

CITY OF EAST LIVERPOOL, OHIO

Basic Financial Statements

Year Ended December 31, 2019

With Independent Auditors' Report



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City Council
City of East Liverpool
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We have reviewed the *Independent Auditors' Report* of the City of East Liverpool, Columbiana County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2019 through December 31, 2019. 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.

Keith Faber
Auditor of State
Columbus, Ohio

October 8, 2020

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of East Liverpool, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Ohio (the "City") as of and for the year ended December 31, 2019, 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.

Auditors' 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 auditors' 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Ohio, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows, and the budgetary comparisons for the General Fund, Police Fund, Fire Fund, and Street Levy Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Subsequent Event Footnote

As discussed in Note 22 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

During the year ended December 31, 2019, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and related guidance from Governmental Accounting Standards Board Implementation Guide No. 2019-2, *Fiduciary Activities*. (See Note 19). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension and OPEB liabilities/assets and pension and OPEB contributions listed in the table of contents 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 be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2020 on our consideration of the City of East Liverpool'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 solely 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 of East Liverpool's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
July 31, 2020

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City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

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, 2019. 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 2019 are:

- The City's net position increased during 2019 due primarily to increases cash and cash equivalents, decreases in debt obligations and increases in net position in relation to the total effect of the net OPEB liability offset by decreases in net position in relation to the total effect of the net pension liability.
- Capital asset additions in 2019 included construction in progress on roadwork and raw water intake projects, building improvements, waterline upgrades and the purchase of various equipment and vehicles. 2019 also saw the completion of the several paving projects as the City continues to focus on improving and repairing its roads for the safety of its citizens.
- Outstanding debt decreased during the year due to annual debt payments exceeding the addition of obligations for capital leases, State Infrastructure Bank (SIB) loans and Ohio Water Development Authority (OWDA) loans.

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 2019?" 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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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
- Special Item and Transfers
- 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 with the discussion of the modified accrual statements. Fund financial statements provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds which account for the multitude of services, facilities and infrastructure provided to City residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of East Liverpool, the major funds are the general, police, fire, street levy, water, sewer and incinerator funds.

Governmental Funds

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

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

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 custodial 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 2019 compared to 2018.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	Restated 2018	2019	2018	2019	Restated 2018
Assets						
Current and Other Assets	\$6,480,293	\$6,210,403	\$5,063,295	\$4,766,334	\$11,543,588	\$10,976,737
Noncurrent Assets:						
Net Pension Asset	4,593	6,425	5,428	6,964	10,021	13,389
Capital Assets, Net	13,794,231	13,803,315	10,926,098	10,276,057	24,720,329	24,079,372
<i>Total Assets</i>	<u>20,279,117</u>	<u>20,020,143</u>	<u>15,994,821</u>	<u>15,049,355</u>	<u>36,273,938</u>	<u>35,069,498</u>
Deferred Outflows of Resources						
Pension	3,039,132	1,127,312	1,083,225	500,422	4,122,357	1,627,734
OPEB	915,049	515,698	141,306	98,658	1,056,355	614,356
<i>Total Deferred Outflows of Resources</i>	<u>3,954,181</u>	<u>1,643,010</u>	<u>1,224,531</u>	<u>599,080</u>	<u>5,178,712</u>	<u>2,242,090</u>
Liabilities						
Current and Other Liabilities	781,591	799,557	414,610	410,676	1,196,201	1,210,233
Long-Term Liabilities:						
Due Within One Year	413,239	437,071	502,928	413,142	916,167	850,213
Due in More than One Year						
Net Pension Liability	9,844,123	6,477,117	3,598,894	2,026,479	13,443,017	8,503,596
Net OPEB Liability	2,133,792	5,483,749	1,625,334	1,333,778	3,759,126	6,817,527
Other Amounts	2,471,378	2,816,044	2,966,828	2,947,795	5,438,206	5,763,839
<i>Total Liabilities</i>	<u>\$15,644,123</u>	<u>\$16,013,538</u>	<u>\$9,108,594</u>	<u>\$7,131,870</u>	<u>\$24,752,717</u>	<u>\$23,145,408</u>

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

Table 1
Net Position (continued)

	Governmental Activities		Business-Type Activities		Total	
	2019	Restated 2018	2019	2018	2019	Restated 2018
Deferred Inflows of Resources						
Property Taxes	\$1,454,523	\$1,409,005	\$0	\$0	\$1,454,523	\$1,409,005
Payments in Lieu of Taxes	27,300	27,300	0	0	27,300	27,300
Pension	309,182	970,548	65,402	519,679	374,584	1,490,227
OPEB	295,589	224,628	19,061	127,429	314,650	352,057
<i>Total Deferred Inflows of Resources</i>	<u>2,086,594</u>	<u>2,631,481</u>	<u>84,463</u>	<u>647,108</u>	<u>2,171,057</u>	<u>3,278,589</u>
Net Position						
Net Investment in Capital Assets	11,657,612	11,298,021	7,504,046	6,964,287	19,161,658	18,262,308
Restricted:						
Capital Projects	547,860	525,541	0	0	547,860	525,541
Debt Service	403,616	443,603	0	0	403,616	443,603
Street Maintenance and Repair	439,985	449,878	0	0	439,985	449,878
Community Development	87,862	113,358	0	0	87,862	113,358
Other Purposes	809,972	722,607	0	0	809,972	722,607
Unclaimed Monies	6,223	4,553	0	0	6,223	4,553
Unrestricted (Deficit)	<u>(7,450,549)</u>	<u>(10,539,427)</u>	<u>522,249</u>	<u>905,170</u>	<u>(6,928,300)</u>	<u>(9,634,257)</u>
<i>Total Net Position</i>	<u>\$6,502,581</u>	<u>\$3,018,134</u>	<u>\$8,026,295</u>	<u>\$7,869,457</u>	<u>\$14,528,876</u>	<u>\$10,887,591</u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2019. GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

City of East Liverpool, Ohio
Management's Discussion and Analysis
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By comparing assets and deferred outflows of resources and liabilities and deferred inflows of resources, one can see the overall position of the City has increased when compared with the prior year as evidenced by the increases in net position for governmental and business-type activities.

Total current and other assets for governmental activities increased due mainly to an increase in cash and cash equivalents resulting from increased fines and forfeitures collections. Net capital assets for governmental activities decreased slightly due to annual depreciation and deletions exceeding current year additions. The decrease in long-term liabilities can be attributed to decreases in the net OPEB liability attributed to the City and decreases in outstanding debt due to continued annual debt payments offset by increases in the net pension liability. The increase in governmental net position can be attributed primarily to an increase in current and other assets coupled with the decrease in the net OPEB liability attributed to the City.

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 increase in long-term liabilities for business-type activities was due to increases in net pension/OPEB, new OWDA loans for ongoing water infrastructure projects and additional capital leases that were offset by the continued pay-down of outstanding debt.

Table 2 shows the changes in net position for the years ended December 31, 2019 and December 31, 2018.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$2,557,066	\$2,210,440	\$6,084,440	\$5,557,627	\$8,641,506	\$7,768,067
Operating Grants and Contributions	1,163,630	1,549,976	78,891	65,121	1,242,521	1,615,097
Capital Grants	658,243	206,252	0	0	658,243	206,252
Total Program Revenues	4,378,939	3,966,668	6,163,331	5,622,748	10,542,270	9,589,416
<i>General Revenues:</i>						
Property Taxes	1,456,684	1,500,157	0	0	1,456,684	1,500,157
Income Tax	3,093,957	3,357,632	0	0	3,093,957	3,357,632
Hotel Taxes	3,387	238	0	0	3,387	238
Grants and Entitlements not Restricted to Specific Programs	209,674	163,585	0	0	209,674	163,585
Payment in Lieu of Taxes	26,529	28,259	0	0	26,529	28,259
Interest	140	18	28,897	15,174	29,037	15,192
Unrestricted Contributions	177	0	0	0	177	0
Gain on Sale of Capital Assets	18,202	0	0	0	18,202	0
Other	152,686	119,848	74,064	78,471	226,750	198,319
Total General Revenues	4,961,436	5,169,737	102,961	93,645	5,064,397	5,263,382
Total Revenues	\$9,340,375	\$9,136,405	\$6,266,292	\$5,716,393	\$15,606,667	\$14,852,798

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

Table 2
Changes in Net Position (continued)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<i>Program Expenses:</i>						
General Government	\$2,073,488	\$1,471,460	\$0	\$0	\$2,073,488	\$1,471,460
Security of Persons and Property	1,423,170	4,693,550	0	0	1,423,170	4,693,550
Transportation	2,021,878	1,846,714	0	0	2,021,878	1,846,714
Public Health and Welfare	9,506	388,018	0	0	9,506	388,018
Leisure Time Activities	187,888	154,465	0	0	187,888	154,465
Community and Economic Development	158,057	350,537	0	0	158,057	350,537
Intergovernmental	150,023	0	0	0	150,023	0
Interest and Fiscal Charges	93,266	99,831	0	0	93,266	99,831
Water	0	0	3,432,577	3,434,226	3,432,577	3,434,226
Sewer	0	0	1,440,917	1,327,456	1,440,917	1,327,456
Incinerator	0	0	1,114,995	983,668	1,114,995	983,668
Storm Sewer	0	0	95,173	0	95,173	0
Swimming Pool	0	0	31,846	25,126	31,846	25,126
Off Street Parking	0	0	1,946	4,380	1,946	4,380
<i>Total Program Expenses</i>	6,117,276	9,004,575	6,117,454	5,774,856	12,234,730	14,779,431
<i>Excess Revenues over (under) Expenses</i>	3,223,099	131,830	148,838	(58,463)	3,371,937	73,367
Special Item - Transfer of Board of Health Operations	269,348	0	0	0	269,348	0
Transfers	(8,000)	(8,000)	8,000	8,000	0	0
<i>Change in Net Position</i>	3,484,447	123,830	156,838	(50,463)	3,641,285	73,367
<i>Net Position Beginning of Year - Restated</i>	3,018,134	2,894,304	7,869,457	7,919,920	10,887,591	10,814,224
<i>Net Position End of Year</i>	\$6,502,581	\$3,018,134	\$8,026,295	\$7,869,457	\$14,528,876	\$10,887,591

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, operating grants and contributions 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 from traffic camera tickets. Operating grants and contributions decreased due to greater amounts of grant monies received in 2018 from the Federal Emergency Management Agency to fund the cleanup of Dresden Avenue. Capital grants and contributions program revenue increased due to additional ODOT grants received in 2019.

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Expenses for general government represent the overhead costs of running the City and the support services provided for the other governmental activities. These include the costs of council, the mayor, administration, law, finance and the Municipal Court.

For 2019, OP&F recognized a change in benefit terms for their OPEB plan. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years. These changes contributed to OPEB expense decreasing from \$329,977 in 2018 to a negative OPEB expense of \$3,682,176 for 2019.

Security of Persons and Property, which includes police and fire services, represents one of the largest expense items 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 16 employees, including the fire chief. The City is committed to maintaining a very efficient department. Regular meetings, drills and training sessions are held. There is a strong emphasis on equipment with financial planning in place for replacement on a regular basis of worn equipment. The department's functions include firefighting, emergency medical service including paramedic service, fire prevention education and investigation.

Another major expense of the City in 2019 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
	2019	2018	2019	2018
General Government	\$2,073,488	\$1,471,460	\$996,716	\$590,003
Security of Persons and Property	1,423,170	4,693,550	(256,633)	3,193,959
Transportation	2,021,878	1,846,714	543,556	784,203
Public Health and Welfare	9,506	388,018	(1,183)	171,922
Leisure Time Activities	187,888	154,465	120,431	118,234
Community and Economic Development	158,057	350,537	92,161	79,755
Intergovernmental	150,023	0	150,023	0
Interest and Fiscal Charges	93,266	99,831	93,266	99,831
Total	\$6,117,276	\$9,004,575	\$1,738,337	\$5,037,907

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

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, 2019. 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 and the street levy special revenue funds. The general fund had an increase in fund balance due to a decrease in transfers to other governmental funds that the general fund makes in support of programs. The police special revenue fund had a decrease in fund balance due to additional expenditures from increased personal and contractual service costs. The fire special revenue fund had a decrease in fund balance due to additional expenditures for personal service costs outpacing charges for services revenues from the City's ambulance service. The street levy special revenue fund had an increase in fund balance due to efforts to lower transportations expenditures.

Business-Type Funds

As mentioned earlier, the City's major business-type funds are water, sewer and incinerator. The largest sources of operating revenue for these funds in 2019 were charges for services. The water fund had a decrease in net position due primarily to a reduction of cash and cash equivalents from the continued costs of maintaining and upgrading water assets. The sewer fund experienced an increase in net position as revenues outpaced expenses and transfers out. The incinerator fund experienced a decrease in net position as expenses outpaced revenue due primarily to increased personal services costs.

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 higher than the final budgeted revenues due mainly to higher than estimated intergovernmental and other revenues. 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 for various department costs as a result of the City restricting spending.

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2019, 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.

For additional information see Notes 14 and 15 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 2019, the City performed construction work on various paving projects, purchased various equipment and vehicles and continued to make water infrastructure improvements.

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 6th Street, East Liverpool, Ohio 43920, by telephone at (330) 385-4224, or by email at 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, 2019

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,500,591	\$4,031,943	\$6,532,534	\$19,839
Cash and Cash Equivalents:				
in Segregated Accounts	15,397	0	15,397	0
Inventory Held for Resale	0	0	0	9,082
Materials and Supplies Inventory	54,978	28,269	83,247	0
Accounts Receivable	531,328	957,327	1,488,655	0
Intergovernmental Receivable	665,000	0	665,000	16,867
Prepaid Items	106,036	45,756	151,792	1,158
Income Taxes Receivable	672,798	0	672,798	0
Property Taxes Receivable	1,888,768	0	1,888,768	0
Hotel Taxes Receivable	293	0	293	0
Payment in Lieu of Taxes Receivable	27,300	0	27,300	0
Loans Receivable	17,804	0	17,804	0
Net Pension Asset	4,593	5,428	10,021	418
Nondepreciable Capital Assets	1,952,843	101,329	2,054,172	0
Depreciable Capital Assets, Net	11,841,388	10,824,769	22,666,157	3,365
<i>Total Assets</i>	<u>20,279,117</u>	<u>15,994,821</u>	<u>36,273,938</u>	<u>50,729</u>
Deferred Outflows of Resources				
Pension	3,039,132	1,083,225	4,122,357	83,324
OPEB	915,049	141,306	1,056,355	10,870
<i>Total Deferred Outflows of Resources</i>	<u>3,954,181</u>	<u>1,224,531</u>	<u>5,178,712</u>	<u>94,194</u>
Liabilities				
Accounts Payable	181,743	109,457	291,200	399
Contracts Payable	118,651	11,801	130,452	0
Accrued Wages	168,324	116,553	284,877	7,501
Intergovernmental Payable	73,361	27,078	100,439	9,547
Accrued Interest Payable	26,685	59,064	85,749	0
Vacation Benefits Payable	203,103	90,657	293,760	2,940
Claims Payable	9,724	0	9,724	0
Long-Term Liabilities:				
Due Within One Year	413,239	502,928	916,167	3,717
Due In More Than One Year:				
Net Pension Liability (See Note 11)	9,844,123	3,598,894	13,443,017	276,835
Net OPEB Liability (See Note 12)	2,133,792	1,625,334	3,759,126	125,026
Other Amounts	2,471,378	2,966,828	5,438,206	5,036
<i>Total Liabilities</i>	<u>15,644,123</u>	<u>9,108,594</u>	<u>24,752,717</u>	<u>431,001</u>
Deferred Inflows of Resources				
Property Taxes	1,454,523	0	1,454,523	0
Payment in Lieu of Taxes	27,300	0	27,300	0
Pension	309,182	65,402	374,584	5,031
OPEB	295,589	19,061	314,650	1,465
<i>Total Deferred Inflows of Resources</i>	<u>2,086,594</u>	<u>84,463</u>	<u>2,171,057</u>	<u>6,496</u>
Net Position				
Net Investment in Capital Assets	11,657,612	7,504,046	19,161,658	317
Restricted for:				
Capital Projects	547,860	0	547,860	0
Debt Service	403,616	0	403,616	0
Street Maintenance and Repair	439,985	0	439,985	0
Community Development	87,862	0	87,862	0
Other Purposes	809,972	0	809,972	28,735
Unclaimed Monies	6,223	0	6,223	0
Unrestricted (Deficit)	(7,450,549)	522,249	(6,928,300)	(321,626)
<i>Total Net Position</i>	<u>\$6,502,581</u>	<u>\$8,026,295</u>	<u>\$14,528,876</u>	<u>(\$292,574)</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Activities
For the Year Ended December 31, 2019

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants
Governmental Activities:				
General Government	\$2,073,488	\$928,380	\$148,100	\$292
Security of Persons and Property	1,423,170	1,454,426	225,377	0
Transportation	2,021,878	71,587	759,087	647,648
Public Health and Welfare	9,506	0	10,689	0
Leisure Time Activities	187,888	67,457	0	0
Community and Economic Development	158,057	35,216	20,377	10,303
Intergovernmental	150,023	0	0	0
Interest and Fiscal Charges	93,266	0	0	0
<i>Total Governmental Activities</i>	<u>6,117,276</u>	<u>2,557,066</u>	<u>1,163,630</u>	<u>658,243</u>
Business-Type Activities:				
Water	3,432,577	2,754,619	27,096	0
Sewer	1,440,917	1,808,560	13,975	0
Incinerator	1,114,995	1,086,435	6,915	0
Storm Sewer	95,173	418,595	0	0
Swimming Pool	31,846	16,181	30,686	0
Off Street Parking	1,946	50	219	0
<i>Total Business-Type Activities</i>	<u>6,117,454</u>	<u>6,084,440</u>	<u>78,891</u>	<u>0</u>
<i>Total - Primary Government</i>	<u>\$12,234,730</u>	<u>\$8,641,506</u>	<u>\$1,242,521</u>	<u>\$658,243</u>
Component Unit				
City of East Liverpool Board of Health	<u>\$271,683</u>	<u>\$90,508</u>	<u>\$157,949</u>	<u>\$0</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

Payment in Lieu of Taxes

Interest

Unrestricted Contributions

Gain on Sale of Capital Assets

Other

Total General Revenues

Special Item -Transfer of Board of Health Operations
Transfers

Total General Revenues, Special Item and Transfers

Change in Net Position

Net Position Beginning of Year - Restated (See Note 19)

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	City of East Liverpool Board of Health
(\$996,716)	\$0	(\$996,716)	\$0
256,633	0	256,633	0
(543,556)	0	(543,556)	0
1,183	0	1,183	0
(120,431)	0	(120,431)	0
(92,161)	0	(92,161)	0
(150,023)	0	(150,023)	0
(93,266)	0	(93,266)	0
(1,738,337)	0	(1,738,337)	0
0	(650,862)	(650,862)	0
0	381,618	381,618	0
0	(21,645)	(21,645)	0
0	323,422	323,422	0
0	15,021	15,021	0
0	(1,677)	(1,677)	0
0	45,877	45,877	0
(1,738,337)	45,877	(1,692,460)	0
0	0	0	(23,226)
157,258	0	157,258	0
611,011	0	611,011	0
62,036	0	62,036	0
382,431	0	382,431	0
78,613	0	78,613	0
165,335	0	165,335	0
2,863,041	0	2,863,041	0
230,916	0	230,916	0
3,387	0	3,387	0
209,674	0	209,674	0
26,529	0	26,529	0
140	28,897	29,037	0
177	0	177	0
18,202	0	18,202	0
152,686	74,064	226,750	0
4,961,436	102,961	5,064,397	0
269,348	0	269,348	0
(8,000)	8,000	0	0
5,222,784	110,961	5,333,745	0
3,484,447	156,838	3,641,285	(23,226)
3,018,134	7,869,457	10,887,591	(269,348)
\$6,502,581	\$8,026,295	\$14,528,876	(\$292,574)

City of East Liverpool, Ohio

Balance Sheet

Governmental Funds

December 31, 2019

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Street Levy</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$765,252	\$79,127	\$73,421	\$423,855
Cash and Cash Equivalents				
In Segregated Accounts	8,460	22	0	0
Materials and Supplies Inventory	0	0	0	0
Accounts Receivable	184,960	65,095	13,250	0
Intergovernmental Receivable	100,345	6,666	43,544	29,271
Prepaid Items	34,147	30,846	22,313	0
Income Taxes Receivable	622,338	0	0	0
Property Taxes Receivable	210,834	49,464	755,389	491,623
Hotel Taxes Receivable	293	0	0	0
Payment in Lieu of Taxes Receivable	0	0	0	0
Loans Receivable	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	6,223	0	0	0
<i>Total Assets</i>	<u>\$1,932,852</u>	<u>\$231,220</u>	<u>\$907,917</u>	<u>\$944,749</u>
Liabilities				
Accounts Payable	\$174,583	\$1,142	\$4,056	\$0
Contracts Payable	175	0	0	0
Accrued Wages	37,999	65,777	42,487	0
Intergovernmental Payable	26,355	22,078	18,049	0
<i>Total Liabilities</i>	<u>239,112</u>	<u>88,997</u>	<u>64,592</u>	<u>0</u>
Deferred Inflows of Resources				
Property Taxes	162,361	38,092	581,718	378,594
Payment In Lieu of Taxes	0	0	0	0
Unavailable Revenue	580,976	13,499	217,215	142,300
<i>Total Deferred Inflows of Resources</i>	<u>743,337</u>	<u>51,591</u>	<u>798,933</u>	<u>520,894</u>
Fund Balances				
Nonspendable	40,370	30,846	22,313	0
Restricted	0	59,786	22,079	423,855
Committed	0	0	0	0
Assigned	49,821	0	0	0
Unassigned (Deficit)	860,212	0	0	0
<i>Total Fund Balances</i>	<u>950,403</u>	<u>90,632</u>	<u>44,392</u>	<u>423,855</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$1,932,852</u>	<u>\$231,220</u>	<u>\$907,917</u>	<u>\$944,749</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, 2019*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$2,655,870
		<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.	13,794,231
\$954,712	\$2,296,367	Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
6,915	15,397	Delinquent Property Taxes	434,245
54,978	54,978	Income Taxes	348,751
268,023	531,328	Intergovernmental	406,135
485,174	665,000	Fees, Licenses and Permits	138,686
18,730	106,036	Contributions and Donations	262,500
50,460	672,798	General Government	12,203
381,458	1,888,768	Total	1,602,520
0	293	An internal service fund is used by management to charge the costs of the medical insurance deductible to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	188,277
27,300	27,300	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(26,685)
17,804	17,804	The net pension asset, net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
0	6,223	Net Pension Asset	4,593
<u>\$2,265,554</u>	<u>\$6,282,292</u>	Deferred Outflows - Pension	3,039,132
		Deferred Outflows - OPEB	915,049
\$1,962	\$181,743	Net Pension Liability	(9,844,123)
118,476	118,651	Net OPEB Liability	(2,133,792)
22,061	168,324	Deferred Inflows - Pension	(309,182)
6,879	73,361	Deferred Inflows - OPEB	(295,589)
<u>149,378</u>	<u>542,079</u>	Total	(8,623,912)
293,758	1,454,523	Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(203,103)
27,300	27,300	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
648,530	1,602,520	Installment Loans	(64,428)
<u>969,588</u>	<u>3,084,343</u>	OPWC Loans	(121,470)
73,708	167,237	SIB Loans	(1,379,068)
1,077,762	1,583,482	Capital Leases	(571,653)
10,144	10,144	Compensated Absences	(131,951)
10,914	60,735	Police and Fire Pension	(616,047)
(25,940)	834,272	Total	(2,884,617)
<u>1,146,588</u>	<u>2,655,870</u>		
<u>\$2,265,554</u>	<u>\$6,282,292</u>	<i>Net Position of Governmental Activities</i>	<u><u>\$6,502,581</u></u>

City of East Liverpool, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	General	Police	Fire	Street Levy
Revenues				
Property Taxes	\$159,001	\$39,453	\$603,283	\$392,974
Income Taxes	2,922,105	0	0	0
Hotel Taxes	2,473	0	0	0
Payment in Lieu of Taxes	0	0	0	0
Intergovernmental	180,080	113,641	105,038	56,389
Interest	126	0	0	0
Fees, Licenses and Permits	436,192	0	0	0
Fines and Forfeitures	420,491	1,237,369	0	0
Charges for Services	12,902	48,573	163,313	0
Contributions and Donations	177	0	500	0
Other	108,541	6,525	24,732	2,116
<i>Total Revenues</i>	<u>4,242,088</u>	<u>1,445,561</u>	<u>896,866</u>	<u>451,479</u>
Expenditures				
Current:				
General Government	1,500,770	0	0	0
Security of Persons and Property	0	3,120,207	1,372,435	0
Transportation	0	0	0	314,484
Public Health and Welfare	0	0	0	0
Leisure Time Activities	135,800	0	0	0
Community and Economic Development	63,134	0	0	0
Intergovernmental	150,023	0	0	0
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	4,870	11,189	18,242	29,822
Interest and Fiscal Charges	1,377	9,511	17,816	1,546
<i>Total Expenditures</i>	<u>1,855,974</u>	<u>3,140,907</u>	<u>1,408,493</u>	<u>345,852</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,386,114</u>	<u>(1,695,346)</u>	<u>(511,627)</u>	<u>105,627</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	38,510	0
SIB Loans Issued	0	0	0	0
Transfers In	0	1,660,000	460,000	0
Transfers Out	(2,170,392)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,170,392)</u>	<u>1,660,000</u>	<u>498,510</u>	<u>0</u>
Special Item				
Transfer of Board of Health Operations	12,573	0	0	0
<i>Net Change in Fund Balances</i>	228,295	(35,346)	(13,117)	105,627
<i>Fund Balances Beginning of Year - Restated (See Note 19)</i>	<u>722,108</u>	<u>125,978</u>	<u>57,509</u>	<u>318,228</u>
<i>Fund Balances End of Year</i>	<u>\$950,403</u>	<u>\$90,632</u>	<u>\$44,392</u>	<u>\$423,855</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, 2019*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	\$418,560
		<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:	
\$297,272	\$1,491,983	Capital Asset Additions	971,687
235,497	3,157,602	Current Year Depreciation	<u>(943,797)</u>
914	3,387	Total	27,890
26,529	26,529		
1,675,342	2,130,490		
14	140		
39,373	475,565		
165,576	1,823,436		
35,459	260,247		
58,489	59,166		
10,772	152,686		
<u>2,545,237</u>	<u>9,581,231</u>		
		Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(36,196)
		Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
		Delinquent Property Taxes	(35,299)
269,631	1,770,401	Income Taxes	(63,645)
73,402	4,566,044	Intergovernmental	(107,932)
735,608	1,050,092	Fees, Licenses and Permits	(2,182)
9,506	9,506	Contributions and Donations	(50,000)
0	135,800	General Government	<u>12,203</u>
51,553	114,687	Total	(246,855)
0	150,023		
911,805	911,805		
		Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:	
340,046	404,169	Pension	641,159
63,090	93,340	OPEB	<u>10,646</u>
<u>2,454,641</u>	<u>9,205,867</u>	Total	651,805
		Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB asset and liabilities are reported as pension expense in the statement of activities:	
90,596	375,364	Pension	(1,593,760)
		OPEB	<u>3,562,890</u>
0	38,510	Total	1,969,130
7,779	7,779		
42,392	2,162,392		
0	(2,170,392)		
<u>50,171</u>	<u>38,289</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.	404,169
(7,666)	4,907	In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	74
133,101	418,560	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:	
1,013,487	2,237,310	Vacation Benefits Payable	1,579
<u>\$1,146,588</u>	<u>\$2,655,870</u>	Compensated Absences	<u>(29,619)</u>
		Total	(28,040)
		Other financing sources, such as the SIB loans issued, in the governmental funds increase long-term liabilities in the statement of net position.	(7,779)
		Transfer of operation to the City of East Liverpool Board of Health.	264,441
		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>67,248</u>
		<i>Change in Net Position of Governmental Activities</i>	<u><u>\$3,484,447</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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$151,080	\$151,010	\$159,001	\$7,991
Income Taxes	2,931,493	2,930,031	2,912,387	(17,644)
Hotel Taxes	200	200	2,180	1,980
Intergovernmental	119,256	119,201	170,184	50,983
Interest	0	0	126	126
Fees, Licenses and Permits	461,588	461,375	421,245	(40,130)
Fines and Forfeitures	396,281	396,098	413,168	17,070
Charges for Services	7,003	7,000	12,902	5,902
Other	27,841	27,828	108,391	80,563
<i>Total Revenues</i>	<u>4,094,742</u>	<u>4,092,743</u>	<u>4,199,584</u>	<u>106,841</u>
Expenditures				
Current:				
General Government	1,621,556	1,616,415	1,598,219	18,196
Leisure Time Activities	141,256	138,933	134,898	4,035
Community and Economic Development	67,252	74,580	64,692	9,888
Intergovernmental	140,901	140,901	140,901	0
Debt Service:				
Principal Retirement	3,715	4,870	4,870	0
Interest and Fiscal Charges	959	1,377	1,377	0
<i>Total Expenditures</i>	<u>1,975,639</u>	<u>1,977,076</u>	<u>1,944,957</u>	<u>32,119</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	2,119,103	2,115,667	2,254,627	138,960
Other Financing Sources (Uses)				
Transfers Out	(2,366,923)	(2,461,923)	(2,170,892)	291,031
<i>Net Change in Fund Balance</i>	(247,820)	(346,256)	83,735	429,991
<i>Fund Balance Beginning of Year</i>	540,821	540,821	540,821	0
Prior Year Encumbrances Appropriated	65,066	65,066	65,066	0
<i>Fund Balance End of Year</i>	<u>\$358,067</u>	<u>\$259,631</u>	<u>\$689,622</u>	<u>\$429,991</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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$30,905	\$36,313	\$39,453	\$3,140
Intergovernmental	96,332	113,190	113,641	451
Fines and Forfeitures	975,750	1,146,500	1,211,117	64,617
Charges for Services	52,122	61,243	56,784	(4,459)
Other	4,047	4,755	6,525	1,770
<i>Total Revenues</i>	<u>1,159,156</u>	<u>1,362,001</u>	<u>1,427,520</u>	<u>65,519</u>
Expenditures				
Current:				
Security of Persons and Property	3,114,880	3,317,880	3,194,465	123,415
Debt Service:				
Principal Retirement	11,201	11,189	11,189	0
Interest and Fiscal Charges	9,500	9,511	9,511	0
<i>Total Expenditures</i>	<u>3,135,581</u>	<u>3,338,580</u>	<u>3,215,165</u>	<u>123,415</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,976,425)	(1,976,579)	(1,787,645)	188,934
Other Financing Sources (Uses)				
Transfers In	1,815,000	1,815,000	1,660,000	(155,000)
<i>Net Change in Fund Balance</i>	(161,425)	(161,579)	(127,645)	33,934
<i>Fund Balance Beginning of Year</i>	53,784	53,784	53,784	0
Prior Year Encumbrances Appropriated	108,054	108,054	108,054	0
<i>Fund Balance End of Year</i>	<u>\$413</u>	<u>\$259</u>	<u>\$34,193</u>	<u>\$33,934</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
Fire Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$529,577	\$603,157	\$603,283	\$126
Intergovernmental	96,587	110,007	105,038	(4,969)
Charges for Services	141,639	161,318	175,492	14,174
Contributions and Donations	439	500	500	0
Other	17,326	19,734	24,732	4,998
<i>Total Revenues</i>	785,568	894,716	909,045	14,329
Expenditures				
Current:				
Security of Persons and Property	1,354,398	1,466,481	1,434,701	31,780
Debt Service:				
Principal Retirement	18,242	18,242	18,242	0
Interest and Fiscal Charges	17,816	17,816	17,816	0
<i>Total Expenditures</i>	1,390,456	1,502,539	1,470,759	31,780
<i>Excess of Revenues Over (Under) Expenditures</i>	(604,888)	(607,823)	(561,714)	46,109
Other Financing Sources (Uses)				
Sale of Capital Assets	38,150	38,150	38,510	360
Transfers In	510,000	490,000	460,000	(30,000)
<i>Total Other Financing Sources (Uses)</i>	548,150	528,150	498,510	(29,640)
<i>Net Change in Fund Balance</i>	(56,738)	(79,673)	(63,204)	16,469
<i>Fund Balance Beginning of Year</i>	57,553	57,553	57,553	0
Prior Year Encumbrances Appropriated	26,090	26,090	26,090	0
<i>Fund Balance End of Year</i>	\$26,905	\$3,970	\$20,439	\$16,469

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$376,500	\$376,500	\$392,974	\$16,474
Intergovernmental	53,000	53,000	58,504	5,504
Other	0	0	2,116	2,116
<i>Total Revenues</i>	<u>429,500</u>	<u>429,500</u>	<u>453,594</u>	<u>24,094</u>
Expenditures				
Current:				
Transportation	548,130	548,533	487,666	60,867
Debt Service:				
Principal Retirement	30,174	29,822	29,822	0
Interest and Fiscal Charges	1,597	1,546	1,546	0
<i>Total Expenditures</i>	<u>579,901</u>	<u>579,901</u>	<u>519,034</u>	<u>60,867</u>
<i>Net Change in Fund Balance</i>	(150,401)	(150,401)	(65,440)	84,961
<i>Fund Balance Beginning of Year</i>	228,593	228,593	228,593	0
Prior Year Encumbrances Appropriated	<u>89,529</u>	<u>89,529</u>	<u>89,529</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$167,721</u></u>	<u><u>\$167,721</u></u>	<u><u>\$252,682</u></u>	<u><u>\$84,961</u></u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2019

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
Assets						
<i>Current Assets:</i>						
Equity in Pooled Cash and Cash Equivalents	\$2,106,566	\$1,211,723	\$455,859	\$257,795	\$4,031,943	\$198,001
Accounts Receivable	409,168	296,454	175,552	76,153	957,327	0
Materials and Supplies Inventory	24,259	4,010	0	0	28,269	0
Prepaid Items	21,576	15,955	8,225	0	45,756	0
<i>Total Current Assets</i>	<u>2,561,569</u>	<u>1,528,142</u>	<u>639,636</u>	<u>333,948</u>	<u>5,063,295</u>	<u>198,001</u>
<i>Non-Current Assets:</i>						
Net Pension Asset	3,235	1,460	733	0	5,428	0
Nondepreciable Capital Assets	95,181	6,148	0	0	101,329	0
Depreciable Capital Assets, Net	8,546,309	1,348,339	864,928	65,193	10,824,769	0
<i>Total Non-Current Assets</i>	<u>8,644,725</u>	<u>1,355,947</u>	<u>865,661</u>	<u>65,193</u>	<u>10,931,526</u>	<u>0</u>
<i>Total Assets</i>	<u>11,206,294</u>	<u>2,884,089</u>	<u>1,505,297</u>	<u>399,141</u>	<u>15,994,821</u>	<u>198,001</u>
Deferred Outflows of Resources						
Pension	645,767	291,638	145,820	0	1,083,225	0
OPEB	84,241	38,044	19,021	0	141,306	0
<i>Total Deferred Outflows of Resources</i>	<u>730,008</u>	<u>329,682</u>	<u>164,841</u>	<u>0</u>	<u>1,224,531</u>	<u>0</u>
Liabilities						
<i>Current Liabilities:</i>						
Accounts Payable	42,433	37,756	28,596	672	109,457	0
Contracts Payable	11,801	0	0	0	11,801	0
Accrued Wages	80,185	19,422	14,992	1,954	116,553	0
Intergovernmental Payable	12,229	10,219	4,093	537	27,078	0
Accrued Interest Payable	37,777	7,479	13,808	0	59,064	0
Vacation Benefits Payable	49,304	30,402	8,647	2,304	90,657	0
OPWC Loans Payable	4,262	0	0	0	4,262	0
OWDA Loans Payable	318,463	8,875	0	0	327,338	0
Capital Leases Payable	0	57,506	82,743	0	140,249	0
Compensated Absences Payable	18,716	5,375	4,499	2,489	31,079	0
Claims Payable	0	0	0	0	0	9,724
<i>Total Current Liabilities</i>	<u>575,170</u>	<u>177,034</u>	<u>157,378</u>	<u>7,956</u>	<u>917,538</u>	<u>9,724</u>
<i>Long-Term Liabilities (net of current portion):</i>						
OWDA Loans Payable	2,445,573	145,116	0	0	2,590,689	0
Capital Leases Payable	0	94,535	264,979	0	359,514	0
Net Pension Liability	2,145,493	968,932	484,469	0	3,598,894	0
Net OPEB Liability	968,949	437,590	218,795	0	1,625,334	0
Compensated Absences Payable	13,034	3,591	0	0	16,625	0
<i>Total Long-Term Liabilities</i>	<u>5,573,049</u>	<u>1,649,764</u>	<u>968,243</u>	<u>0</u>	<u>8,191,056</u>	<u>0</u>
<i>Total Liabilities</i>	<u>6,148,219</u>	<u>1,826,798</u>	<u>1,125,621</u>	<u>7,956</u>	<u>9,108,594</u>	<u>9,724</u>
Deferred Inflows of Resources						
Pension	38,990	17,607	8,805	0	65,402	0
OPEB	11,363	5,132	2,566	0	19,061	0
<i>Total Deferred Inflows of Resources</i>	<u>50,353</u>	<u>22,739</u>	<u>11,371</u>	<u>0</u>	<u>84,463</u>	<u>0</u>
Net Position						
Net Investment in Capital Assets	5,873,192	1,048,455	517,206	65,193	7,504,046	0
Unrestricted (Deficit)	(135,462)	315,779	15,940	325,992	522,249	188,277
<i>Total Net Position</i>	<u>\$5,737,730</u>	<u>\$1,364,234</u>	<u>\$533,146</u>	<u>\$391,185</u>	<u>\$8,026,295</u>	<u>\$188,277</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, 2019*

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
Operating Revenues						
Charges for Services	\$2,754,619	\$1,808,560	\$1,086,435	\$434,826	\$6,084,440	\$201,416
Other	67,775	0	6,289	0	74,064	0
<i>Total Operating Revenues</i>	<u>2,822,394</u>	<u>1,808,560</u>	<u>1,092,724</u>	<u>434,826</u>	<u>6,158,504</u>	<u>201,416</u>
Operating Expenses						
Personal Services	1,980,989	937,434	665,182	69,260	3,652,865	0
Contractual Services	618,295	276,098	275,694	41,839	1,211,926	88
Materials and Supplies	347,209	54,918	64,743	8,786	475,656	0
Depreciation	401,218	134,744	85,122	4,602	625,686	0
Claims	0	0	0	0	0	134,080
Other	6,800	26,849	7,784	4,478	45,911	0
<i>Total Operating Expenses</i>	<u>3,354,511</u>	<u>1,430,043</u>	<u>1,098,525</u>	<u>128,965</u>	<u>6,012,044</u>	<u>134,168</u>
<i>Operating Income (Loss)</i>	<u>(532,117)</u>	<u>378,517</u>	<u>(5,801)</u>	<u>305,861</u>	<u>146,460</u>	<u>67,248</u>
Non-Operating Revenues (Expenses)						
Operating Grants	27,096	13,975	6,915	30,905	78,891	0
Interest	28,897	0	0	0	28,897	0
Interest and Fiscal Charges	(78,066)	(10,874)	(16,470)	0	(105,410)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(22,073)</u>	<u>3,101</u>	<u>(9,555)</u>	<u>30,905</u>	<u>2,378</u>	<u>0</u>
<i>Income (Loss) before Transfers</i>	<u>(554,190)</u>	<u>381,618</u>	<u>(15,356)</u>	<u>336,766</u>	<u>148,838</u>	<u>67,248</u>
Transfers In	189,917	0	0	8,000	197,917	0
Transfers Out	0	(171,617)	(18,300)	0	(189,917)	0
<i>Change in Net Position</i>	<u>(364,273)</u>	<u>210,001</u>	<u>(33,656)</u>	<u>344,766</u>	<u>156,838</u>	<u>67,248</u>
<i>Net Position Beginning of Year</i>	<u>6,102,003</u>	<u>1,154,233</u>	<u>566,802</u>	<u>46,419</u>	<u>7,869,457</u>	<u>121,029</u>
<i>Net Position End of Year</i>	<u><u>\$5,737,730</u></u>	<u><u>\$1,364,234</u></u>	<u><u>\$533,146</u></u>	<u><u>\$391,185</u></u>	<u><u>\$8,026,295</u></u>	<u><u>\$188,277</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, 2019

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
Increase (Decrease) in Cash and Cash Equivalents						
Cash Flows from Operating Activities						
Cash Received from Customers	\$2,749,925	\$1,806,301	\$1,083,463	\$358,673	\$5,998,362	\$0
Cash Received from Interfund Services Provided	0	0	0	0	0	201,416
Other Cash Receipts	67,775	0	6,289	0	74,064	0
Cash Payments to Employees for Services	(1,535,558)	(767,368)	(580,246)	(61,976)	(2,945,148)	0
Cash Payments for Goods and Services	(1,005,186)	(341,933)	(326,476)	(49,953)	(1,723,548)	(88)
Cash Payments for Claims	0	0	0	0	0	(128,174)
Other Cash Payments	(6,800)	(26,849)	(7,784)	(4,478)	(45,911)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>270,156</u>	<u>670,151</u>	<u>175,246</u>	<u>242,266</u>	<u>1,357,819</u>	<u>73,154</u>
Cash Flows from Noncapital Financing Activities						
Operating Grants	27,096	13,975	6,915	30,905	78,891	0
Transfers In	189,917	0	0	8,000	197,917	0
Transfers Out	0	(171,617)	(18,300)	0	(189,917)	0
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>217,013</u>	<u>(157,642)</u>	<u>(11,385)</u>	<u>38,905</u>	<u>86,891</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities						
Proceeds from OWDA Loans	93,761	0	0	0	93,761	0
Principal Paid on Installment Loans	(21,481)	0	0	0	(21,481)	0
Interest Paid on Installment Loans	(777)	0	0	0	(777)	0
Principal Paid on OWDA Loans	(247,255)	(8,650)	0	0	(255,905)	0
Interest Paid on OWDA Loans	(68,079)	(4,156)	0	0	(72,235)	0
Principal Paid on OPWC Loan	(4,263)	0	0	0	(4,263)	0
Principal Paid on Capital Lease	(14,281)	(56,673)	(30,307)	0	(101,261)	0
Interest Paid on Capital Lease	(54)	(2,420)	(2,927)	0	(5,401)	0
Payments for Capital Acquisitions	(425,840)	(89,767)	(304,264)	(56,425)	(876,296)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(688,269)</u>	<u>(161,666)</u>	<u>(337,498)</u>	<u>(56,425)</u>	<u>(1,243,858)</u>	<u>0</u>
Cash Flows from Investing Activities						
Interest on Investments	28,897	0	0	0	28,897	0
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(172,203)</u>	<u>350,843</u>	<u>(173,637)</u>	<u>224,746</u>	<u>229,749</u>	<u>73,154</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,278,769</u>	<u>860,880</u>	<u>629,496</u>	<u>33,049</u>	<u>3,802,194</u>	<u>124,847</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$2,106,566</u>	<u>\$1,211,723</u>	<u>\$455,859</u>	<u>\$257,795</u>	<u>\$4,031,943</u>	<u>\$198,001</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, 2019

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities						
Operating Income (Loss)	(\$532,117)	\$378,517	(\$5,801)	\$305,861	\$146,460	\$67,248
Adjustments:						
Depreciation	401,218	134,744	85,122	4,602	625,686	0
<i>(Increase) Decrease in Assets/Deferred Outflows:</i>						
Accounts Receivable	(4,694)	9,741	(2,972)	(76,153)	(74,078)	0
Prepaid Items	607	1,541	722	0	2,870	0
Net Pension Asset	(972)	(439)	(218)	0	(1,629)	0
Materials and Supplies Inventory	3,031	965	0	0	3,996	0
(Increase) Decrease in Deferred Outflows - Pension	478,847	214,460	107,229	0	800,536	0
(Increase) Decrease in Deferred Outflows - OPEB	55,033	24,854	12,426	0	92,313	0
<i>Increase (Decrease) in Liabilities/Deferred Inflows:</i>						
Accounts Payable	893	(29,035)	13,904	672	(13,566)	0
Contracts Payable	(42,787)	0	0	0	(42,787)	0
Accrued Wages	40,324	(2,863)	1,506	1,954	40,921	0
Accrued Vacation Leave Payable	4,302	(3,796)	(1,874)	2,304	936	0
Matured Compensated Absences Payable	(3,093)	0	0	0	(3,093)	0
Compensated Absences Payable	405	(2,656)	(1,701)	2,489	(1,463)	0
Intergovernmental Payable	(5,634)	1,046	(1,423)	537	(5,474)	0
Net Pension Liability	(2,326)	(1,051)	(526)	0	(3,903)	0
Net OPEB Liability	53,076	23,970	11,986	0	89,032	0
(Increase) Decrease in Deferred Inflows - Pension	(151,631)	(68,861)	(37,641)	0	(258,133)	0
(Increase) Decrease in Deferred Inflows - OPEB	(24,326)	(10,986)	(5,493)	0	(40,805)	0
Claims Payable	0	0	0	0	0	5,906
<i>Total Adjustments</i>	802,273	291,634	181,047	(63,595)	1,211,359	5,906
<i>Net Cash Provided by (Used for) Operating Activities</i>	\$270,156	\$670,151	\$175,246	\$242,266	\$1,357,819	\$73,154

Noncash Capital Financing Activities

During 2019, the Incinerator fund issued \$118,051 and \$165,921, respectively, for the capital lease purchase of a rear load packer and a roll on roll off dumpster truck. During 2019, the Sewer fund issued \$115,459 for a capital lease purchase of a dump truck.

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2019

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$25,556</u>
Liabilities	
Intergovernmental Payable	<u>24,584</u>
Net Position	
Restricted for Individuals, Organizations and Other Governments	<u><u>\$972</u></u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2019

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Additions	
Fines and Forfeitures for Other Governments	\$455,424
Miscellaneous	1,183
	<hr/>
<i>Total Additions</i>	<i>456,607</i>
	<hr/>
Deductions	
Fines and Forfeitures Distributions to Other Governments	455,424
Miscellaneous	1,219
	<hr/>
<i>Total Deductions</i>	<i>456,643</i>
	<hr/>
<i>Net Increase (Decrease) in Fiduciary Net Position</i>	<i>(36)</i>
	<hr/>
<i>Net Position Beginning of Year - Restated (See Note 19)</i>	<i>1,008</i>
	<hr/>
<i>Net Position End of Year</i>	<i>\$972</i>
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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, 2019

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 deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Discretely Presented Component Units – The component unit columns in the financial statements identifies the financial data of the City's component unit, the City of East Liverpool Board of Health. It is reported separately to emphasize that it is legally separate from the City. Information for the component unit is presented in Note 23.

City of East Liverpool Board of Health – The City of East Liverpool Board of Health was created as a legally separate organization under chapter 3709 of the Ohio Revised Code. Among its various duties, the Board provides for the prompt diagnosis and control of communicable diseases. The Board may also inspect businesses where food is manufactured, handled, stored, or offered for sale. The Board is operated by a board with all members being appointed by the City. The City provides funding to the Board, thus the City can impose will on the Board, and the Board imposes a financial burden to the City. Therefore, the Board is considered a discretely presented component unit of the City of East Liverpool. Separately issued financial statements can be obtained from The City of East Liverpool Board of Health at 126W. 6th Street, East Liverpool, Ohio 43920.

City of East Liverpool, Ohio
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For The Year Ended December 31, 2019

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.

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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

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.

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, the off street parking fund which accounts for monies from parking tickets, permits and meter collections and the storm sewer fund which accounts for the provision of storm sewer service to the residents and commercial users located within the City.

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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

Fiduciary Fund Types

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The City does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The City's fiduciary funds are custodial funds. The City's custodial funds account for amounts collected and distributed on behalf of another government or organization.

Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources, generally, are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current 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 and fiduciary 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. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

For proprietary funds, the statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

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 and the statements presented for proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported in the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

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 payments in lieu of taxes, property taxes, pension, OPEB and unavailable revenue. Payments in lieu of taxes and property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance 2020 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. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12)

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

City of East Liverpool, Ohio
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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/Other Postemployment Benefits (OPEB)

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the water fund during 2019 amounted to \$28,897, which includes \$19,533 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.

Special Item

A special item has been recorded for the transfer of operations from the City of East Liverpool to the Board of Health.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2019, 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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
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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.

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:

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

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

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.

City of East Liverpool, Ohio
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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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Capital leases and loans are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Fund Balance

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

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

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

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

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 for recreation.

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

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

Net Position

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

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

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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

Interfund Activity

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

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

Estimates

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

Budgetary Process

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

Note 3 – Accountability

At December 31, 2019, the FEMA special revenue fund had a deficit fund balance of \$25,940. The deficit in the fund is caused by the application of generally accepted accounting principles to this fund. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 4 - Budgetary Basis of Accounting

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

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

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

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

	Net Change in Fund Balance			
	General	Police	Fire	Street Levy
GAAP Basis	\$228,295	(\$35,346)	(\$13,117)	\$105,627
Adjustment for Revenue Accruals	(53,500)	(18,041)	12,179	2,115
Beginning Unrecorded Cash	(5,921)	0	0	0
Ending Unrecorded Cash	(8,460)	0	0	0
Adjustment for Expenditure Accruals	3,217	(29,324)	(9,284)	(2,009)
Perspective Difference:				
Playground Fund	1,014	0	0	0
Adjustment for Encumbrances	(80,910)	(44,934)	(52,982)	(171,173)
Budget Basis	<u>\$83,735</u>	<u>(\$127,645)</u>	<u>(\$63,204)</u>	<u>(\$65,440)</u>

Note 5 - Deposits and Investments

Monies held by the City are classified by State statute 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.

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;

City of East Liverpool, Ohio
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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, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy 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 has passed an ordinance allowing the City to invest monies not required to be used for a period of six months or more in the following:

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

Note 6 - Receivables

Receivables at December 31, 2019, 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 \$15,802.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2019 for real and public utility property taxes represents collections of 2018 taxes.

2019 real property taxes were levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2019, was \$19.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2019 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Real Estate:	
Residential/Agricultural	\$57,159,530
Commercial/Industrial	23,709,670
Public Utility Personal Property	<u>10,545,510</u>
Total	<u><u>\$91,414,710</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2019, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2019 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

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.

Payments in Lieu of Taxes

According to State law, the City has established tax incremental financing districts within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners.

Intergovernmental Receivable

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

Governmental Activities	Amount
Gasoline Tax	\$187,396
Dresden Ave Federal/State Grants	118,536
Homestead and Rollback	101,570
Permissive Tax	76,042
Local Government	72,681
Cents Per Gallon	48,894
Vehicle Registration	33,081
State of Ohio	12,203
Victim Witness Assistance Grant	6,058
Dispatching	4,539
Other Amounts	4,000
Total Intergovernmental Receivables	\$665,000

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 2019, the City contracted with U.S. Specialty Insurance Company for its property and liability insurance. Cooper Insurance serves as the City's agent.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

During 2019, the City purchased the following insurance coverage:

Coverage	Limit
Building and Contents	\$9,354,066
Inland Marine	2,284,835
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 2019 was \$2,500 for single and \$5,000 for family. Incurred but not reported claims of \$9,724 have been accrued as a liability based on a review of 2020 billings provided by the City Auditor's Office.

The claims liability of \$9,724 reported in the internal service fund at December 31, 2019 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 2018 and 2019 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2018	\$13,339	\$149,951	\$159,472	\$3,818
2019	3,818	134,080	128,174	9,724

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

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, 2019.

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

Note 10 – Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2019, was as follows:

	Balance 12/31/2018	Additions	Deductions	Balance 12/31/2019
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$1,879,569	\$0	(\$12,500)	\$1,867,069
Construction in Progress	299,640	313,798	(527,664)	85,774
<i>Total Capital Assets, not being depreciated</i>	<u>2,179,209</u>	<u>313,798</u>	<u>(540,164)</u>	<u>1,952,843</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	483,423	11,052	(25,400)	469,075
Improvements other than Buildings	311,526	0	(2,766)	308,760
Machinery and Equipment	5,459,463	561,952	(19,776) ^	6,001,639
Infrastructure	14,098,294	612,549	0	14,710,843
<i>Total Capital Assets, being depreciated</i>	<u>20,352,706</u>	<u>1,185,553</u>	<u>(47,942)</u>	<u>21,490,317</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(305,904)	(7,281)	14,204	(298,981)
Improvements other than Buildings	(277,827)	(5,734)	2,765	(280,796)
Machinery and Equipment	(3,737,314)	(279,769)	6,499 ^	(4,010,584)
Infrastructure	(4,407,555)	(651,013)	0	(5,058,568)
<i>Total Accumulated Depreciation</i>	<u>(8,728,600)</u>	<u>(943,797) *</u>	<u>23,468</u>	<u>(9,648,929)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>11,624,106</u>	<u>241,756</u>	<u>(24,474)</u>	<u>11,841,388</u>
<i>Governmental Activities</i>				
<i>Capital Assets, Net</i>	<u>\$13,803,315</u>	<u>\$555,554</u>	<u>(\$564,638)</u>	<u>\$13,794,231</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$20,832
Security of Persons and Property	118,062
Transportation	768,468
Leisure Time Activities	22,689
Community and Economic Development	13,746
Total Depreciation Expense	<u>\$943,797</u>

^ The City of East Liverpool transferred all health department assets and operations to the City of East Liverpool Board of Health during 2019. The assets transferred included machinery and equipment net of depreciation in the amount of \$778. See Note 21 for further details of the transfer of operations.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

Capital asset activity for business-type activities for the year ended December 31, 2019, was as follows:

	Balance 12/31/2018	Additions	Deductions	Balance 12/31/2019
Business-Type Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$25,771	\$0	\$0	\$25,771
Construction in Progress	941,922	84,761	(951,125)	75,558
<i>Total Capital Assets, not being depreciated</i>	<u>967,693</u>	<u>84,761</u>	<u>(951,125)</u>	<u>101,329</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	5,030,941	295,375	0	5,326,316
Machinery and Equipment	5,723,244	895,591	(38,507)	6,580,328
Infrastructure	9,132,493	0	0	9,132,493
Water Lines	2,416,476	951,125	0	3,367,601
Sewer Lines	2,873,362	0	0	2,873,362
<i>Total Capital Assets, being depreciated</i>	<u>25,176,516</u>	<u>2,142,091</u>	<u>(38,507)</u>	<u>27,280,100</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(3,357,382)	(101,900)	0	(3,459,282)
Machinery and Equipment	(4,075,792)	(285,291)	38,507	(4,322,576)
Infrastructure	(4,906,331)	(176,837)	0	(5,083,168)
Water Lines	(1,130,617)	(38,825)	0	(1,169,442)
Sewer Lines	(2,398,030)	(22,833)	0	(2,420,863)
<i>Total Accumulated Depreciation</i>	<u>(15,868,152)</u>	<u>(625,686) *</u>	<u>38,507</u>	<u>(16,455,331)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>9,308,364</u>	<u>1,516,405</u>	<u>0</u>	<u>10,824,769</u>
<i>Business-Type Activities</i>				
<i>Capital Assets, Net</i>	<u>\$10,276,057</u>	<u>\$1,601,166</u>	<u>(\$951,125)</u>	<u>\$10,926,098</u>

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

Water	\$401,218
Sewer	134,744
Incinerator	85,122
Swimming Pool	131
Off Street Parking	1,650
Storm Sewer	2,821
Total	<u>\$625,686</u>

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

Note 11 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability (Asset) /Net OPEB Liability

The net pension liability (asset) and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liabilities (asset) represent the City’s proportionate share of each pension/OPEB plans’ collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plans’ fiduciary net position. The net pension/OPEB liabilities (asset) calculations are 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 these estimates annually.

Ohio Revised Code (ORC) limits the City’s obligation for these liabilities 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 and OPEB.

GASB 68/75 assume the liabilities are solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liabilities (asset). Resulting adjustments to the net pension/OPEB liabilities (asset) would be effective when the changes are legally enforceable. The ORC permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a *net pension asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

Plan Description – Ohio Public Employees Retirement System

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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments (COLA) to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). 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 in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS' annual financial report referenced previously for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
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
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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 traditional plan benefit recipient has received benefits for 12 months, current law provides for an COLA. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a COLA on the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, current law provides for a 3 percent COLA.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Funding Policy – The ORC provides statutory authority for member and employer contributions as follows:

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2019 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
 Employee	 10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

For 2019, The City's contractually required contribution was \$461,658 for the traditional plan, \$5,445 for the combined plan and \$2,014 for the member-directed plan. Of these amounts, \$38,927 is reported as an intergovernmental payable for the traditional plan, \$460 for the combined plan, and \$237 for the member-directed plan.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

Plan Description – Ohio Police & Fire Pension Fund

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 (COLA), 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 (ORC). 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 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's annual financial report referenced previously for additional information, including requirements for Deferred Retirement Option Plan (DROP) provisions and reduced and unreduced benefits).

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 COLA. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3 percent or the percent increase, if any, in the Consumer Price Index over the 13 month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

Funding Policy – The ORC provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2019 Actual Contribution Rates		
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 \$427,070 for 2019. Of this amount, \$35,206 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, 2019, the specific liability of the City was \$616,047 payable in semi-annual payments through the year 2035.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F’s total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City’s proportion of the net pension liability (asset) 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 of the City’s defined benefit pension plans:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.02425920%	0.00896064%	0.08329300%	
Prior Measurement Date	0.02484100%	0.00983500%	0.07505600%	
 Change in Proportionate Share	 -0.00058180%	 -0.00087436%	 0.00823700%	
 Proportionate Share of the:				 Total
Net Pension Liability	\$6,644,106	\$0	\$6,798,911	\$13,443,017
Net Pension Asset	0	(10,021)	0	(10,021)
 Pension Expense	 1,452,446	 2,838	 928,361	 2,383,645

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

2019 pension expense for the member-directed defined contribution plan was \$2,014. The aggregate pension expense for all pension plans was \$2,385,659 for 2019.

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	\$309	\$0	\$279,340	\$279,649
Changes of assumptions	578,384	2,238	180,249	760,871
Net difference between projected and actual earnings on pension plan investments	901,791	2,158	837,620	1,741,569
Changes in proportion and differences between City contributions and proportionate share of contributions	47,100	717	398,278	446,095
City contributions subsequent to the measurement date	461,658	5,445	427,070	894,173
Total Deferred Outflows of Resources	\$1,989,242	\$10,558	\$2,122,557	\$4,122,357
Deferred Inflows of Resources				
Differences between expected and actual experience	\$87,241	\$4,092	\$6,349	\$97,682
Changes in proportion and differences between City contributions and proportionate share of contributions	29,412	0	247,490	276,902
Total Deferred Inflows of Resources	\$116,653	\$4,092	\$253,839	\$374,584

\$894,173 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 or increase to the net pension asset in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

City of East Liverpool, Ohio
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For The Year Ended December 31, 2019

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2020	\$594,760	\$432	\$425,855	\$1,021,047
2021	313,111	0	242,693	555,804
2022	83,660	46	279,335	363,041
2023	419,400	721	459,208	879,329
2024	0	(166)	34,557	34,391
Thereafter	0	(12)	0	(12)
Total	<u>\$1,410,931</u>	<u>\$1,021</u>	<u>\$1,441,648</u>	<u>\$2,853,600</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, 2018, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018, are presented as follows:

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 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 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

In October of 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change was effective beginning with the 2018 valuation.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was

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then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the previously described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the traditional pension plan, the defined benefit component of the combined plan and the annuitized accounts of the member-directed plan. 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 was a loss of 2.94 percent for 2018.

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 following table displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate For 2018, the discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. For 2017, the discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members; therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset):			
OPERS Traditional Plan	\$9,815,272	\$6,644,106	\$4,008,833
OPERS Combined Plan	(3,315)	(10,021)	(14,875)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, 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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2018, are presented as follows:

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

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Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.80 %
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income *	23.00	2.60
High Yield Fixed Income	7.00	4.80
Private Credit	5.00	7.50
U.S. Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assets	8.00	7.00
Private Real Estate	12.00	6.10
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 previously disclosed, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of

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return of 8.00 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 8.00 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 (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$8,936,698	\$6,798,911	\$5,012,479

Note 12 - Defined Benefit OPEB Plans

See Note 11 for a description of the net OPEB liability

Plan Description – 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.

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 with a minimum age of 60, or generally 30 years of qualifying service at any age. 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 No. 75. See OPERS’ annual financial report referenced later for additional information.

The Ohio Revised Code (ORC) 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 ORC.

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Disclosures for the health care plan are presented separately in the OPERS' annual 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 ORC provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, 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 ORC. 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. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. 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 2019 was 4.0 percent.

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

The City's contractually required contribution was \$805 for 2019. Of this amount, \$68 is reported as an intergovernmental payable.

Plan Description – Ohio Police & 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 health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code (ORC) 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 ORC.

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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 or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The ORC 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, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2019, 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.

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 contractually required contribution to OP&F was \$10,277 for 2019. Of this amount, \$840 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.02301504%	0.0832930%	
Prior Measurement Date	<u>0.02362000%</u>	<u>0.0750560%</u>	
Change in Proportionate Share	<u>-0.00060496%</u>	<u>0.0082370%</u>	
			<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$3,000,617	\$758,509	\$3,759,126
OPEB Expense	\$260,262	(\$3,682,176)	(\$3,421,914)

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At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$1,016	\$0	\$1,016
Changes of assumptions	96,743	393,175	489,918
Net difference between projected and actual earnings on OPEB plan investments	137,560	25,676	163,236
Changes in proportion and differences between City contributions and proportionate share of contributions	24,749	366,354	391,103
City contributions subsequent to the measurement date	<u>805</u>	<u>10,277</u>	<u>11,082</u>
Total Deferred Outflows of Resources	<u>\$260,873</u>	<u>\$795,482</u>	<u>\$1,056,355</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$8,142	\$20,322	\$28,464
Changes of assumptions	0	209,992	209,992
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>27,047</u>	<u>49,147</u>	<u>76,194</u>
Total Deferred Inflows of Resources	<u>\$35,189</u>	<u>\$279,461</u>	<u>\$314,650</u>

\$11,082 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2020	\$94,960	\$85,709	\$180,669
2021	37,590	85,709	123,299
2022	23,032	85,709	108,741
2023	69,297	93,475	162,772
2024	0	81,232	81,232
Thereafter	<u>0</u>	<u>73,910</u>	<u>73,910</u>
Total	<u>\$224,879</u>	<u>\$505,744</u>	<u>\$730,623</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

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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 health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	3.71 percent
Prior Measurement date	3.31 percent
Health Care Cost Trend Rate:	
Current measurement date	10.0 percent, initial 3.25 percent, ultimate in 2029
Prior Measurement date	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age Normal

In October of 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change was effective for the 2018 valuation.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the previously described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

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During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. 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 Health Care portfolio was a loss of 5.6 percent for 2018.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The following table displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	100.00 %	5.16 %

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

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

The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	\$3,838,909	\$3,000,617	\$2,333,955

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuary's project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$2,884,245	\$3,000,617	\$3,134,648

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value 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.

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

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

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented as follows:

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	4.66 percent
Prior measurement date	3.24 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016.

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The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

Discount Rate For 2019, the total OPEB liability was calculated using the discount rate of 4.66 percent. For 2018, the total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from 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 of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members; therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent for 2018 and 3.24 percent for 2017. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2031. The long-term expected rate of return on health care investments was applied to projected costs through 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	\$924,073	\$758,509	\$619,535

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

Note 13 – Interfund Transfers

Interfund transfers for the year ended December 31, 2019, consisted of the following:

Transfer To	Transfer From			
	General	Sewer	Incinerator	Total
Police	\$1,660,000	\$0	\$0	\$1,660,000
Fire	460,000	0	0	460,000
Other Governmental Funds	42,392	0	0	42,392
Water	0	171,617	18,300	189,917
Other Enterprise Funds	8,000	0	0	8,000
Grand Total	\$2,170,392	\$171,617	\$18,300	\$2,360,309

City of East Liverpool, Ohio
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For The Year Ended December 31, 2019

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 14 – Capital Leases

In prior years, the City entered into capital leases for machinery and equipment. In 2019, the City entered into capital leases for various pieces of equipment for use in 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	\$952,750	\$915,010
Less: Accumulated Depreciation	(278,633)	(185,254)
Current Book Value	\$674,117	\$729,756

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

	Governmental Activities	Business-type Activities
2020	\$128,911	\$162,956
2021	83,812	125,422
2022	66,540	92,188
2023	48,081	92,190
2024	48,080	92,189
2025 & Thereafter	288,401	0
Total Minimum Lease Payments	663,825	564,945
Less: Amount representing interest	(92,172)	(65,182)
Present Value of Minimum Lease Payments	\$571,653	\$499,763

Note 15 - Long-Term Obligations

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

City of East Liverpool, Ohio
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	Balance 12/31/2018	Issued	Retired	Balance 12/31/2019	Amounts Due In One Year
Governmental Activities					
Installment Loans from Direct Borrowings:					
2014 Street Paving - 3.65%	\$20,492	\$0	(\$20,492)	\$0	\$0
2018 Ambulance - 9.15%	80,235	0	(15,807)	64,428	17,317
<i>Total Installment Loans</i>	<u>100,727</u>	<u>0</u>	<u>(36,299)</u>	<u>64,428</u>	<u>17,317</u>
Ohio Public Works Commission Loans from					
Direct Borrowings:					
2003 State Route 39 Improvement Loan - 0.00%	107,091	0	(23,798)	83,293	23,798
2012 St. Clair Avenue Improvement Loan - 0.00%	47,722	0	(9,545)	38,177	9,545
<i>Total Ohio Public Works Commission Loans</i>	<u>154,813</u>	<u>0</u>	<u>(33,343)</u>	<u>121,470</u>	<u>33,343</u>
State Infrastructure Bank Loans from					
Direct Placements:					
2011 Road Improvements Loan - 3.00%	204,890	0	(66,273)	138,617	68,276
2015 River Road Improvement Loan - 3.00%	1,009,378	0	(74,706)	934,672	76,965
2017 Road Improvement Loan - 3.00%	298,000	7,779	0	305,779	34,359
<i>Total State Infrastructure Bank Loans</i>	<u>1,512,268</u>	<u>7,779</u>	<u>(140,979)</u>	<u>1,379,068</u>	<u>179,600</u>
Capital Leases:					
2013 Street Sweeper - 2.95%	52,146	0	(34,509)	17,637	17,637
2015 Dump Truck	25,505	0	(25,505)	0	0
2015 Copier - 8.71%	675	0	(675)	0	0
2015 Copier - 8.71%	3,751	0	(1,716)	2,035	1,872
2016 Copier - 11.47%	7,770	0	(2,378)	5,392	2,665
2016 Police Interceptor - 6.45%	8,014	0	(8,014)	0	0
2017 Auditor Copier - 9.78%	6,813	0	(1,817)	4,996	2,003
2017 Police Cruisers - 3.35%	47,483	0	(23,344)	24,139	24,139
2017 Bush Hog Mower Lease - 3.46%	18,643	0	(4,422)	14,221	4,578
2017 Wing Mower - 3.45%	12,588	0	(2,986)	9,602	3,091
2017 Tractor Lease - 3.46%	34,170	0	(8,105)	26,065	8,390
2018 Income Tax Software - 2.98%	7,636	0	(7,636)	0	0
2018 Jet Rodder Lease - 4.79%	29,385	0	(9,330)	20,055	9,788
2018 Court Copier - 3.94 %	5,557	0	(1,835)	3,722	1,907
2018 Fire Truck - 3.00%	477,350	0	(33,561)	443,789	34,582
<i>Total Capital Leases</i>	<u>737,486</u>	<u>0</u>	<u>(165,833)</u>	<u>571,653</u>	<u>110,652</u>
Net Pension Liability:					
OPERS	1,870,592	1,330,501	(155,881) ^	3,045,212	0
OP&F	4,606,525	2,192,386	0	6,798,911	0
<i>Total Net Pension Liability</i>	<u>6,477,117</u>	<u>3,522,887</u>	<u>(155,881)</u>	<u>9,844,123</u>	<u>0</u>
Net OPEB Liability:					
OPERS	1,231,181	246,700	(102,598) ^	1,375,283	0
OP&F	4,252,568	0	(3,494,059)	758,509	0
<i>Total Net OPEB Liability</i>	<u>5,483,749</u>	<u>246,700</u>	<u>(3,596,657)</u>	<u>2,133,792</u>	<u>0</u>
Compensated Absences	104,059	60,794	(32,902) ^	131,951	43,422
Police and Fire Pension	643,762	0	(27,715)	616,047	28,905
Total Governmental Activities	<u><u>\$15,213,981</u></u>	<u><u>\$3,838,160</u></u>	<u><u>(\$4,189,609)</u></u>	<u><u>\$14,862,532</u></u>	<u><u>\$413,239</u></u>

City of East Liverpool, Ohio
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^ The City of East Liverpool transferred all health department operations to the City of East Liverpool Board of Health during 2019. The long-term obligations transferred included compensated absences of \$1,727, net pension liability of \$155,881 and net OPEB liability of \$102,598. See Note 21 for further details of the transfer of operations.

	Balance 12/31/2018	Issued	Retired	Balance 12/31/2019	Amounts Due In One Year
Business-Type Activities					
Installment Loans from Direct Borrowings:					
2014 Painting Upflow Water Loan - 3.65%	\$21,481	\$0	(\$21,481)	\$0	\$0
Ohio Public Works Commission Loans from Direct Borrowings:					
2001 Henry Avenue Waterline Water Loan - 0.00%	8,525	0	(4,263)	4,262	4,262
Ohio Water Development Authority Loans from Direct Borrowings:					
2004 Project #4181 Water Loan - 3.35%	1,617,966	0	(208,751)	1,409,215	215,802
2013 Project #6489 Water Loan - 2.00%	409,176	0	(23,644)	385,532	24,119
2013 Project #6488 Sewer Loan - 2.59%	162,641	0	(8,650)	153,991	8,875
2018 Project #8041 Water Loan - 2.90%	841,932	56,462	(14,860)	883,534	36,063
2018 Project #8266 Water Loan - 0.00%	47,259	28,299	0	75,558	40,040
2018 Project #7975 Water Loan - 0.00%	1,197	9,000	0	10,197	2,439
<i>Total Ohio Water Development Authority Loans</i>	<u>3,080,171</u>	<u>93,761</u>	<u>(255,905)</u>	<u>2,918,027</u>	<u>327,338</u>
Capital Leases:					
2015 Sewer Vactor - 2.60%	72,238	0	(35,656)	36,582	36,582
2016 Water Truck - 2.29%	14,281	0	(14,281)	0	0
2016 Sewer Truck - 2.55%	21,017	0	(21,017)	0	0
2017 Freightliner - 3.36%	94,057	0	(30,307)	63,750	31,341
2019 Rear Load Packer 4.99%	0	118,051	0	118,051	21,369
2019 Roll on Roll off 4.99%	0	165,921	0	165,921	30,033
2019 Sewer Dump Truck 4.93%	0	115,459	0	115,459	20,924
<i>Total Capital Leases</i>	<u>201,593</u>	<u>399,431</u>	<u>(101,261)</u>	<u>499,763</u>	<u>140,249</u>
Net Pension Liability - OPERS:					
Water	1,208,093	937,400	0	2,145,493	0
Sewer	545,590	423,342	0	968,932	0
Incinerator	272,796	211,673	0	484,469	0
<i>Total Net Pension Liability - OPERS</i>	<u>2,026,479</u>	<u>1,572,415</u>	<u>0</u>	<u>3,598,894</u>	<u>0</u>
Net OPEB Liability - OPERS:					
Water	795,136	173,813	0	968,949	0
Sewer	359,094	78,496	0	437,590	0
Incinerator	179,548	39,247	0	218,795	0
<i>Total Net OPEB Liability - OPERS</i>	<u>1,333,778</u>	<u>291,556</u>	<u>0</u>	<u>1,625,334</u>	<u>0</u>
Compensated Absences	49,167	27,950	(29,413)	47,704	31,079
Total Business-Type Activities	<u><u>\$6,721,194</u></u>	<u><u>\$2,385,113</u></u>	<u><u>(\$412,323)</u></u>	<u><u>\$8,693,984</u></u>	<u><u>\$502,928</u></u>

City of East Liverpool, Ohio
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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 from direct borrowings are being paid from the capital improvements fund and the street levy fund. The OPWC loans are being paid from the capital improvements fund and the debt service fund. The SIB loans from direct placements are being paid from the capital improvements, river road improvement project fund and the debt service fund.

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

In 2018, the City was approved for a \$200,202 Ohio Water Development Authority loan for the raw water intake improvements project and for a \$12,197 Ohio Water Development Authority loan for the water asset management plan. These loans have not been finalized and therefore the repayment schedules are not included in the schedule of debt service payments. The balance of these of loans is as follows:

<i>Business-type Activities:</i>	<u>Loan Balance</u>
2018 Project #8266 Water Loan - 0.00%	\$75,558
2018 Project #7975 Water Loan - 0.00%	<u>10,197</u>
Total	<u><u>85,755</u></u>

In 2018, the City was approved for a \$12,197 Ohio Water Development Authority loan for the water asset management plan. As of December 31, 2019, the City has drawn down proceeds of \$10,197. This loan has not been finalized and therefore the repayment schedule is not included in the schedule of debt service payments.

The City's outstanding OPWC loans from direct borrowings related to governmental activities of \$121,470 and \$4,262 related to business-type activities contain provisions that in the event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

The City's outstanding OWDA loans from direct borrowings of \$2,918,027 related to business-type activities contain provisions that in the event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

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 2039. Annual principal and interest payments on the debt issues are expected to require less than 100 percent of net revenues; however, in 2019 principal and interest payments on the loans exceeded net revenues. The total principal and interest remaining to be paid on the debt is \$3,247,146. Principal and interest paid for the current year and total net revenues were \$319,597 and \$115,011, respectively.

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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 2034. Annual principal and interest payments on the debt issues are expected to require less than 3 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$185,692. Principal and interest paid for the current year and total net revenues were \$12,806 and \$527,236, respectively.

The City also has sixteen outstanding capital leases at December 31, 2019. 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 police cruisers, bush hog mower, wing mower, tractor and fire truck capital leases will be paid from the capital improvements capital projects fund. The jet rodder lease will be paid from the street levy fund. The sewer vactor and sewer dump truck business-type activities' capital leases will be paid from the sewer fund. The freightliner, rear load packer and roll on roll off business-type activities' capital leases will be paid from the incinerator fund.

The compensated absences liability will be paid from the general, police, fire, street, water, sewer and incinerator funds. There are no repayment schedules for the net pension liability and net OPEB liability. However, employer pension and OPEB contributions are made from the following funds: the general, police, fire, street, water, sewer and incinerator funds. For additional information related to the net pension and net OPEB liabilities see Notes 11 and 12.

As of December 31, 2019, the City's overall legal debt margin was \$8,076,985 and the unvoted legal debt margin was \$3,506,249. Principal and interest requirements to retire the outstanding debt at December 31, 2019, are as follows:

	Governmental-Wide				
	From Direct Borrowings			From Direct Placements	
	Installment Loans		OPWC Loans	SIB Loan	
	Principal	Interest	Principal	Principal	Interest
2020	\$17,317	\$5,183	\$33,343	\$179,600	\$40,034
2021	18,970	3,530	33,343	185,028	34,609
2022	20,782	1,719	33,342	118,154	29,552
2023	7,359	141	21,442	121,727	25,982
2024	0	0	0	125,405	22,303
2025-2029	0	0	0	597,708	54,284
2030	0	0	0	51,446	772
Totals	\$64,428	\$10,573	\$121,470	\$1,379,068	\$207,536

	Business-Type Funds		
	From Direct Borrowings		
	OPWC Loans	OWDA Loans	
	Principal	Principal	Interest
2020	\$4,262	\$284,859	\$77,514
2021	0	291,994	69,272
2022	0	301,291	60,763
2023	0	310,887	51,981
2024	0	320,794	42,914
2025-2029	0	655,964	124,743
2030-2034	0	417,095	64,934
2035-2039	0	249,388	18,428
Totals	\$4,262	\$2,832,272	\$510,549

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

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:

Fund Balances	General	Police	Fire	Street Levy	Other Governmental Funds	Total
<u>Nonspendable:</u>						
Inventory	\$0	\$0	\$0	\$0	\$54,978	\$54,978
Prepays	34,147	30,846	22,313	0	18,730	106,036
Unclaimed Monies	6,223	0	0	0	0	6,223
<i>Total Nonspendable</i>	<u>40,370</u>	<u>30,846</u>	<u>22,313</u>	<u>0</u>	<u>73,708</u>	<u>167,237</u>
<u>Restricted:</u>						
Transportation	0	0	0	423,855	176,383	600,238
Public Health and Safety	0	59,786	22,079	0	98,574	180,439
Police Pension	0	0	0	0	2,925	2,925
Fire Pension	0	0	0	0	2,921	2,921
Economic Development	0	0	0	0	87,862	87,862
Court Computerization	0	0	0	0	10,658	10,658
Probation Services	0	0	0	0	55,260	55,260
Urban Redevelopment	0	0	0	0	53,928	53,928
Debt Service	0	0	0	0	137,631	137,631
Capital Improvements	0	0	0	0	451,620	451,620
<i>Total Restricted</i>	<u>0</u>	<u>59,786</u>	<u>22,079</u>	<u>423,855</u>	<u>1,077,762</u>	<u>1,583,482</u>
<u>Committed:</u>						
Economic Development	0	0	0	0	10,144	10,144
<u>Assigned:</u>						
Recreation	943	0	0	0	10,914	11,857
Purchases on Order:						
Contractual Services	48,878	0	0	0	0	48,878
<i>Total Assigned</i>	<u>49,821</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,914</u>	<u>60,735</u>
Unassigned(Deficit)	<u>860,212</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(25,940)</u>	<u>834,272</u>
Total Fund Balance	<u><u>\$950,403</u></u>	<u><u>\$90,632</u></u>	<u><u>\$44,392</u></u>	<u><u>\$423,855</u></u>	<u><u>\$1,146,588</u></u>	<u><u>\$2,655,870</u></u>

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
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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 2019. Information can be obtained from 325 Moore Street, East Liverpool, Ohio 43920.

Ohio Mid-Eastern Governments Association (OMEGA)

OMEGA is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a seventeen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. A county commissioner serves as the County's representative on the board. The board has total control over budgeting, personnel and financial matters. Each member's degree of control is limited to its representation on the board. Each member currently pays a per capita membership fee based on the most recent United States census. During 2019, 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, 2019, the City had the following contractual construction commitments outstanding:

Vendor Name	Contract Amount	Amount Paid to Date	Remaining Contract
CornerStone	\$1,369,230	\$0	\$1,369,230
DLZ	136,700	0	136,700
Dallas Dawson	568,058	223,820	344,238
Black McCuskey	25,043	10,837	14,206
	<u>\$2,099,031</u>	<u>\$234,657</u>	<u>\$1,864,374</u>

Remaining commitment amounts were encumbered at year-end.

City of East Liverpool, Ohio
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For The Year Ended December 31, 2019

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	\$80,910	Water	\$168,184
Police	44,934	Sewer	75,330
Fire	52,982	Incinerator	29,850
Street Levy	171,173	Other Proprietary Funds	<u>6,512</u>
Other Governmental Funds	<u>1,671,227</u>	Total Proprietary	<u><u>\$279,876</u></u>
Total Governmental	<u><u>\$2,021,226</u></u>		

Note 19 – Change in Accounting Principle and Restatement of Fund Balances and Net Position

Changes in Accounting Principles

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The City evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For 2019, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*.

For 2019, the City also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2018-1*. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its agency funds and certain funds will be reported in the new fiduciary fund classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications had no effect on fund balance but resulted in the restatement of the City's financial statements.

GASB Statement 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

Restatement of Fund Balances and Net Position

The implementation of GASB Statement No. 84 had the following effect on fund balance as of December 31, 2018:

	<u>General</u>	<u>Police</u>	<u>Fire</u>
Fund Balances, December 31, 2018	\$721,108	\$125,978	\$57,509
Adjustments:			
GASB Statement 84	<u>1,000</u>	<u>0</u>	<u>0</u>
Restated Fund Balances, December 31, 2018	<u>\$722,108</u>	<u>\$125,978</u>	<u>\$57,509</u>

	<u>Street Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances, December 31, 2018	\$318,228	\$1,012,463	\$2,235,286
Adjustments:			
GASB Statement 84	<u>0</u>	<u>1,024</u>	<u>2,024</u>
Restated Fund Balances, December 31, 2018	<u>\$318,228</u>	<u>\$1,013,487</u>	<u>\$2,237,310</u>

The implementation of GASB Statement No. 84 had the following effect on net position as of December 31, 2018:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net Position December 31, 2018	\$3,016,110	\$7,869,457
Adjustments:		
GASB Statement 84	<u>2,024</u>	<u>0</u>
Restated Net Position December 31, 2018	<u>\$3,018,134</u>	<u>\$7,869,457</u>

The implementation of GASB Statement No. 84 had the following effect on fiduciary net position as of December 31, 2018:

	<u>Fiduciary Funds</u>	
	<u>Agency</u>	<u>Custodial</u>
Net Position December 31, 2018	\$0	\$0
Adjustments:		
Assets	(176,567)	176,567
Liabilities	<u>176,567</u>	<u>(175,559)</u>
Restated Net Position December 31, 2018	<u>\$0</u>	<u>\$1,008</u>

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

Note 20 – Closure and Post-closure Care Cost

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

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

Note 21 – Transfer of Operations

Consistent with the provisions of Ohio Revised Code Section 3709.36, the City of East Liverpool's health department was reorganized as a legally separate organization (City of East Liverpool Board of Health) rather than continuing to operate as a department of the City. This change was effective January 1, 2019 and is being accounted for by the City as a transfer of operations. The Board is reported as a discretely presented component unit of the City of East Liverpool. For 2019, the City is reporting a special item of \$269,348 for the transfer of operations. Other than the special item, the City did not report any revenues or expenditures/expenses related to the Board.

Note 22 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the investments of the pension and other employee benefit plans in which the City participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 23 – The City of East Liverpool Board of Health

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the City of East Liverpool Board of Health (the Board) as a body corporate and politic. A five member Board and a Health Commissioner govern the Board. Consistent with the provisions of Ohio Revised Code Section 3709.36, the Board is a legally separate organization. The Mayor appoints the Board. Among its various duties, the Board provides for the prompt diagnosis and control of communicable diseases. The Board may also inspect businesses where food is manufactured, handled, stored, or offered for sale. The Board is operated by a board with all members being appointed by the City. The City provides funding to the Board, thus the City can impose will on the Board, and the Board imposes a financial burden to the City. Therefore, the Board is considered a discretely presented component unit of the City of East Liverpool.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

Summary of Significant Accounting Policies

The financial statements of the Board 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 Board's accounting policies are described as follows.

Basis of Presentation of Government-wide Financial Statements The statement of net position and the statement of activities display information about the Board as a whole. The statement of net position presents the financial condition of the Board at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Board's activities. 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. Revenues which are not classified as program revenues are presented as general revenues of the Board, 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 Board.

Measurement Focus of 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 Board 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.

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.

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. Non-exchange transactions, in which the Board of Health receives value without directly giving equal value in return, includes grants and donations. Revenue from grants 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 Board of Health must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board of Health on a reimbursement basis.

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Board of Health, deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position.

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

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

Prepaid Items Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

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

Capital Assets All of the Board's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value on the date donated. The Board 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 capitalized.

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

Description	Estimated Lives
Machinery and Equipment	10 years

Compensated Absences 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 Board has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year end, taking into consideration any limits in the Board's termination policy. The Board records a liability for accumulated unused sick leave for all employees

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

Accrued Liabilities and Long-Term Obligations 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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Capital leases are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

Net Position Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Board's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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.

Deposits and Investments

The City of East Liverpool Auditor is custodian for the Board's deposits. The City's deposit and investment pool holds the Board's assets, valued at the City Auditor's reported carrying amount.

Receivables

Receivables at December 31, 2019, consisted solely of intergovernmental receivables arising from grants.

A summary of the principal items of intergovernmental receivables is as follows:

	<u>Amount</u>
City of East Liverpool Grant	\$14,499
State Vital Statistics Reimbursement	2,100
State Health Subsidy	208
Medicaid Reimbursement	60
Total	<u>\$16,867</u>

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

	Balance 1/1/2019	Additions	Deductions	Balance 12/31/2019
Capital Assets being Depreciated				
Machinery and Equipment	\$3,111	\$3,319	(\$1,695)	\$4,735
Less: Accumulated Depreciation				
Machinery and Equipment	(2,333)	(308)	1,271	(1,370)
<i>Total Capital Assets, Net</i>	\$778	\$3,011	(\$424)	\$3,365

Risk Management

The Board of Health is located in the City of East Liverpool's municipal building. The City contracts with U.S. Specialty Insurance Company for its property and liability insurance. In 2019, the building and contents were insured for a value of \$9,081,617. The City does not charge the Board for a portion of the building property insurance.

The Board 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.

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.

Employee Insurance Benefits Employees of the Board receive medical insurance benefits through the City of East Liverpool's self-insured medical program.

Contingencies

Grants Amounts grantor agencies pay to the Board are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow; however, based on prior experience, management believes any refunds would be immaterial.

Litigation Management is not aware of any pending litigation.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

Long-Term Obligations

A schedule of changes in bonds and other long-term obligations of the Board during 2019 follows:

	Principal Outstanding 1/1/2019	Additions	Deletions	Principal Outstanding 12/31/2019	Amounts Due In One Year
<i>Governmental Activities</i>					
Other Long-term Obligations					
Net Pension Liability:					
OPERS	\$155,881	\$120,954	\$0	\$276,835	\$0
Net OPEB Liability:					
OPERS	102,598	22,428	0	125,026	0
Capital Lease	0	3,319	(271)	3,048	523
Compensated Absences	1,727	3,978	0	5,705	3,194
Total Other Long-term Obligations	260,206	150,679	(271)	410,614	3,717
Total Governmental Activities	\$260,206	\$150,679	(\$271)	\$410,614	\$3,717

Defined Benefit Pension Plans

Plan descriptions and actuarial information for the Board of Health's defined benefit pension plans are the same as the City's (see Note 11).

For 2019, The Board's contractually required contribution was \$19,236 for the traditional plan, \$227 for the combined plan and \$117 for the member-directed plan. Of these amounts, \$1,749 is reported as an intergovernmental payable for the traditional plan, \$21 for the combined plan, and \$11 for the member-directed plan.

The net pension liability (asset) for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability (asset) was based on the Board'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 of the Board's defined benefit pension plans:

	OPERS Traditional Plan	OPERS Combined Plan	Total
Proportion of the Net Pension Liability/Asset:			
Current Measurement Date	0.00101080%	0.00037336%	
Prior Measurement Date	0.00099364%	0.00039340%	
Change in Proportionate Share	0.00001716%	-0.00002004%	
Proportionate Share of the:			
Net Pension Liability	\$276,835	\$0	\$276,835
Net Pension Asset	0	418	418
Pension Expense	60,518	120	60,638

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

2019 pension expense for the member-directed defined contribution plan was \$85. The aggregate pension expense for all pension plans was \$60,723 for 2019.

At December 31, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$11	\$0	\$11
Changes of assumptions	24,101	93	24,194
Net difference between projected and actual earnings on pension plan investments	37,574	90	37,664
Changes in proportion and differences between Board's contributions and proportionate share of contributions	1,963	29	1,992
Board contributions subsequent to the measurement date	<u>19,236</u>	<u>227</u>	<u>19,463</u>
Total Deferred Outflows of Resources	<u>\$82,885</u>	<u>\$439</u>	<u>\$83,324</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$3,635	\$171	\$3,806
Changes in proportion and differences between Board contributions and proportionate share of contributions	<u>1,225</u>	<u>0</u>	<u>1,225</u>
Total Deferred Inflows of Resources	<u>\$4,860</u>	<u>\$171</u>	<u>\$5,031</u>

\$19,463 reported as deferred outflows of resources related to pension resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

	OPERS Traditional Plan	OPERS Combined Plan	Total
Year Ending December 31:			
2020	\$24,782	\$17	\$24,799
2021	13,047	1	13,048
2022	3,485	1	3,486
2023	17,475	31	17,506
2024	0	(8)	(8)
Thereafter	0	(1)	(1)
Total	<u>\$58,789</u>	<u>\$41</u>	<u>\$58,830</u>

Sensitivity of the Board's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the Board's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the Board's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Board's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	\$408,970	\$276,835	\$167,035
OPERS Combined Plan	(138)	(418)	(1,719)

Defined Benefit OPEB Plan

Plan descriptions and actuarial information for the Board of Health's defined benefit OPEB plan are the same as the City's (see Note 12).

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Board's contractually required contribution was \$34 for 2019. Of this amount, \$3 is reported as an intergovernmental payable.

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Board's proportion of the net OPEB liability was based on the Board's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

	OPERS
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.00095860%
Prior Measurement Date	0.00094480%
Change in Proportionate Share	0.00001380%
Proportionate Share of the Net Pension Liability	\$125,026
OPEB Expense	\$10,844

At December 31, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	\$42
Changes of assumptions	4,031
Net difference between projected and actual earnings on OPEB plan investments	5,732
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,031
Board contributions subsequent to the measurement date	34
Total Deferred Outflows of Resources	\$10,870
Deferred Inflows of Resources	
Differences between expected and actual experience	\$339
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,126
Total Deferred Inflows of Resources	\$1,465

\$34 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2019

	OPERS
Year Ending December 31:	
2020	\$3,957
2021	1,568
2022	959
2023	2,887
Total	\$9,371

Sensitivity of the Board's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the Board's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Board's proportionate share of the net OPEB liability	\$159,955	\$125,026	\$97,248

Sensitivity of the Board's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Board's proportionate share of the net OPEB liability	\$120,177	\$125,026	\$130,610

Required Supplementary Information

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 Six Years (1)

	2019	2018	2017
City's Proportion of the Net Pension Liability	0.02425920%	0.02484100%	0.02542200%
City's Proportionate Share of the Net Pension Liability	\$6,644,106	\$3,897,071	\$5,772,904
City's Covered Payroll	\$3,413,121	\$3,282,754	\$3,291,092
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	194.66%	118.71%	175.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%

(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.

Note: Prior to 2019, The City of East Liverpool Board of Health was included.

See accompanying notes to the required supplementary information

2016	2015	2014
0.02568700%	0.02613100%	0.02613100%
\$4,449,312	\$3,151,688	\$3,080,502
\$3,192,129	\$3,203,675	\$3,104,947
139.38%	98.38%	99.21%
81.08%	86.45%	86.36%

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

	2019	2018
City's Proportion of the Net Pension Asset	0.00896064%	0.00983500%
City's Proportionate Share of the Net Pension Asset	\$10,021	\$13,389
City's Covered Payroll	\$39,921	\$40,277
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-25.10%	-33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	126.64%	137.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

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

Note: Prior to 2019, The City of East Liverpool Board of Health was included.

See accompanying notes to the required supplementary information.

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

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.02301504%	0.02362000%	0.02441000%
City's Proportionate Share of the Net OPEB Liability	\$3,000,617	\$2,564,959	\$2,465,494
City's Covered Payroll	\$3,477,367	\$3,345,981	\$3,378,667
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	86.29%	76.66%	72.97%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 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.

Note: Prior to 2019, The City of East Liverpool Board of Health was included.

See accompanying notes to the required supplementary information.

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 Six Years (1)

	2019	2018	2017
City's Proportion of the Net Pension Liability	0.08329300%	0.07505600%	0.07632500%
City's Proportionate Share of the Net Pension Liability	\$6,798,911	\$4,606,525	\$4,834,350
City's Covered Payroll	\$1,933,886	\$1,668,585	\$1,636,526
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	351.57%	276.07%	295.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%

(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

See accompanying notes to the required supplementary information.

2016	2015	2014
0.08334700%	0.08364510%	0.08364510%
\$5,361,771	\$4,333,165	\$4,073,779
\$1,684,876	\$1,679,505	\$1,630,431
318.23%	258.00%	249.86%
66.77%	71.71%	73.00%

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

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.0832930%	0.0750560%	0.0763250%
City's Proportionate Share of the Net OPEB Liability	\$758,509	\$4,252,568	\$3,622,976
City's Covered Payroll	\$1,933,886	\$1,668,585	\$1,636,526
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	39.22%	254.86%	221.38%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 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.

See accompanying notes to the required supplementary information.

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City of East Liverpool, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System
Last Seven Years (1)

	2019	2018	2017	2016
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	\$461,658	\$477,837	\$426,758	\$394,932
Contributions in Relation to the Contractually Required Contribution	(461,658)	(477,837)	(426,758)	(394,932)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$3,297,557	\$3,413,121	\$3,282,754	\$3,291,092
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>
Net Pension Asset - Combined Plan				
Contractually Required Contribution	\$5,445	\$5,589	\$5,236	\$4,989
Contributions in Relation to the Contractually Required Contribution	(5,445)	(5,589)	(5,236)	(4,989)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$38,893	\$39,921	\$40,277	\$41,575
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>
Net OPEB Liability - OPEB Plan (2)				
Contractually Required Contribution	\$805	\$973	\$34,148	\$68,493
Contributions in Relation to the Contractually Required Contribution	(805)	(973)	(34,148)	(68,493)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (3)	\$3,356,875	\$3,477,367	\$3,345,981	\$3,378,667
OPEB Contributions as a Percentage of Covered Payroll	<u>0.02%</u>	<u>0.03%</u>	<u>1.02%</u>	<u>2.03%</u>

(1) Information prior to 2013 is not available for traditional and combined plans.

(2) Information prior to 2016 is not available for the OPEB plan.

(3) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

Note: Prior to 2019, The City of East Liverpool Board of Health was included.

See accompanying notes to the required supplementary information.

<u>2015</u>	<u>2014</u>	<u>2013</u>
\$383,055	\$384,441	\$403,643
<u>(383,055)</u>	<u>(384,441)</u>	<u>(403,643)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,192,129	\$3,203,675	\$3,104,947
<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>
\$4,720	\$6,010	\$4,741
<u>(4,720)</u>	<u>(6,010)</u>	<u>(4,741)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$39,333	\$50,083	\$36,469
<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>

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

	2019	2018	2017	2016
Net Pension Liability				
Contractually Required Contribution	\$427,070	\$398,411	\$343,665	\$339,721
Contributions in Relation to the Contractually Required Contribution	<u>(427,070)</u>	<u>(398,411)</u>	<u>(343,665)</u>	<u>(339,721)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$2,055,253	\$1,933,886	\$1,668,585	\$1,636,526
Pension Contributions as a Percentage of Covered Payroll	<u>20.78%</u>	<u>20.60%</u>	<u>20.60%</u>	<u>20.76%</u>
Net OPEB Liability				
Contractually Required Contribution	\$10,277	\$9,669	\$8,343	\$8,183
Contributions in Relation to the Contractually Required Contribution	<u>(10,277)</u>	<u>(9,669)</u>	<u>(8,343)</u>	<u>(8,183)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.28%</u>	<u>21.10%</u>	<u>21.10%</u>	<u>21.26%</u>

(1) The City's Covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information.

2015	2014	2013	2012	2011	2010
\$351,147	\$350,049	\$289,044	\$240,727	\$240,133	\$240,068
<u>(351,147)</u>	<u>(350,049)</u>	<u>(289,044)</u>	<u>(240,727)</u>	<u>(240,133)</u>	<u>(240,068)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,684,876	\$1,679,505	\$1,630,431	\$1,647,502	\$1,644,290	\$1,648,435
<u>20.84%</u>	<u>20.84%</u>	<u>17.73%</u>	<u>14.61%</u>	<u>14.60%</u>	<u>14.56%</u>
\$8,425	\$8,397	\$58,967	\$111,207	\$110,990	\$111,270
<u>(8,425)</u>	<u>(8,397)</u>	<u>(58,967)</u>	<u>(111,207)</u>	<u>(110,990)</u>	<u>(111,270)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.50%</u>	<u>0.50%</u>	<u>3.62%</u>	<u>6.75%</u>	<u>6.75%</u>	<u>6.75%</u>
<u>21.34%</u>	<u>21.34%</u>	<u>21.35%</u>	<u>21.36%</u>	<u>21.35%</u>	<u>21.31%</u>

City of East Liverpool, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2019

Changes in Assumptions – OPERS Pension – Traditional Plan

Amounts reported beginning in 2019 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 2017 and in 2016 and prior are presented below:

	2019	2018 and 2017	2016 and prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 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	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

Amounts reported beginning in 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.

Changes in Assumptions – OPERS Pension – Combined Plan

For 2019, the investment rate of return changed from 7.5 percent to 7.2 percent.

City of East Liverpool, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2019

Changes in Assumptions – OP&F Pension

Amounts reported beginning in 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

	Beginning in 2018	2017 and Prior
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Amounts reported beginning in 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Amounts reported beginning in 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

Amounts reported for 2017 and prior use valuation, rates of death were 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.

City of East Liverpool, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2019

Changes in Assumptions – OPERS OPEB

For 2019, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. For 2019, the health care cost trend rate was 10 percent, initial; 3.25 ultimate in 2029. For 2018, the health care cost trend rate was 7.25 percent, initial; 3.25 percent ultimate in 2028.

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Assumptions – OP&F OPEB

For 2019, the single discount rate changed from 3.24 percent to 4.66 percent.

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

Changes in Benefit Terms – OP&F OPEB

For 2019, OP&F recognized a change in benefit terms. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years.

**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****INDEPENDENT AUDITORS' REPORT**

To the City Council
City of East Liverpool, Ohio:

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, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Ohio ("City") as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 31, 2020, wherein we noted the financial impact of COVID-19 on subsequent periods and the City implemented GASB Statement No. 84, and 88.

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.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a material weakness.

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*.

City's Response to Finding

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
July 31, 2020

City of East Liverpool, Ohio
Schedule of Findings and Responses
Year Ended December 31, 2019

2019-001 Financial Reporting – Material Weakness

During the course of our audit, we identified misstatements in the financial statements that were not initially identified by the City's internal control over financial reporting. A deficiency in internal control exists when the design of 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. In this case, the internal controls over the preparation and review of the City's financial statements did not operate as designed. The City contracts with a third-party consultant to prepare its year-end financial statements. While the City may rely on the consultant to provide technical assistance and financial statement preparation, it is still the responsibility of the City to review the financials prepared by the consultant for errors and omissions.

Audit adjustments were necessary to record proceeds from the sale of a fire station that were incorrectly posted to other revenue and to post the disposal of the asset and to remove an intergovernmental receivable from the discretely presented component unit. There were also a few other misstatements that were not required to be posted to the financial statements.

We recommend the City enhance its internal controls over financial reporting with steps such as management's review of conversion documentation for completeness and accuracy and improved communication with hired consultants to ensure the preparation of complete, accurate and reliable financial statements in conformity with generally accepted accounting principles.

Views of Responsible Officials: *We agree with the adjustments and have recorded them in the financial statements.*

City of East Liverpool, Ohio
Schedule of Prior Audit Findings
Year Ended December 31, 2019

2018-001 Significant Deficiency – Cash Reconciliation Process Errors

Adjustments netting to \$64 were required to reconcile the City's bank accounts.

Status: Corrected.

OHIO AUDITOR OF STATE KEITH FABER



CITY OF EAST LIVERPOOL

COLUMBIANA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/20/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov