	\$3,653,556	\$5,473,837
Materials and Supplies Inventory	25,204	31,710	56,914
Accounts Receivable	808,152	963,825	1,771,977
Intergovernmental Receivable	467,824	0	467,824
Prepaid Items	109,142	50,662	159,804
Income Taxes Receivable	604,114	0	604,114
Property Taxes Receivable	1,807,027	0	1,807,027
Hotel Taxes Receivable	189	0	189
Loans Receivable	28,747	0	28,747
Nondepreciable Capital Assets	4,082,870	59,419	4,142,289
Depreciable Capital Assets, Net	9,021,774	9,571,000	18,592,774
<i>Total Assets</i>	<u>18,775,324</u>	<u>14,330,172</u>	<u>33,105,496</u>
<b>Deferred Outflows of Resources</b>			
Pension	1,875,930	1,176,878	3,052,808
<b>Liabilities</b>			
Accounts Payable	179,290	129,024	308,314
Contracts Payable	161	244	405
Accrued Wages	144,528	72,054	216,582
Intergovernmental Payable	83,867	30,764	114,631
Accrued Interest Payable	15,123	36,450	51,573
Vacation Benefits Payable	191,847	101,916	293,763
Claims Payable	13,339	0	13,339
Long-Term Liabilities:			
Due Within One Year	478,493	443,162	921,655
Due In More Than One Year:			
Net Pension Liability (See Note 11)	7,605,342	3,001,912	10,607,254
Other Amounts	2,493,441	2,451,340	4,944,781
<i>Total Liabilities</i>	<u>11,205,431</u>	<u>6,266,866</u>	<u>17,472,297</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,385,837	0	1,385,837
Pension	386,027	55,964	441,991
<i>Total Deferred Inflows of Resources</i>	<u>1,771,864</u>	<u>55,964</u>	<u>1,827,828</u>
<b>Net Position</b>			
Net Investment in Capital Assets	10,934,765	6,797,065	17,731,830
Restricted for:			
Capital Projects	465,737	0	465,737
Debt Service	493,418	0	493,418
Street Maintenance and Repair	441,271	0	441,271
Community Development	106,849	0	106,849
Other Purposes	654,014	0	654,014
Unclaimed Monies	2,299	0	2,299
Unrestricted (Deficit)	<u>(5,424,394)</u>	<u>2,387,155</u>	<u>(3,037,239)</u>
<i>Total Net Position</i>	<u>\$7,673,959</u>	<u>\$9,184,220</u>	<u>\$16,858,179</u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2017

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Assessments
<b>Governmental Activities:</b>				
General Government	\$1,517,459	\$831,683	\$235	\$0
Security of Persons and Property	3,901,064	908,011	159,111	0
Transportation	1,710,019	71,387	569,204	1,926,277
Public Health and Welfare	354,938	62,820	134,889	0
Leisure Time Activities	153,523	39,230	0	0
Community and Economic Development	329,461	33,548	106,968	17,044
Interest and Fiscal Charges	75,587	0	0	0
<i>Total Governmental Activities</i>	<u>8,042,051</u>	<u>1,946,679</u>	<u>970,407</u>	<u>1,943,321</u>
<b>Business-Type Activities:</b>				
Water	3,139,780	2,734,447	19,672	0
Sewer	1,257,152	1,599,786	8,666	0
Incinerator	954,190	1,102,278	4,899	0
Swimming Pool	23,009	9,624	1,676	0
Off Street Parking	11,903	13,535	276	0
<i>Total Business-Type Activities</i>	<u>5,386,034</u>	<u>5,459,670</u>	<u>35,189</u>	<u>0</u>
<i>Total - Primary Government</i>	<u>\$13,428,085</u>	<u>\$7,406,349</u>	<u>\$1,005,596</u>	<u>\$1,943,321</u>

**General Revenues**

Property Taxes Levied for:

- General Purposes
- Fire Department
- Police Department
- Street Maintenance and Repair
- General Obligation Bond Retirement
- Capital improvements

Income Tax Levied for:

- General Purposes
- Capital Improvements

Hotel Taxes

Grants and Entitlements not Restricted to Specific Programs

Interest

Unrestricted Contributions

Other

*Total General Revenues*

Transfers

*Total General Revenues and Transfers*

Change in Net Position

*Net Position Beginning of Year*

*Net Position End of Year*

See accompanying notes to the basic financial statements

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Net (Expense) Revenue and Changes in Net Position

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Governmental Activities	Business-Type Activities	Total
(\$685,541)	\$0	(\$685,541)
(2,833,942)	0	(2,833,942)
856,849	0	856,849
(157,229)	0	(157,229)
(114,293)	0	(114,293)
(171,901)	0	(171,901)
(75,587)	0	(75,587)
<u>(3,181,644)</u>	<u>0</u>	<u>(3,181,644)</u>
0	(385,661)	(385,661)
0	351,300	351,300
0	152,987	152,987
0	(11,709)	(11,709)
0	1,908	1,908
<u>0</u>	<u>108,825</u>	<u>108,825</u>
<u>(3,181,644)</u>	<u>108,825</u>	<u>(3,072,819)</u>
155,543	0	155,543
545,543	0	545,543
57,078	0	57,078
378,989	0	378,989
72,886	0	72,886
208,124	0	208,124
2,791,473	0	2,791,473
224,191	0	224,191
990	0	990
160,670	0	160,670
13	3,783	3,796
418,201	0	418,201
62,159	83,375	145,534
<u>5,075,860</u>	<u>87,158</u>	<u>5,163,018</u>
<u>(5,000)</u>	<u>5,000</u>	<u>0</u>
<u>5,070,860</u>	<u>92,158</u>	<u>5,163,018</u>
1,889,216	200,983	2,090,199
<u>5,784,743</u>	<u>8,983,237</u>	<u>14,767,980</u>
<u>\$7,673,959</u>	<u>\$9,184,220</u>	<u>\$16,858,179</u>

**City of East Liverpool, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2017*

	General	Police	Fire	Street Levy
<b>Assets</b>				
Equity in Pooled Cash and				
Cash Equivalents	\$304,073	\$125,542	\$55,987	\$295,711
Materials and Supplies Inventory	0	0	0	0
Accounts Receivable	234,666	210,986	0	0
Intergovernmental Receivable	66,123	14,988	45,058	30,290
Prepaid Items	37,331	32,750	20,653	0
Income Taxes Receivable	558,805	0	0	0
Property Taxes Receivable	194,126	46,644	726,356	478,403
Hotel Taxes Receivable	95	0	0	0
Loans Receivable	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	2,299	0	0	0
<i>Total Assets</i>	<u>\$1,397,518</u>	<u>\$430,910</u>	<u>\$848,054</u>	<u>\$804,404</u>
<b>Liabilities</b>				
Accounts Payable	\$43,212	\$96,960	\$3,361	\$0
Contracts Payable	0	0	0	0
Accrued Wages	33,934	62,277	28,027	0
Intergovernmental Payable	21,785	35,726	18,191	0
<i>Total Liabilities</i>	<u>98,931</u>	<u>194,963</u>	<u>49,579</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	148,877	35,772	557,054	366,895
Unavailable Revenue	541,220	13,072	214,360	141,798
<i>Total Deferred Inflows of Resources</i>	<u>690,097</u>	<u>48,844</u>	<u>771,414</u>	<u>508,693</u>
<b>Fund Balances</b>				
Nonspendable	39,630	32,750	20,653	0
Restricted	0	154,353	6,408	295,711
Committed	0	0	0	0
Assigned	176,689	0	0	0
Unassigned	392,171	0	0	0
<i>Total Fund Balances</i>	<u>608,490</u>	<u>187,103</u>	<u>27,061</u>	<u>295,711</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$1,397,518</u>	<u>\$430,910</u>	<u>\$848,054</u>	<u>\$804,404</u>

See accompanying notes to the basic financial statements



**City of East Liverpool, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
December 31, 2017*

Other Governmental Funds	Total Governmental Funds		
		<b>Total Governmental Fund Balances</b>	\$2,234,213
		<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
		Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	13,104,644
\$957,529	\$1,738,842	Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
25,204	25,204	Delinquent Property Taxes	421,190
362,500	808,152	Income Taxes	326,953
311,365	467,824	Intergovernmental	299,553
18,408	109,142	Fees, Licenses and Permits	153,448
45,309	604,114	Contributions and Donations	362,500
361,498	1,807,027	Total	1,563,644
94	189		
28,747	28,747	An internal service fund is used by management to charge the costs of workers' compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	65,801
0	2,299	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(15,123)
\$2,110,654	\$5,591,540	The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
\$35,757	\$179,290	Deferred Outflows - Pension	1,875,930
161	161	Deferred Inflows - Pension	(386,027)
20,290	144,528	Net Pension Liability	(7,605,342)
8,165	83,867	Total	(6,115,439)
64,373	407,846	Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(191,847)
277,239	1,385,837	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
653,194	1,563,644	Installment Loans	(81,506)
930,433	2,949,481	OPWC Loans	(188,156)
43,612	136,645	SIB Loans	(1,480,271)
1,059,684	1,516,156	Capital Leases	(419,946)
11,230	11,230	Compensated Absences	(131,720)
1,322	178,011	Police and Fire Pension	(670,335)
0	392,171	Total	(2,971,934)
1,115,848	2,234,213		
\$2,110,654	\$5,591,540	<i>Net Position of Governmental Activities</i>	\$7,673,959

**City of East Liverpool, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2017*

	General	Police	Fire	Street Levy	Neighborhood Street Paving
<b>Revenues</b>					
Property Taxes	\$160,381	\$36,365	\$563,733	\$367,957	\$0
Income Taxes	2,775,300	0	0	0	0
Hotel Taxes	705	0	0	0	0
Special Assessments	0	0	0	0	0
Intergovernmental	141,903	48,401	103,547	60,580	1,342,664
Interest	0	0	0	0	0
Fees, Licenses and Permits	504,863	0	0	0	0
Fines and Forfeitures	319,467	835,096	0	0	0
Charges for Services	12,556	55,263	0	0	0
Contributions and Donations	5,701	0	500	0	0
Other	14,150	7,071	12,938	4,000	0
<i>Total Revenues</i>	<u>3,935,026</u>	<u>982,196</u>	<u>680,718</u>	<u>432,537</u>	<u>1,342,664</u>
<b>Expenditures</b>					
Current:					
General Government	1,187,250	0	0	0	0
Security of Persons and Property	82,350	2,504,067	939,411	0	0
Transportation	0	0	0	436,004	0
Public Health and Welfare	159,930	0	0	0	0
Leisure Time Activities	123,618	0	0	0	0
Community and Economic Development	93,031	0	0	0	0
Capital Outlay	9,474	0	0	0	1,342,664
Debt Service:					
Principal Retirement	4,998	10,150	16,770	58,801	0
Interest and Fiscal Charges	2,049	10,549	19,288	4,200	0
<i>Total Expenditures</i>	<u>1,662,700</u>	<u>2,524,766</u>	<u>975,469</u>	<u>499,005</u>	<u>1,342,664</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,272,326</u>	<u>(1,542,570)</u>	<u>(294,751)</u>	<u>(66,468)</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>					
Inception of Capital Lease	9,474	0	0	0	0
SIB Loans Issued	0	0	0	0	0
Transfers In	0	1,750,000	345,000	0	0
Transfers Out	(2,229,392)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,219,918)</u>	<u>1,750,000</u>	<u>345,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	52,408	207,430	50,249	(66,468)	0
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>556,082</u>	<u>(20,327)</u>	<u>(23,188)</u>	<u>362,179</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$608,490</u></u>	<u><u>\$187,103</u></u>	<u><u>\$27,061</u></u>	<u><u>\$295,711</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2017*

Other Governmental Funds	Total Governmental Funds		
		<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$371,592</b>
		<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
		Governmental funds report capital outlays as expenditures.	
		However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
		This is the amount by which capital outlay exceeded depreciation in the current period:	
\$280,539	\$1,408,975	Capital Asset Additions	2,379,112
222,879	2,998,179	Current Year Depreciation	<u>(724,314)</u>
285	990	Total	1,654,798
201	201		
1,410,810	3,107,905		
13	13		
50,672	555,535		
132,694	1,287,257		
35,909	103,728		
67,984	74,185		
24,000	62,159		
<u>2,225,986</u>	<u>9,599,127</u>		
		Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
		Delinquent Property Taxes	9,188
		Income Taxes	17,485
		Intergovernmental	(52,192)
		Fees, Licenses and Permits	159
		Contributions and Donations	<u>362,500</u>
		Total	337,140
49,883	1,237,133		
126,224	3,652,052		
663,492	1,099,496		
154,366	314,296		
0	123,618		
109,241	202,272		
1,166,717	2,518,855		
		Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	548,509
		Except for amounts reported as deferred inflow/outflow, changes in the net pension liability are reported as pension expense in the statement of activities.	(1,089,776)
272,961	363,680		
36,391	72,477		
<u>2,579,275</u>	<u>9,583,879</u>		
		Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	363,680
(353,289)	15,248		
		In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(3,110)
222,053	231,527		
129,817	129,817		
129,392	2,224,392		
0	(2,229,392)		
<u>481,262</u>	<u>356,344</u>		
		Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
		Vacation Benefits Payable	24,103
		Compensated Absences	<u>6,817</u>
		Total	30,920
127,973	371,592		
		Other financing sources in the governmental funds increase long-term liabilities in the statement of net position:	
987,875	1,862,621	Inception of Capital Lease	(231,527)
		SIB Loans Issued	<u>(129,817)</u>
<u>\$1,115,848</u>	<u>\$2,234,213</u>	Total	(361,344)
		The internal service funds used by management are not reported in the City-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	<u>36,807</u>
		<i>Change in Net Position of Governmental Activities</i>	<u><u>\$1,889,216</u></u>

**City of East Liverpool, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2017*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$146,018	\$150,590	\$160,381	\$9,791
Income Taxes	3,089,063	3,185,809	2,928,261	(257,548)
Hotel Taxes	4,766	4,915	626	(4,289)
Intergovernmental	130,513	134,601	141,985	7,384
Fees, Licenses and Permits	486,535	501,773	489,863	(11,910)
Fines and Forfeitures	170,135	175,463	265,731	90,268
Charges for Services	6,787	7,000	12,556	5,556
Other	21,051	21,706	14,150	(7,556)
<i>Total Revenues</i>	<u>4,054,868</u>	<u>4,181,857</u>	<u>4,013,553</u>	<u>(168,304)</u>
<b>Expenditures</b>				
Current:				
General Government	1,173,524	1,320,096	1,229,373	90,723
Security of Persons and Property	0	0	59,040	(59,040)
Public Health and Welfare	189,880	189,880	186,196	3,684
Leisure Time Activities	128,941	128,941	123,370	5,571
Community and Economic Development	97,714	97,714	91,916	5,798
Debt Service:				
Principal Retirement	4,079	4,998	4,998	0
Interest and Fiscal Charges	1,395	2,049	2,049	0
<i>Total Expenditures</i>	<u>1,595,533</u>	<u>1,743,678</u>	<u>1,696,942</u>	<u>46,736</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	2,459,335	2,438,179	2,316,611	(121,568)
<b>Other Financing Sources (Uses)</b>				
Transfers Out	<u>(2,583,781)</u>	<u>(2,583,781)</u>	<u>(2,230,392)</u>	<u>353,389</u>
<i>Net Change in Fund Balance</i>	(124,446)	(145,602)	86,219	231,821
<i>Fund Balance Beginning of Year</i>	101,922	101,922	101,922	0
Prior Year Encumbrances Appropriated	<u>49,161</u>	<u>49,161</u>	<u>49,161</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$26,637</u>	<u>\$5,481</u>	<u>\$237,302</u>	<u>\$231,821</u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Police Fund*  
*For the Year Ended December 31, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$8,762	\$36,313	\$36,365	\$52
Intergovernmental	11,534	47,801	48,401	600
Fines and Forfeitures	109,089	452,082	624,155	172,073
Charges for Services	23,086	95,673	42,513	(53,160)
Other	804	3,332	7,071	3,739
<i>Total Revenues</i>	153,275	635,201	758,505	123,304
<b>Expenditures</b>				
Current:				
Security of Persons and Property	1,944,289	2,380,405	2,490,950	(110,545)
Debt Service:				
Principal Retirement	10,150	10,150	10,150	0
Interest and Fiscal Charges	10,549	10,549	10,549	0
<i>Total Expenditures</i>	1,964,988	2,401,104	2,511,649	(110,545)
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,811,713)	(1,765,903)	(1,753,144)	12,759
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,784,200	1,784,200	1,750,000	(34,200)
<i>Net Change in Fund Balance</i>	(27,513)	18,297	(3,144)	(21,441)
<i>Fund Balance Beginning of Year</i>	6,345	6,345	6,345	0
Prior Year Encumbrances Appropriated	22,342	22,342	22,342	0
<i>Fund Balance End of Year</i>	\$1,174	\$46,984	\$25,543	(\$21,441)

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire Fund*  
*For the Year Ended December 31, 2017*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$545,055	\$555,930	\$563,733	\$7,803
Intergovernmental	88,533	90,300	103,547	13,247
Contributions and Donations	980	1,000	500	(500)
Other	12,352	12,598	12,938	340
<i>Total Revenues</i>	<u>646,920</u>	<u>659,828</u>	<u>680,718</u>	<u>20,890</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	1,067,248	1,080,156	972,546	107,610
Debt Service:				
Principal Retirement	16,770	16,770	16,770	0
Interest and Fiscal Charges	19,288	19,288	19,288	0
<i>Total Expenditures</i>	<u>1,103,306</u>	<u>1,116,214</u>	<u>1,008,604</u>	<u>107,610</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(456,386)	(456,386)	(327,886)	128,500
<b>Other Financing Sources (Uses)</b>				
Transfers In	450,000	450,000	345,000	(105,000)
<i>Net Change in Fund Balance</i>	(6,386)	(6,386)	17,114	23,500
<i>Fund Balance Beginning of Year</i>	18,366	18,366	18,366	0
Prior Year Encumbrances Appropriated	3,493	3,493	3,493	0
<i>Fund Balance End of Year</i>	<u>\$15,473</u>	<u>\$15,473</u>	<u>\$38,973</u>	<u>\$23,500</u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Street Levy Fund*  
*For the Year Ended December 31, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$370,300	\$370,300	\$367,957	(\$2,343)
Intergovernmental	53,000	53,000	60,580	7,580
Other	4,000	4,000	4,000	0
<i>Total Revenues</i>	427,300	427,300	432,537	5,237
<b>Expenditures</b>				
Current:				
Transportation	639,820	711,712	452,317	259,395
Debt Service:				
Principal Retirement	58,801	58,801	58,801	0
Interest and Fiscal Charges	4,200	4,200	4,200	0
<i>Total Expenditures</i>	702,821	774,713	515,318	259,395
<i>Net Change in Fund Balance</i>	(275,521)	(347,413)	(82,781)	264,632
<i>Fund Balance Beginning of Year</i>	362,179	362,179	362,179	0
<i>Fund Balance End of Year</i>	\$86,658	\$14,766	\$279,398	\$264,632

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2017*

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
<b>Assets</b>						
<i>Current Assets:</i>						
Equity in Pooled Cash and Cash Equivalents	\$2,543,926	\$628,186	\$477,148	\$4,296	\$3,653,556	\$79,140
Accounts Receivable	466,966	329,993	166,866	0	963,825	0
Materials and Supplies Inventory	26,735	4,975	0	0	31,710	0
Prepaid Items	22,527	18,367	9,461	307	50,662	0
<i>Total Current Assets</i>	<u>3,060,154</u>	<u>981,521</u>	<u>653,475</u>	<u>4,603</u>	<u>4,699,753</u>	<u>79,140</u>
<i>Non-Current Assets:</i>						
Nondepreciable Capital Assets	53,271	6,148	0	0	59,419	0
Depreciable Capital Assets, Net	7,905,790	1,221,581	428,480	15,149	9,571,000	0
<i>Total Non-Current Assets</i>	<u>7,959,061</u>	<u>1,227,729</u>	<u>428,480</u>	<u>15,149</u>	<u>9,630,419</u>	<u>0</u>
<i>Total Assets</i>	<u>11,019,215</u>	<u>2,209,250</u>	<u>1,081,955</u>	<u>19,752</u>	<u>14,330,172</u>	<u>79,140</u>
<b>Deferred Outflows of Resources</b>						
Pension	712,787	309,394	154,697	0	1,176,878	0
<b>Liabilities</b>						
<i>Current Liabilities:</i>						
Accounts Payable	46,411	67,390	15,223	0	129,024	0
Contracts Payable	244	0	0	0	244	0
Accrued Wages	42,346	19,915	9,487	306	72,054	0
Intergovernmental Payable	17,725	8,279	4,627	133	30,764	0
Accrued Interest Payable	32,228	3,874	348	0	36,450	0
Vacation Benefits Payable	55,367	36,757	9,792	0	101,916	0
Installment Loans Payable	33,309	0	0	0	33,309	0
OPWC Loans Payable	4,264	0	0	0	4,264	0
OWDA Loans Payable	225,108	8,430	0	0	233,538	0
Capital Leases Payable	56,313	55,241	29,307	0	140,861	0
Compensated Absences Payable	18,631	7,413	5,146	0	31,190	0
Claims Payable	0	0	0	0	0	13,339
<i>Total Current Liabilities</i>	<u>531,946</u>	<u>207,299</u>	<u>73,930</u>	<u>439</u>	<u>813,614</u>	<u>13,339</u>
<i>Long-Term Liabilities (net of current portion):</i>						
Installment Loans Payable	21,481	0	0	0	21,481	0
OPWC Loans Payable	8,525	0	0	0	8,525	0
OWDA Loans Payable	2,027,142	162,641	0	0	2,189,783	0
Capital Leases Payable	14,281	93,255	94,057	0	201,593	0
Net Pension Liability	1,789,601	808,206	404,105	0	3,001,912	0
Compensated Absences Payable	26,763	3,195	0	0	29,958	0
<i>Total Long-Term Liabilities</i>	<u>3,887,793</u>	<u>1,067,297</u>	<u>498,162</u>	<u>0</u>	<u>5,453,252</u>	<u>0</u>
<i>Total Liabilities</i>	<u>4,419,739</u>	<u>1,274,596</u>	<u>572,092</u>	<u>439</u>	<u>6,266,866</u>	<u>13,339</u>
<b>Deferred Inflows of Resources</b>						
Pension	17,627	10,624	27,713	0	55,964	0
<b>Net Position</b>						
Net Investment in Capital Assets	5,568,638	908,162	305,116	15,149	6,797,065	0
Unrestricted	1,725,998	325,262	331,731	4,164	2,387,155	65,801
<i>Total Net Position</i>	<u>\$7,294,636</u>	<u>\$1,233,424</u>	<u>\$636,847</u>	<u>\$19,313</u>	<u>\$9,184,220</u>	<u>\$65,801</u>

See accompanying notes to the basic financial statements



**City of East Liverpool, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2017*

	Enterprise					
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	Internal Service
<b>Operating Revenues</b>						
Charges for Services	\$2,734,447	\$1,599,786	\$1,102,278	\$23,159	\$5,459,670	\$248,842
Other	76,674	1,857	0	4,844	83,375	0
<i>Total Operating Revenues</i>	<u>2,811,121</u>	<u>1,601,643</u>	<u>1,102,278</u>	<u>28,003</u>	<u>5,543,045</u>	<u>248,842</u>
<b>Operating Expenses</b>						
Personal Services	1,726,307	882,543	524,829	27,387	3,161,066	0
Contractual Services	551,475	178,238	254,938	411	985,062	6,345
Materials and Supplies	408,812	68,421	60,136	3,753	541,122	0
Depreciation	375,607	103,162	99,031	1,781	579,581	0
Claims	0	0	0	0	0	205,690
Other	8,159	15,853	10,010	1,580	35,602	0
<i>Total Operating Expenses</i>	<u>3,070,360</u>	<u>1,248,217</u>	<u>948,944</u>	<u>34,912</u>	<u>5,302,433</u>	<u>212,035</u>
<i>Operating Income (Loss)</i>	<u>(259,239)</u>	<u>353,426</u>	<u>153,334</u>	<u>(6,909)</u>	<u>240,612</u>	<u>36,807</u>
<b>Non-Operating Revenues (Expenses)</b>						
Operating Grants	19,672	8,666	4,899	1,952	35,189	0
Interest	3,783	0	0	0	3,783	0
Interest and Fiscal Charges	(69,420)	(8,935)	(5,246)	0	(83,601)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(45,965)</u>	<u>(269)</u>	<u>(347)</u>	<u>1,952</u>	<u>(44,629)</u>	<u>0</u>
<i>Income (Loss) before Transfers</i>	<u>(305,204)</u>	<u>353,157</u>	<u>152,987</u>	<u>(4,957)</u>	<u>195,983</u>	<u>36,807</u>
Transfers In	181,917	0	0	5,000	186,917	0
Transfers Out	0	(171,617)	(10,300)	0	(181,917)	0
<i>Change in Net Position</i>	<u>(123,287)</u>	<u>181,540</u>	<u>142,687</u>	<u>43</u>	<u>200,983</u>	<u>36,807</u>
<i>Net Position Beginning</i>	<u>7,417,923</u>	<u>1,051,884</u>	<u>494,160</u>	<u>19,270</u>	<u>8,983,237</u>	<u>28,994</u>
<i>Net Position End of Year</i>	<u><u>\$7,294,636</u></u>	<u><u>\$1,233,424</u></u>	<u><u>\$636,847</u></u>	<u><u>\$19,313</u></u>	<u><u>\$9,184,220</u></u>	<u><u>\$65,801</u></u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2017

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>						
<b>Cash Flows from Operating Activities</b>						
Cash Received from Customers	\$2,651,254	\$1,550,000	\$1,112,639	\$23,159	\$5,337,052	\$0
Cash Received from Interfund Services Provided	0	0	0	0	0	260,822
Other Cash Receipts	76,674	1,857	0	4,844	83,375	0
Cash Payments to Employees for Services	(1,455,373)	(776,532)	(486,365)	(27,547)	(2,745,817)	0
Cash Payments for Goods and Services	(965,896)	(256,236)	(314,956)	(4,728)	(1,541,816)	(6,345)
Cash Payments for Claims	0	0	0	0	0	(204,331)
Other Cash Payments	(8,159)	(15,853)	(10,010)	(1,580)	(35,602)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>298,500</u>	<u>503,236</u>	<u>301,308</u>	<u>(5,852)</u>	<u>1,097,192</u>	<u>50,146</u>
<b>Cash Flows from Noncapital Financing Activities</b>						
Operating Grants	19,672	8,666	4,899	1,952	35,189	0
Transfers In	181,917	0	0	5,000	186,917	0
Transfers Out	0	(171,617)	(10,300)	0	(181,917)	0
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>201,589</u>	<u>(162,951)</u>	<u>(5,401)</u>	<u>6,952</u>	<u>40,189</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Principal Paid on Installment Loans	(42,307)	(3,885)	0	0	(46,192)	0
Interest Paid on Installment Loans	(2,568)	(61)	0	0	(2,629)	0
Principal Paid on OWDA Loans	(218,052)	(8,216)	0	0	(226,268)	0
Interest Paid on OWDA Loans	(68,082)	(4,307)	0	0	(72,389)	0
Principal Paid on OPWC Loan	(4,264)	0	0	0	(4,264)	0
Principal Paid on Capital Lease	(55,039)	(53,846)	(31,233)	0	(140,118)	0
Interest Paid on Capital Lease	(2,302)	(5,248)	(4,900)	0	(12,450)	0
Payments for Capital Acquisitions	(230,123)	(222,899)	(8,030)	0	(461,052)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(622,737)</u>	<u>(298,462)</u>	<u>(44,163)</u>	<u>0</u>	<u>(965,362)</u>	<u>0</u>
<b>Cash Flows from Investing Activities</b>						
Interest on Investments	3,783	0	0	0	3,783	0
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(118,865)</u>	<u>41,823</u>	<u>251,744</u>	<u>1,100</u>	<u>175,802</u>	<u>50,146</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,662,791</u>	<u>586,363</u>	<u>225,404</u>	<u>3,196</u>	<u>3,477,754</u>	<u>28,994</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$2,543,926</u>	<u>\$628,186</u>	<u>\$477,148</u>	<u>\$4,296</u>	<u>\$3,653,556</u>	<u>\$79,140</u>

See accompanying notes to the basic financial statements

(continued)

**City of East Liverpool, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
For the Year Ended December 31, 2017

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>						
Operating Income (Loss)	(\$259,239)	\$353,426	\$153,334	(\$6,909)	\$240,612	\$36,807
Adjustments:						
Depreciation	375,607	103,162	99,031	1,781	579,581	0
<i>(Increase) Decrease in Assets:</i>						
Accounts Receivable	(83,193)	(37,786)	10,361	0	(110,618)	11,980
Prepaid Items	8,410	286	397	124	9,217	0
Materials and Supplies Inventory	(2,863)	(1,199)	0	0	(4,062)	0
(Increase) Decrease in Deferred Outflows - Pension	254,608	104,267	52,135	0	411,010	0
<i>Increase (Decrease) in Liabilities:</i>						
Accounts Payable	(7,815)	(14,488)	(792)	(564)	(23,659)	0
Contracts Payable	244	0	0	0	244	0
Accrued Wages	7,700	2,102	781	(144)	10,439	0
Accrued Vacation Leave Payable	(4,373)	11	3,119	0	(1,243)	0
Compensated Absences Payable	974	(2,826)	1,008	0	(844)	0
Intergovernmental Payable	(4,738)	(7,388)	(712)	(140)	(12,978)	0
Net Pension Liability	40,060	18,092	9,046	0	67,198	0
(Increase) Decrease in Deferred Inflows - Pension	(26,882)	(14,423)	(26,400)	0	(67,705)	0
Claims Payable	0	0	0	0	0	1,359
<i>Total Adjustments</i>	<u>557,739</u>	<u>149,810</u>	<u>147,974</u>	<u>1,057</u>	<u>856,580</u>	<u>13,339</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$298,500</u>	<u>\$503,236</u>	<u>\$301,308</u>	<u>(\$5,852)</u>	<u>\$1,097,192</u>	<u>\$50,146</u>

**Noncash Capital Financing Activities**

During 2017, the Incinerator fund issued \$151,704 for a capital lease purchase of a Freightliner.

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2017*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$138,524
Cash and Cash Equivalents in Segregated Accounts	<u>20,511</u>
<i>Total Assets</i>	<u><u>\$159,035</u></u>
 <b>Liabilities</b>	
Undistributed Monies	<u><u>\$159,035</u></u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2017*

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

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

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

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of East Liverpool, this includes police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, water and water pollution control, sanitation, and general administrative services.

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

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

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

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

***Basis of Presentation***

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2017*

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

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

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

**Fund Accounting**

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

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

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

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

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

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

**City of East Liverpool, Ohio**  
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***Neighborhood Street Paving Project Fund*** The neighborhood street paving project capital projects fund accounts for and reports restricted grants to be used for paving improvements to city streets.

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

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

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

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

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

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

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

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

***Fiduciary Funds*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The City's only fiduciary funds are agency funds. The agency funds are used to account for insurance reimbursements for property owners that are held by the City until condemned properties have been demolished and for municipal court resources which are due to other cities.

***Measurement Focus***

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2017*

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

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

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 6) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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



**City of East Liverpool, Ohio**  
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***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as a net outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, fees, licenses and permits and intergovernmental monies. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11)

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

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

***Pensions***

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

***Cash and Cash Equivalents***

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

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

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Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the water fund during 2017 amounted to \$3,783, which includes \$2,019 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.

***Inventory***

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

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

***Restricted Assets***

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

***Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

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

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

***Compensated Absences***

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

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

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

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

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

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

***Fund Balance***

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

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

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

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

**Committed** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally legally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by Council. In the general fund, assigned amounts represent intended uses established by policies of the City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the City Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenue and appropriations in 2018's budget and for recreation.

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

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2017*

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***Net Position***

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

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

***Operating Revenues and Expenses***

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

***Interfund Activity***

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

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

***Estimates***

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2017*

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***Budgetary Process***

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

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

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

**Note 3 – Change in Accounting Principle**

For 2017, the City implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2016-1*. These changes were incorporated in the City's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

**Note 4 - Budgetary Basis of Accounting**

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

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

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

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3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed, or assigned of fund balance (GAAP).
4. Unreported cash represents amounts received and/or spent but not included as revenue and/or expenditure on the budgetary statements, but is reported on the operating statements prepared using GAAP).
5. Budgetary revenues and expenditures of the playground fund are reclassified to the general fund for GAAP reporting.

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

	Net Change in Fund Balance			
	General	Police	Fire	Street Levy
GAAP Basis	\$52,408	\$207,430	\$50,249	(\$66,468)
Adjustment for Revenue Accruals	76,754	(223,691)	0	0
Beginning Unrecorded Cash	(3,090)	0	0	0
Ending Unrecorded Cash	3,081	0	0	0
Adjustment for Expenditure Accruals	28,287	113,116	(16,121)	0
Perspective Difference:				
Playground Fund	(6,333)	0	0	0
Adjustment for Encumbrances	(64,888)	(99,999)	(17,014)	(16,313)
Budget Basis	<u>\$86,219</u>	<u>(\$3,144)</u>	<u>\$17,114</u>	<u>(\$82,781)</u>

**Note 5 - Deposits and Investments**

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

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

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

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

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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, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

1. Bonds of the State of Ohio;



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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;
3. Obligations of the City.

**Note 6 - Receivables**

Receivables at December 31, 2017, consisted primarily of municipal income taxes, property taxes, hotel taxes, accounts, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables except for delinquent property taxes and loans receivable are expected to be collected in one year. Property taxes, although ultimately collectible, include some portions of delinquencies that will not be collected within one year.

Loans receivable presented in the other governmental funds represents a low interest loan for development projects and home improvements granted to eligible City residents under Federal Grant programs. The loan bears interest at an annual rate of five percent. The loan is to be repaid over fifteen years. Loans expected to be collected in more than one year are \$20,182.

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes were levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017, was \$19.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2017 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Real Estate:	
Residential/Agricultural	\$57,715,590
Commercial/Industrial	23,051,760
Minerals	70
Public Utility Personal Property	9,460,720
Total	\$90,228,140

On March 15, 2016, the residents of the City approved a 2.0 mill levy designated for parks and recreational purposes. Tax revenue from this levy was received beginning January 1, 2017.

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The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2017, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2017 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

***Municipal Income Taxes***

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

Additional increases in the City’s income tax rate would require voter approval. The income tax, by ordinance, was allocated, after expenditures for collections, 7.5 percent to the capital improvements fund and the remainder to the general fund.

***Intergovernmental Receivable***

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

Governmental Activities	Amount
Homestead and Rollback	\$105,465
Gasoline Tax	101,333
Permissive Tax	70,983
Cents Per Gallon	51,754
Vehicle Registration	48,479
Local Government	44,052
Municipal Court	17,559
Victim Witness Assistance Grant	15,149
Dispatching	12,750
Other Amounts	300
Total Intergovernmental Receivables	\$467,824

**Note 7 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2017, the City contracted with U.S. Specialty Insurance Company for its property and liability insurance. Cooper Insurance serves as the City’s agent.

**City of East Liverpool, Ohio**  
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During 2017, the City purchased the following insurance coverage:

Coverage	Limit
Building and Contents	\$9,154,021
Inland Marine	1,788,483
Automobile Liability	1,000,000
Crime Insurance	30,000
Employee Dishonesty	50,000
Excess Liability	5,000,000
Wrongful Acts Liability	1,000,000
Employee Benefits Liability:	
Per Employee	1,000,000
Aggregate	3,000,000
General Liability:	
Per Occurrence	1,000,000
Aggregate	3,000,000
Law Enforcement Liability	1,000,000

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

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

***Employee Insurance Benefits***

In mid-2012, the City elected to cover the deductible cost of medical insurance through a self-insured program. The maintenance of these benefits is accounted for in the internal service fund. The deductible amount for medical in 2017 was \$2,500 for single and \$5,000 for family. Incurred but not reported claims of \$13,339 have been accrued as a liability based on a review of January and February 2018 billings provided by the City Auditor's Office.

The claims liability of \$13,339 reported in the internal service fund at December 31, 2017 is based on the requirements of Governmental Accounting Standards Board Statement No. 30 "Risk Financing Omnibus," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the fund's claims liability amount for 2016 and 2017 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2016	\$17,883	\$210,265	\$216,168	\$11,980
2017	11,980	205,690	204,331	13,339

**City of East Liverpool, Ohio**  
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**Note 8 – Contingencies**

***Grants***

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

***Litigation***

Several claims and lawsuits are pending against the City. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the City at December 31, 2017.

**Note 9 – Other Employee Benefits**

***Compensated Absences***

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

***Insurance***

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

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

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**Note 10 – Capital Assets**

Capital asset activity for governmental activities for the year ended December 31, 2017, was as follows:

	<u>Balance</u> 12/31/2016	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 12/31/2017
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$1,820,262	\$17,500	\$0	\$1,837,762
Construction in Progress	224,077	2,021,031	0	2,245,108
<i>Total Capital Assets, not being depreciated</i>	<u>2,044,339</u>	<u>2,038,531</u>	<u>0</u>	<u>4,082,870</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	439,315	0	0	439,315
Improvements other than Buildings	306,791	0	0	306,791
Machinery and Equipment	4,297,891	340,581	0	4,638,472
Infrastructure	11,597,490	0	0	11,597,490
<i>Total Capital Assets, being depreciated</i>	<u>16,641,487</u>	<u>340,581</u>	<u>0</u>	<u>16,982,068</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(292,777)	(6,387)	0	(299,164)
Improvements other than Buildings	(265,077)	(6,598)	0	(271,675)
Machinery and Equipment	(3,354,411)	(200,669)	0	(3,555,080)
Infrastructure	(3,323,715)	(510,660)	0	(3,834,375)
<i>Total Accumulated Depreciation</i>	<u>(7,235,980)</u>	<u>(724,314) *</u>	<u>0</u>	<u>(7,960,294)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>9,405,507</u>	<u>(383,733)</u>	<u>0</u>	<u>9,021,774</u>
<i>Governmental Activities</i>				
<i>Capital Assets, Net</i>	<u>\$11,449,846</u>	<u>\$1,654,798</u>	<u>\$0</u>	<u>\$13,104,644</u>

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

General Government	\$14,788
Security of Persons and Property	99,068
Transportation	580,740
Public Health and Welfare	1,210
Leisure Time Activities	19,411
Community and Economic Development	9,097
<b>Total Depreciation Expense</b>	<u><u>\$724,314</u></u>

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Capital asset activity for business-type activities for the year ended December 31, 2017, was as follows:

	Balance 12/31/2016	Additions	Deductions	Balance 12/31/2017
<b>Business-Type Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$25,771	\$0	\$0	\$25,771
Construction in Progress	150,000	83,643	(199,995)	33,648
<i>Total Capital Assets, not being depreciated</i>	175,771	83,643	(199,995)	59,419
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	4,823,446	207,495	0	5,030,941
Machinery and Equipment	4,888,206	521,613	0	5,409,819
Infrastructure	9,132,493	0	0	9,132,493
Water Lines	2,416,476	0	0	2,416,476
Sewer Lines	2,873,362	0	0	2,873,362
<i>Total Capital Assets, being depreciated</i>	24,133,983	729,108	0	24,863,091
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(3,161,494)	(96,943)	0	(3,258,437)
Machinery and Equipment	(3,577,019)	(250,913)	0	(3,827,932)
Infrastructure	(4,552,658)	(176,838)	0	(4,729,496)
Water Lines	(1,070,645)	(30,657)	0	(1,101,302)
Sewer Lines	(2,350,694)	(24,230)	0	(2,374,924)
<i>Total Accumulated Depreciation</i>	(14,712,510)	(579,581) *	0	(15,292,091)
<i>Total Capital Assets being depreciated, Net</i>	9,421,473	149,527	0	9,571,000
<i>Business-Type Activities</i>				
<i>Capital Assets, Net</i>	\$9,597,244	\$233,170	(\$199,995)	\$9,630,419

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

Water	\$375,607
Sewer	103,162
Incinerator	99,031
Off Street Parking	1,650
Swimming Pool	131
Total	<u>\$579,581</u>

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*Notes to the Basic Financial Statements*  
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**Note 11 - Defined Benefit Pension Plans**

***Net Pension Liability***

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

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

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

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

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

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

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

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

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

<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.

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



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	State and Local
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$426,758 for 2017. Of this amount, \$55,674 is reported as an intergovernmental payable.

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

Plan Description - City full-time police and firefighters 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 OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of 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 after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit. (See OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits.)

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Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F 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, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	Police	Firefighters
<b>2017 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2017 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$343,665 for 2017. Of this amount, \$44,184 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2017, the specific liability of the City was \$670,335 payable in semi-annual payments through the year 2035.

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

The net pension liability for OPERS was measured as of December 31, 2016, 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, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. 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:

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	<u>OPERS</u>	<u>OP&amp;F</u>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.025422%	0.0763250%	
Prior Measurement Date	<u>0.025687%</u>	<u>0.0833470%</u>	
Change in Proportionate Share	<u>-0.0002650%</u>	<u>-0.0070220%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$5,772,904	\$4,834,350	\$10,607,254
Pension Expense	\$1,197,737	\$524,456	\$1,722,193

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$7,825	\$1,368	\$9,193
Changes of assumptions	915,653	0	915,653
Net difference between projected and actual earnings on pension plan investments	859,719	470,119	1,329,838
Changes in proportion and differences between City contributions and proportionate share of contributions	27,701	0	27,701
City contributions subsequent to the measurement date	<u>426,758</u>	<u>343,665</u>	<u>770,423</u>
Total Deferred Outflows of Resources	<u>\$2,237,656</u>	<u>\$815,152</u>	<u>\$3,052,808</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$34,357	\$11,131	\$45,488
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>69,234</u>	<u>327,269</u>	<u>396,503</u>
Total Deferred Inflows of Resources	<u>\$103,591</u>	<u>\$338,400</u>	<u>\$441,991</u>

\$770,423 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Year Ending December 31:	OPERS	OP&F	Total
2018	\$694,271	\$113,805	\$808,076
2019	733,547	113,805	847,352
2020	304,690	71,203	375,893
2021	(25,201)	(96,637)	(121,838)
2022	0	(62,896)	(62,896)
Thereafter	0	(6,193)	(6,193)
Total	<u>\$1,707,307</u>	<u>\$133,087</u>	<u>\$1,840,394</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 was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2016, compared with December 31, 2015, are presented below.

	December 31, 2016	December 31, 2015
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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For 2016, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

For 2015, 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, 2015. The prior 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.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
<b>Total</b>	<b>100.00 %</b>	<b>5.66 %</b>

**Discount Rate** The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the 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 was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$8,819,400	\$5,772,904	\$3,234,187

**Actuarial Assumptions – OP&F**

OP&F's total pension liability as of December 31, 2016, is based on the results of an actuarial valuation date of January 1, 2016, 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, 2016, are presented below:

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Valuation Date	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
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
	plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average 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 OP&F's target asset allocation as of December 31, 2016, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: Assumptions are geometric.

\* levered 2x

OP&F'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.

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**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 earnings were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$6,438,780	\$4,834,350	\$3,474,572

***Changes between Measurement Date and Report Date***

In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8 percent. Although the exact amount of these changes is not known, it has the potential to impact to the City's net pension liability.

**Note 12 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.



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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016 and 2015 was \$32,828, \$65,822 and \$63,843, respectively. For 2017, 87.89 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

***Ohio Police and Fire Pension Fund***

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

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OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, 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 Government Accounting Standards Board (GASB) Statement No. 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 information and required supplementary information for the plan. The report may be obtained by visiting the OP&F 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.

**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 19.5 percent and 24 percent of covered payroll for police and 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 for health care benefits under an Internal Revenue Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the 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 to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contribution to OP&F for the years ended December 31, 2017, 2016 and 2015 were \$352,008, \$347,904 and \$359,572, respectively, of which \$8,343, \$8,183 and \$8,425, respectively, was allocated to the healthcare plan. For 2017, 87.12 percent has been contributed for both police and firefighters with the balance being reported as an *intergovernmental payable*. The full amount has been contributed for 2016 and 2015.

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**Note 13 – Capital Leases**

In prior years, the City entered into capital leases for machinery and equipment. In 2017, the City entered into capital leases for various pieces of equipment for use in governmental and business-type activities. These lease obligations meet the criteria of a capital lease and have been recorded as capital assets on the government-wide statements and on the proprietary statement of fund net position. Capital lease payments are reflected as debt service expenditures in the various funds on the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

	Governmental Activities	Business-Type Activities
Asset:		
Machinery and Equipment	\$854,390	\$743,153
Less: Accumulated Depreciation	(248,271)	(96,303)
Current Book Value	\$606,119	\$646,850

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

	Governmental Activities	Business-type Activities
2018	\$180,018	\$149,669
2019	131,884	106,662
2020	78,634	70,767
2021	33,682	33,234
2022	29,032	0
Total Minimum Lease Payments	453,250	360,332
Less: Amount representing interest	(33,304)	(17,878)
Present Value of Minimum Lease Payments	\$419,946	\$342,454

**City of East Liverpool, Ohio**  
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**Note 14 - Long-Term Obligations**

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

	Balance 12/31/2016	Issued	Retired	Balance 12/31/2017	Amounts Due In One Year
<b>Governmental Activities</b>					
Installment Loans:					
2007 Aerial Fire Truck - 5.95%	\$8,565	\$0	(\$8,565)	\$0	\$0
2014 Street Paving - 3.65%	140,307	0	(58,801)	81,506	61,014
<i>Total Installment Loans</i>	<u>148,872</u>	<u>0</u>	<u>(67,366)</u>	<u>81,506</u>	<u>61,014</u>
Ohio Public Works Commission Loans:					
2003 State Route 39 Improvement Loan - 0.00%	154,688	0	(23,799)	130,889	23,798
2012 St. Clair Avenue Improvement Loan - 0.00%	66,811	0	(9,544)	57,267	9,545
<i>Total Ohio Public Works Commission Loans</i>	<u>221,499</u>	<u>0</u>	<u>(33,343)</u>	<u>188,156</u>	<u>33,343</u>
State Infrastructure Bank Loans:					
2011 Road Improvements Loan - 3.00%	331,660	0	(62,441)	269,219	64,329
2015 River Road Improvement Loan - 3.00%	1,116,691	658	(35,456)	1,081,893	72,515
2017 Road Improvement Loan - 3.00%	0	129,159	0	129,159	0
<i>Total State Infrastructure Bank Loans</i>	<u>1,448,351</u>	<u>129,817</u>	<u>(97,897)</u>	<u>1,480,271</u>	<u>136,844</u>
Capital Leases:					
2012 Copier - 7.62%	1,230	0	(1,230)	0	0
2013 Street Sweeper - 2.95%	118,206	0	(32,547)	85,659	33,513
2013 Digital Radio System - 3.93%	86,989	0	(42,657)	44,332	44,332
2015 Dump Truck	74,666	0	(24,277)	50,389	24,884
2015 Copier - 8.83%	3,282	0	(1,643)	1,639	1,639
2015 Copier - 8.71%	2,479	0	(863)	1,616	941
2015 Copier - 8.71%	6,766	0	(1,442)	5,324	1,573
2016 Copier - 11.47%	11,783	0	(1,892)	9,891	2,121
2016 Police Interceptor - 6.45%	22,614	0	(7,072)	15,542	7,528
2017 Auditor Copier - 9.78%	0	9,474	(1,013)	8,461	1,648
2017 Phone System - 5.04%	0	46,646	0	46,646	8,415
2017 Police Cruisers - 3.35%	0	95,019	(24,960)	70,059	22,576
2017 Bush Hog Mower Lease - 3.46%	0	22,915	0	22,915	4,272
2017 Wing Mower - 3.45%	0	15,473	0	15,473	2,885
2017 Tractor Lease - 3.46%	0	42,000	0	42,000	7,830
	<u>328,015</u>	<u>231,527</u>	<u>(139,596)</u>	<u>419,946</u>	<u>164,157</u>
Net Pension Liability:					
OPERS	2,135,667	635,325	0	2,770,992	0
OP&F	5,361,771	(527,421)	0	4,834,350	0
<i>Total Net Pension Liability</i>	<u>7,497,438</u>	<u>107,904</u>	<u>0</u>	<u>7,605,342</u>	<u>0</u>
Compensated Absences	138,537	33,259	(40,076)	131,720	56,562
Police and Fire Pension	695,813	0	(25,478)	670,335	26,573
<b>Total Governmental Activities</b>	<u><u>\$10,478,525</u></u>	<u><u>\$502,507</u></u>	<u><u>(\$403,756)</u></u>	<u><u>\$10,577,276</u></u>	<u><u>\$478,493</u></u>

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	Balance 12/31/2016	Issued	Retired	Balance 12/31/2017	Amounts Due In One Year
<b>Business-Type Activities</b>					
Installment Loans:					
2007 Anderson Boulevard Water Loan - 6.25%	\$5,551	\$0	(\$5,551)	\$0	\$0
2007 Anderson Boulevard Sewer Loan - 6.25%	3,885	0	(3,885)	0	0
2014 Painting Upflow Water Loan - 3.65%	62,170	0	(19,975)	42,195	20,714
2015 Communications Upgrade Water Loan - 2.85%	29,376	0	(16,781)	12,595	12,595
<i>Total Installment Loans</i>	<u>100,982</u>	<u>0</u>	<u>(46,192)</u>	<u>54,790</u>	<u>33,309</u>
Ohio Public Works Commission Loans:					
2001 Henry Avenue Waterline Water Loan - 0.00%	17,053	0	(4,264)	12,789	4,264
Ohio Water Development Authority Loans:					
2004 Project #4181 Water Loan - 3.35%	2,015,227	0	(195,331)	1,819,896	201,930
2013 Project #6489 Water Loan - 2.00%	455,075	0	(22,721)	432,354	23,178
2013 Project #6488 Sewer Loan - 2.59%	179,287	0	(8,216)	171,071	8,430
<i>Total Ohio Water Development Authority Loans</i>	<u>2,649,589</u>	<u>0</u>	<u>(226,268)</u>	<u>2,423,321</u>	<u>233,538</u>
Capital Leases:					
2014 Rear Load Packer Incinerator Lease - 2.85%	2,893	0	(2,893)	0	0
2015 Sewer Vactor Sewer Lease - 2.60%	140,862	0	(33,872)	106,990	34,752
2016 Water Truck - 2.29%	125,633	0	(55,039)	70,594	56,313
2016 Sewer Truck - 2.55%	61,480	0	(19,974)	41,506	20,489
2017 Freightliner - 3.36%	0	151,704	(28,340)	123,364	29,307
<i>Total Capital Leases</i>	<u>330,868</u>	<u>151,704</u>	<u>(140,118)</u>	<u>342,454</u>	<u>140,861</u>
Net Pension Liability - OPERS:					
Water	1,379,289	410,312	0	1,789,601	0
Sewer	622,903	185,303	0	808,206	0
Incinerator	311,453	92,652	0	404,105	0
<i>Total Net Pension Liability - OPERS</i>	<u>2,313,645</u>	<u>688,267</u>	<u>0</u>	<u>3,001,912</u>	<u>0</u>
Compensated Absences	61,992	42,194	(43,038)	61,148	31,190
<b>Total Business-Type Activities</b>	<u><u>\$5,474,129</u></u>	<u><u>\$882,165</u></u>	<u><u>(\$459,880)</u></u>	<u><u>\$5,896,414</u></u>	<u><u>\$443,162</u></u>

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

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

In 2017, the City was approved for a \$302,000 Ohio Department of Transportation SIB loan for Road improvements for road improvements. As of December 31, 2017, the City has drawn down proceeds of \$129,159. This loan has not been finalized and therefore the repayment schedule is not included in the schedule of debt service payments.

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The City has pledged future revenues, net of operating expenses, to repay OPWC and OWDA loans in the City of East Liverpool water fund. The debt is payable solely from net revenues and are payable through 2033. Annual principal and interest payments on the debt issues are expected to require less than 82 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$2,609,889. Principal and interest paid for the current year and total net revenues were \$290,398 and \$139,823, respectively.

The City has pledged future revenues, net of operating expenses, to repay OWDA loans in the City of East Liverpool sewer fund. The debt is payable solely from net revenues and are payable through 2033. Annual principal and interest payments on the debt issues are expected to require less than 6 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$211,304. Principal and interest paid for the current year and total net revenues were \$12,523 and \$465,264, respectively.

The City also has twenty capital leases. The street sweeper capital lease will be paid from the street capital improvement fund. The copier capital leases will be paid from the general fund, the police special revenue fund and the maintenance fee capital project fund. The phone system lease will be paid from the debt service fund. The digital radio system, police interceptor, police cruisers, bush hog mower, wing mower, tractor and dump truck capital leases will be paid from the capital improvements capital projects fund. The freightliner business-type activities' capital lease will be paid from the incinerator fund. The business-type activities' truck capital leases will be paid from the water and sewer fund. The sewer vacuum business-type activities' capital lease will be paid from the sewer fund.

The compensated absences liability will be paid from the general, police, fire, street, water, sewer and incinerator funds. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the general, police, fire, street, water, sewer and incinerator funds. For additional information related to the net pension liability see Note 11.

As of December 31, 2017, the City's overall legal debt margin was \$7,841,275 and the unvoted legal debt margin was \$3,329,868. Principal and interest requirements to retire the outstanding debt at December 31, 2017, are as follows:

	Governmental-Wide				
	Installment Loans		OPWC Loans	SIB Loan	
	Principal	Interest	Principal	Principal	Interest
2018	\$61,014	\$1,987	\$33,343	\$136,844	\$39,514
2019	20,492	157	33,343	140,979	35,379
2020	0	0	33,342	145,241	31,117
2021	0	0	33,343	149,630	26,730
2022	0	0	33,343	81,686	22,744
2023-2027	0	0	21,442	447,000	75,160
2028-2030	0	0	0	249,732	11,349
Totals	\$81,506	\$2,144	\$188,156	\$1,351,112	\$241,993

**City of East Liverpool, Ohio**  
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	Business-Type Funds				
	Installment Loans		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Principal	Interest
2018	\$33,309	\$1,742	\$4,264	\$233,538	\$72,196
2019	21,481	795	4,263	241,045	64,690
2020	0	0	4,262	248,796	56,937
2021	0	0	0	256,803	48,933
2022	0	0	0	265,072	40,663
2023-2027	0	0	0	923,458	82,776
2028-2032	0	0	0	204,646	17,931
2033-2034	0	0	0	49,963	957
Totals	<u>\$54,790</u>	<u>\$2,537</u>	<u>\$12,789</u>	<u>\$2,423,321</u>	<u>\$385,083</u>

**Note 15 – Interfund Transfers**

Interfund transfers for the year ended December 31, 2017, consisted of the following:

Transfer To	Transfer From			
	General	Sewer	Incinerator	Total
Police	\$1,750,000	\$0	\$0	\$1,750,000
Fire	345,000	0	0	345,000
Other Governmental Funds	129,392	0	0	129,392
Water	0	171,617	10,300	181,917
Other Enterprise Funds	5,000	0	0	5,000
Grand Total	<u>\$2,229,392</u>	<u>\$171,617</u>	<u>\$10,300</u>	<u>\$2,411,309</u>

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

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

**Note 16 – Fund Balances**

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2017

Fund Balances	General	Police	Fire	Street Levy	Other Governmental Funds	Total
<b><u>Nonspendable:</u></b>						
Inventory	\$0	\$0	\$0	\$0	\$25,204	\$25,204
Prepays	37,331	32,750	20,653	0	18,408	109,142
Unclaimed Monies	2,299	0	0	0	0	2,299
<i>Total Nonspendable</i>	<u>39,630</u>	<u>32,750</u>	<u>20,653</u>	<u>0</u>	<u>43,612</u>	<u>136,645</u>
<b><u>Restricted:</u></b>						
Transportation	0	0	0	295,711	265,911	561,622
Public Health and Safety	0	154,353	6,408	0	105,764	266,525
Police Pension	0	0	0	0	4,876	4,876
Fire Pension	0	0	0	0	4,873	4,873
Economic Development	0	0	0	0	118,326	118,326
Food Service	0	0	0	0	8,099	8,099
Court Computerization	0	0	0	0	13,453	13,453
Probation Services	0	0	0	0	48,422	48,422
Debt Service	0	0	0	0	117,253	117,253
Capital Improvements	0	0	0	0	372,707	372,707
<i>Total Restricted</i>	<u>0</u>	<u>154,353</u>	<u>6,408</u>	<u>295,711</u>	<u>1,059,684</u>	<u>1,516,156</u>
<b><u>Committed:</u></b>						
Economic Development	0	0	0	0	11,230	11,230
<b><u>Assigned:</u></b>						
Recreation	7,263	0	0	0	1,322	8,585
2018 Budget	106,756	0	0	0	0	106,756
Purchases on Order:						
Contractual Services	62,670	0	0	0	0	62,670
<i>Total Assigned</i>	<u>176,689</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,322</u>	<u>178,011</u>
Unassigned	<u>392,171</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>392,171</u>
Total Fund Balance	<u>\$608,490</u>	<u>\$187,103</u>	<u>\$27,061</u>	<u>\$295,711</u>	<u>\$1,115,848</u>	<u>\$2,234,213</u>

**Note 17 - Jointly Governed Organizations**

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

The Authority is a non-profit organization established to provide adequate public housing for low income individuals and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a five member board of commissioners. Two members are appointed by the Mayor of East Liverpool, one member is appointed by the Columbiana County Commissioners, one member is appointed by the judge of the probate court, and one member is appointed by the judge of the court of common pleas. The board exercises total control over the Authority's operations including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the board. The City did not contribute any amounts to the Authority during 2017. Information can be obtained from 325 Moore Street, East Liverpool, Ohio 43920.



**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2017*

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

OMEGA is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a seventeen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. A county commissioner serves as the County's representative on the board. The board has total control over budgeting, personnel and financial matters. Each member's degree of control is limited to its representation on the board. Each member currently pays a per capita membership fee based on the most recent United States census. During 2017, OMEGA received \$1,679 from the City of East Liverpool for an annual fee. Information can be obtained from 326 Highland Avenue, PO Box 130, Cambridge, Ohio 43725.

**Note 18 – Significant Commitments**

***Contractual Commitments***

As of December 31, 2017, the City had the following contractual construction commitments outstanding:

Vendor Name	Contract Amount	Amount Paid to Date	Remaining Contract
Dallas Dawson	\$126,860	\$91,006	\$35,854
Marucci & Gaffney	585,632	473,067	112,565
Stacy & Powers	45,000	0	45,000
Dynotec	12,231	0	12,231
Black McCuskey	15,000	0	15,000
	<u>\$784,723</u>	<u>\$564,073</u>	<u>\$220,650</u>

Remaining commitment amounts were encumbered at year-end.

***Encumbrances***

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

<i>Governmental Funds:</i>		<i>Proprietary Funds:</i>	
General	\$64,888	Water	\$197,128
Police	99,999	Sewer	57,928
Fire	17,014	Incinerator	23,940
Street Levy Fund	16,313	Total Proprietary	<u>\$278,996</u>
Other Governmental Funds	488,958		
Total Governmental	<u>\$687,172</u>		

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2017*

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**Note 19 – Closure and Post-closure Care Cost**

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

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

**Note 20 – Subsequent Event**

In January 2018, the City entered into a lease agreement with the Middlefield Banking Company for a new fire truck. The total lease principal amount is \$477,350 to be paid over a twelve year period. The interest rate on the lease is 3 percent.

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## Required Supplementary Information

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.025422%	0.025687%	0.026131%	0.026131%
City's Proportionate Share of the Net Pension Liability	\$5,772,904	\$4,449,312	\$3,151,688	\$3,080,502
City's Covered-Employee Payroll	\$3,291,092	\$3,192,129	\$3,203,675	\$3,104,947
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	175.41%	139.38%	98.38%	99.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

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

	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0763250%	0.0833470%	0.0836451%	0.0836451%
City's Proportionate Share of the Net Pension Liability	\$4,834,350	\$5,361,771	\$4,333,165	\$4,073,779
City's Covered-Employee Payroll	\$1,636,526	\$1,684,876	\$1,679,505	\$1,630,431
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	295.40%	318.23%	258.00%	249.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	72.20%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$426,758	\$394,932	\$383,055	\$384,441	\$403,643
Contributions in Relation to the Contractually Required Contribution	<u>(426,758)</u>	<u>(394,932)</u>	<u>(383,055)</u>	<u>(384,441)</u>	<u>(403,643)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$3,282,754	\$3,291,092	\$3,192,129	\$3,203,675	\$3,104,947
Contributions as a Percentage of Covered-Employee Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$343,665	\$339,721	\$351,147	\$350,049
Contributions in Relation to the Contractually Required Contribution	<u>(343,665)</u>	<u>(339,721)</u>	<u>(351,147)</u>	<u>(350,049)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,668,585	\$1,636,526	\$1,684,876	\$1,679,505
Contributions as a Percentage of Covered-Employee Payroll	20.60%	20.76%	20.84%	20.84%



2013	2012	2011	2010	2009	2008
\$289,044	\$240,727	\$240,133	\$240,068	\$294,690	\$293,722
(289,044)	(240,727)	(240,133)	(240,068)	(294,690)	(293,722)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,630,431	\$1,647,502	\$1,644,290	\$1,648,435	\$2,006,510	\$1,973,623
17.73%	14.61%	14.60%	14.56%	14.69%	14.88%

**City of East Liverpool, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2017*

**Changes in Assumptions - OPERS**

Amounts reported for 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	December 31, 2017	December 31, 2016 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported for 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates 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.

August 6, 2018

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of East Liverpool, Columbiana County, Ohio, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 6, 2018.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as items 2017-001 and 2017-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as items 2017-003 and 2017-004 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

### **Purpose of this Report**

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

*Kea & Associates, Inc.*

New Philadelphia, Ohio

August 6, 2018

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

**Independent Auditor's Report on Compliance for Each Major Federal Program and  
Report on Internal Control over Compliance Required by the Uniform Guidance**

**Report on Compliance for Each Major Federal Program**

We have audited the City of East Liverpool's, Columbiana County, Ohio (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

**Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Rea & Associates, Inc.*

New Philadelphia, Ohio

**CITY OF EAST LIVERPOOL  
COLUMBIANA COUNTY, OHIO**

*Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017*

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>	<b>Federal CFDA</b>	<b>Pass Through Entity Identifying</b>	<b>Passed Through to</b>	<b>Total Federal</b>
<b>Program / Cluster Title</b>	<b>Number</b>	<b>Number</b>	<b>Subrecipients</b>	<b>Disbursements</b>
<b>U. S. Department of Housing and Urban Development</b>				
Direct Programs:				
Home Investment Partnership Program	14.239		0	3,022
Total U.S. Department of Housing and Urban Development			<u>0</u>	<u>3,022</u>
<b>U.S. Department of Justice</b>				
<i>Passed Through Ohio Attorney General's Office:</i>				
Crime Victim Assistance	16.575			138,540
Total U.S. Department of Justice			<u>0</u>	<u>138,540</u>
<b>U.S. Department of Transportation</b>				
<i>Passed through Ohio Department of Transportation</i>				
Highway Planning and Construction Cluster				
Highway Planning and Construction - Downtown Paving	20.205	PID-101945	0	1,271,924
Highway Planning and Construction - East 4th Street	20.205	PID-96996	0	462,255
Total Highway Planning and Construction Cluster			<u>0</u>	<u>1,734,179</u>
Total U.S. Department of Transportation			<u>0</u>	<u>1,734,179</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 0</u>	<u>\$ 1,875,741</u>

The accompanying notes are an integral part of this Schedule.

**CITY OF EAST LIVERPOOL  
COLUMBIANA COUNTY, OHIO**

*Notes to the Schedule of Expenditures of Federal Awards  
2 CFR 200.510(b)(6)  
For the Year Ended December 31, 2017*

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the federal award activity of the City of East Liverpool (the City) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**NOTE B – SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The City has not made an election whether or not to use the 10 percent de minimis rate.

**NOTE C – MATCHING REQUIREMENTS**

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



**City of East Liverpool**  
**Columbiana County, Ohio**  
*Schedule of Findings and Questioned Costs*  
*2 CFR Section 200.515*  
*December 31, 2017*

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list): Highway Planning & Construction Cluster	CFDA 20.205
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

**Finding Number: 2017-001**

**Material Weakness – Cash Reconciliations**

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

**City of East Liverpool**  
**Columbiana County, Ohio**  
*Schedule of Findings and Questioned Costs (Continued)*  
*2 CFR Section 200.515*  
*December 31, 2017*

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number: 2017-001 (Continued)**

**Material Weakness – Cash Reconciliations**

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

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

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

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

**Management’s Response:** See Corrective Action Plan.

**Finding Number: 2017-002**

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

**Criteria:** The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. AU-C 265 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client’s internal control over financial reporting. This new standard requires the audit to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, AU-C 265 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

**City of East Liverpool**  
**Columbiana County, Ohio**  
*Schedule of Findings and Questioned Costs (Continued)*  
*2 CFR Section 200.515*  
*December 31, 2017*

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number: 2017-002 (Continued)**

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

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

**Cause:** In the General and Police Funds, the City only reported net revenues for the fines assessed for their new traffic camera program. The fees withheld by the company administering the program were not reported. This issue also affected accounts receivable and accounts payable at year end. In addition, the traffic camera fines receivable was reported solely in the General Fund rather than allocated between the General and Police Funds. An adjustment was also required for utilities accounts receivable in the Water and Sewer Funds to correct for a billing error prior to year-end.

**Effect:** The above mentioned issues caused the following misstatements on the financial statements presented for audit:

Due to Traffic Camera Program:

- Fines and Forfeitures were overstated in the General Fund by \$41,507
- Accounts Receivable were overstated in the General Fund by \$100,547
- Accounts Payable were understated in the General Fund by \$23,310
- Expenses were understated in the General Fund by \$82,350
- Fines and Forfeitures were understated in the Police Fund by \$447,146
- Accounts Receivable were understated in the Police Fund by \$210,986
- Accounts Payable were understated in the Police Fund by \$93,241
- Expenses were understated in the Police Fund by \$329,401

Due to Utility Billing Error:

- Accounts Receivable and Charges for Services were overstated in the Water Fund by \$217,098
- Accounts Receivable and Charges for Services were overstated in the Sewer fund by \$144,732

Adjustments were posted to correct all of the above noted misstatements.

**Recommendations:** To ensure the City's financial statements and notes to the financial statements are complete and accurate, the City should adopt procedures, including a final review of the statements and note disclosures by the City Auditor, to identify and correct errors and omissions. In addition, the City should report the gross revenues related to the traffic camera program and report expenses for administration expenses withheld by the third party administrator.

**Management Response:** See Corrective Action Plan.

**City of East Liverpool**  
**Columbiana County, Ohio**  
*Schedule of Findings and Questioned Costs (Continued)*  
*2 CFR Section 200.515*  
*December 31, 2017*

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number: 2017-003**

**Significant Deficiency – Segregation of Duties**

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

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

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

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

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

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

**Management’s Response:** See Corrective Action Plan.

**Finding Number: 2017-004**

**Significant Deficiency – Vendor Verification**

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

**City of East Liverpool**  
**Columbiana County, Ohio**  
*Schedule of Findings and Questioned Costs (Continued)*  
*2 CFR Section 200.515*  
*December 31, 2017*

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number: 2017-004 (Continued)**

**Significant Deficiency – Vendor Verification**

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

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

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

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

**Management’s Response:** See Corrective Action Plan

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

**MARILYN BOSCO**  
**CITY AUDITOR**



Melissa Faulkner, Deputy Auditor

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 126 West Sixth Street  
 East Liverpool, Ohio 43920

Phone: (330) 385-4224  
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**City of East Liverpool**  
**Columbiana County, Ohio**  
*Corrective Action Plan*  
*2 CFR Section 200.511(c)*  
*For the Year Ended December 31, 2017*

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
<b>2017-001</b>	The City was performing more timely reconciliations in 2017, however; there are still unidentified variances that can't be explained. The Treasurer will work on identifying all reconciling items and make sure necessary adjustments are posted.	December 31, 2018	Debbie Fickes, Treasurer
<b>2017-002</b>	The City will begin reporting activity related to the traffic camera program to properly account for all revenues and expenses related to the program. In addition, The City Auditor will review the procedures for management's review of the financial statements to better identify material errors prior to filing in the Hinkle system.	December 31, 2018	Marilyn Bosco, City Auditor
<b>2017-003</b>	Management will review processes and procedures and work on implementing procedures to properly segregate duties.	December 31, 2018	Marilyn Bosco, City Auditor
<b>2017-004</b>	We recognize the importance of controls over the vendor master file. The vendor master will be further reviewed and any additional vendor clean-up will be completed as needed.	December 31, 2018	Marilyn Bosco, City Auditor

**MARILYN BOSCO**  
**CITY AUDITOR**



Melissa Faulkner, Deputy Auditor

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 East Liverpool, Ohio 43920

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**City of East Liverpool**  
**Columbiana County, Ohio**  
*Schedule of Prior Audit Findings*  
 2 CFR 200.511(b)  
 December 31, 2017

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	Cash reconciliations not performed properly	Not Corrected	Repeated as Finding 2017-001; The City has been working on identifying an unreconciled variance but did not make necessary corrections prior to year-end. See Corrective Action Plan.
2016-002	Material Audit Adjustments	Not Corrected	Repeated as Finding 2017-002; The City made efforts to correct issues identified in the prior year but material audit adjustments were still required for the 2017 audit. See Corrective Action Plan.
2016-003	Segregation of Duties	Not Corrected	Repeated as Finding 2017-003; Due to limited staffing the City has been unable to fully address this issue and segregation of duties issues still exist in multiple departments. See Corrective Action Plan.
2016-004	Vendor Verification	Not Corrected	Repeated as Finding 2017-004; The City has implemented procedures to fully vet new vendors, however clean-up of existing vendors in the system still needs to be done. See Corrective Action Plan.
2016-005	Material Non-Compliance: ORC 5705.41(D) Purchasing Procedures	Fully Corrected	

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# Dave Yost • Auditor of State

CITY OF EAST LIVERPOOL

COLUMBIANA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 4, 2018