



OHIO AUDITOR OF STATE  
**KEITH FABER**





**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY  
JUNE 30, 2019**

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COLUMBIANA COUNTY  
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# OHIO AUDITOR OF STATE KEITH FABER



101 Central Plaza South  
700 Chase Tower  
Canton, Ohio 44702-1509  
(330) 438-0617 or (800) 443-9272  
EastRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

East Liverpool City School District  
Columbiana County  
810 West 8<sup>th</sup> Street  
East Liverpool, Ohio 43920

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Liverpool City School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the East Liverpool City School District, Columbiana County, Ohio, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Classroom Facilities Maintenance funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, beginning net position and fund balances were restated due to errors and omissions previously reported. In addition, as discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding these matters.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

The Schedule of Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

July 29, 2020

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**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

The management's discussion and analysis of the East Liverpool City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2019 are as follows:

- In total, net position of governmental activities increased \$3,345,859 which represents a 16.99% increase from June 30, 2018's restated net position.
- General revenues accounted for \$24,929,681 in revenue or 75.26% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$8,195,752 or 24.74% of total revenues of \$33,125,433.
- The District had \$29,779,574 in expenses related to governmental activities; \$8,195,752 of these expenses were offset by program specific charges for services and operating grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were adequate to provide for these programs.
- The District has two major funds: the general fund and classroom facilities maintenance fund. The general fund had \$28,357,143 in revenues and other financing sources and \$28,326,135 in expenditures and other financing uses. The general fund's fund balance increased \$31,008 from a restated balance of \$2,891,609 to \$2,922,617.
- The classroom facilities maintenance fund had \$202,847 in revenues and \$138,609 in expenditures. The classroom facilities maintenance fund's fund balance increased \$64,238 from \$1,418,704 to \$1,482,942.

**Using these Basic Financial Statements**

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

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District has two major funds: the general fund and the classroom facilities maintenance fund.

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of facilities, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 19-20 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and classroom facilities maintenance fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 21-26 of this report.

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for employee benefits self-insurance. The basic proprietary fund financial statements can be found on pages 27-29 of this report.

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 30 and 31. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 33-71 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability/asset. The required supplementary information can be found on pages 74-89 of this report.

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**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2019 and June 30, 2018. The net position at June 30, 2018 has been restated as described in Note 3.C.

	<b>Net Position</b>	
	Governmental Activities <u>2019</u>	Restated Governmental Activities <u>2018</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 17,724,287	\$ 16,735,981
Net OPEB asset	1,604,051	-
Capital assets, net	<u>43,227,088</u>	<u>44,544,240</u>
Total assets	<u>62,555,426</u>	<u>61,280,221</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	7,537,714	8,692,794
OPEB	<u>439,019</u>	<u>290,279</u>
Total deferred outflows of resources	<u>7,976,733</u>	<u>8,983,073</u>
<b><u>Liabilities</u></b>		
Current liabilities	4,210,074	3,719,583
Long-term liabilities:		
Due within one year	603,875	564,074
Due in more than one year:		
Net pension liability	27,829,135	29,144,394
Net OPEB liability	2,891,480	6,618,144
Other amounts	<u>2,785,855</u>	<u>3,116,750</u>
Total liabilities	<u>38,320,419</u>	<u>43,162,945</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for next year	3,916,595	4,556,015
Pension	2,432,506	2,094,166
OPEB	<u>2,822,820</u>	<u>756,208</u>
Total deferred inflows of resources	<u>9,171,921</u>	<u>7,406,389</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	41,182,139	42,154,147
Restricted	3,942,318	3,467,888
Unrestricted	<u>(22,084,638)</u>	<u>(25,928,075)</u>
Total net position	<u>\$ 23,039,819</u>	<u>\$ 19,693,960</u>

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset to equal the District's proportionate share of each plan's collective:

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

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 District 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.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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/asset. 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.

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$23,039,819.

Deferred outflows related to pension decreased primarily due to changes in assumptions by the State Teachers Retirement System (STRS). See Note 13 for more detail.

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

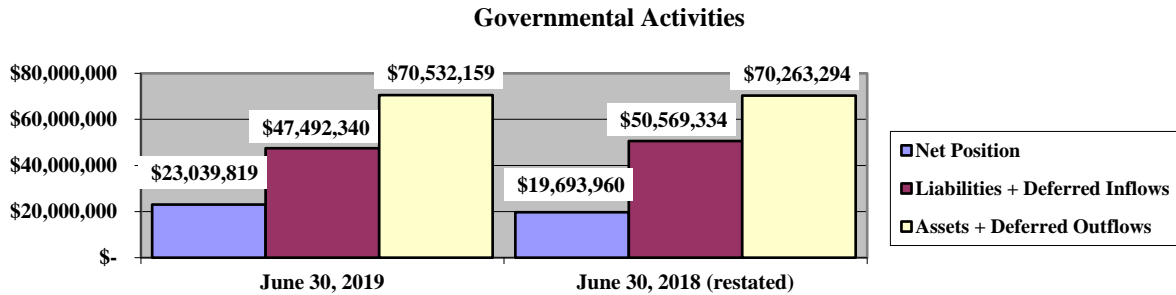
Total assets include a net OPEB asset reported by STRS. See Note 14 for more detail. STRS did not report a net pension asset in the prior year.

At year-end, capital assets represented 69.10% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and fixtures and vehicles. Net investment in capital assets at June 30, 2019, was \$41,182,139. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Long-term liabilities decreased primarily due to a decrease in the net pension liability and net OPEB liability. These liabilities are outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions and OPEB to District employees, not the District.

A portion of the District's net position, \$3,942,318, represents resources that are subject to external restriction on how they may be used. Of the restricted net position, \$347,056 is restricted for capital projects and \$1,496,908 is restricted for classroom facilities maintenance. The remaining balance of unrestricted net position is (\$22,084,638).

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2019 and June 30, 2018. The amounts at June 30, 2018 have been restated as described in Note 3.C.



**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The table below shows the change in net position for fiscal years 2019 and 2018. The net position at June 30, 2018 has been restated as described in Note 3.C.

	<b>Change in Net Position</b>	
	Governmental Activities <u>2019</u>	Restated Governmental Activities <u>2018</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,573,454	\$ 1,143,230
Operating grants and contributions	6,622,298	5,784,325
General revenues:		
Property taxes	4,252,356	4,406,918
Grants and entitlements - unrestricted	20,326,300	19,954,934
Investment earnings	192,749	217,334
Other	<u>158,276</u>	<u>206,558</u>
Total revenues	<u>33,125,433</u>	<u>31,713,299</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	11,512,234	8,295,661
Special	4,006,578	2,317,102
Vocational	1,238,928	713,867
Adult/continuing	204	465
Other	2,676,006	2,196,553
Support services:		
Pupil	1,633,055	1,027,975
Instructional staff	1,104,953	742,182
Board of education	78,275	55,449
Administration	1,328,986	671,173
Fiscal	491,142	614,017
Operations and maintenance	2,816,952	2,133,983
Pupil transportation	962,449	625,998
Central	106,549	112,732
Operations of non-instructional services:		
Other non-instructional services	137,307	225,479
Food service operations	1,236,131	905,650
Extracurricular activities	368,607	238,631
Interest and fiscal charges	<u>81,218</u>	<u>80,686</u>
Total expenses	<u>29,779,574</u>	<u>20,957,603</u>
Change in net position	3,345,859	10,755,696
Net position at beginning of year (restated)	<u>19,693,960</u>	<u>8,938,264</u>
Net position at end of year	<u>\$ 23,039,819</u>	<u>\$ 19,693,960</u>

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

**Governmental Activities**

Net position of the District’s governmental activities increased \$3,345,859. Total governmental expenses of \$29,779,574 were offset by program revenues of \$8,195,752 and general revenues of \$24,929,681. Program revenues supported 27.52% of the total governmental expenses.

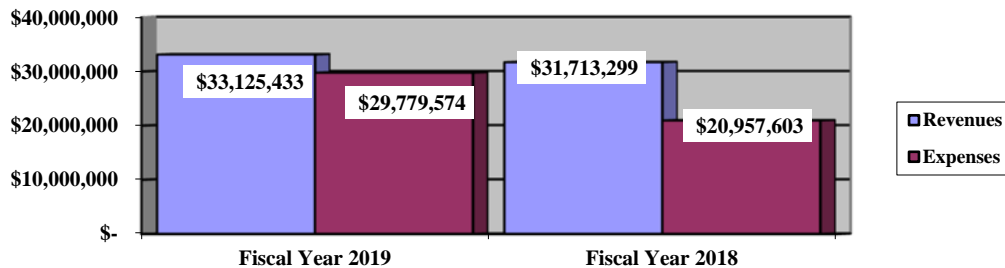
Overall, expenses of the governmental activities increased \$8,821,971 or 42.09%. This increase is primarily the result of the STRS indefinitely suspending the Cost of Living Adjustment (“COLA”) and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in fiscal year 2018. These benefit changes caused a decrease to the net pension liability reported at June 30, 2018 and the subsequent expenses reported for fiscal year 2018 when compared to fiscal year 2017.

On an accrual basis, the District reported \$2,277,114 and (\$9,400,022) in pension expense for fiscal year 2019 and 2018, respectively. In addition, the District reported (\$3,334,532) and (\$978,860) in OPEB expense for fiscal year 2019 and 2018, respectively. The increase in both the net pension expense and the OPEB expense from fiscal year 2018 to fiscal year 2019 was \$9,321,464. This increase is primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years. Pension and OPEB expense are components of program expenses reported on the statement of activities. The District’s total expenses for fiscal year 2019 are comparable to total fiscal year 2017 expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements from the State. These revenue sources account for 74.20% of total governmental revenue. The most significant increases were in the areas of charges for services and sales, operating grants and contributions and unrestricted grants and entitlements. Charges for services and sales increased due to an increase in open enrollment tuition. The increase in unrestricted grants and entitlements was due to an increase in State foundation revenues provided to the District.

The graph below presents the District’s governmental activities revenue and expenses for fiscal years 2019 and 2018.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.



**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

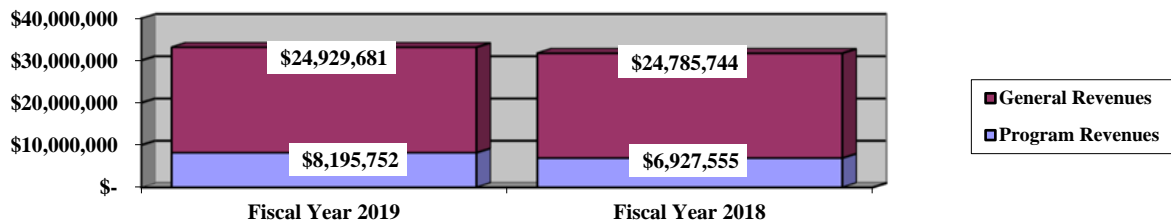
**Governmental Activities**

	Total Cost of Services <u>2019</u>	Net Cost of Services <u>2019</u>	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 11,512,234	\$ 10,094,060	\$ 8,295,661	\$ 7,394,248
Special	4,006,578	1,112,797	2,317,102	(407,986)
Vocational	1,238,928	905,669	713,867	404,775
Adult/continuing	204	146	465	(551)
Other	2,676,006	2,023,783	2,196,553	1,746,277
Support services:				
Pupil	1,633,055	1,505,973	1,027,975	948,889
Instructional staff	1,104,953	742,059	742,182	362,996
Board of education	78,275	78,275	55,449	55,449
Administration	1,328,986	930,343	671,173	465,734
Fiscal	491,142	489,310	614,017	612,037
Operations and maintenance	2,816,952	2,677,448	2,133,983	2,004,083
Pupil transportation	962,449	846,399	625,998	508,124
Central	106,549	97,549	112,732	103,732
Operations of non-instructional services:				
Other non-instructional services	137,307	(2,769)	225,479	51,060
Food service operations	1,236,131	(266,164)	905,650	(465,539)
Extracurricular activities	368,607	267,726	238,631	166,034
Interest and fiscal charges	81,218	81,218	80,686	80,686
<b>Total</b>	<u><u>\$ 29,779,574</u></u>	<u><u>\$ 21,583,822</u></u>	<u><u>\$ 20,957,603</u></u>	<u><u>\$ 14,030,048</u></u>

The dependence upon tax and other general revenues for governmental activities is apparent as 72.74% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 72.48%. The District's taxpayers and unrestricted grants and entitlements are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2019 and 2018.

**Governmental Activities - General and Program Revenues**



**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$5,664,138, which is lower than last year's restated total of \$5,664,138. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and 2018. The fund balances at June 30, 2018 have been restated as described in Note 3.C.

	Fund Balance <u>June 30, 2019</u>	Restated Fund Balance <u>June 30, 2018</u>	<u>Change</u>	Percentage <u>Change</u>
General fund	\$ 2,922,617	\$ 2,891,609	\$ 31,008	1.07 %
Classroom facilities maintenance	1,482,942	1,418,704	64,238	4.53 %
Other governmental funds	<u>1,258,579</u>	<u>1,496,266</u>	<u>(237,687)</u>	(15.89) %
Total	<u>\$ 5,664,138</u>	<u>\$ 5,806,579</u>	<u>\$ (142,441)</u>	(2.45) %

**General Fund**

During fiscal year 2019, the District's general fund balance increased \$31,008.

The table that follows assists in illustrating the financial activities of the general fund.

	<u>2019 Amount</u>	<u>2018 Amount</u>	<u>Change</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Property taxes	\$ 4,165,401	\$ 3,904,988	\$ 260,413	6.67 %
Tuition	1,166,922	890,223	276,699	31.08 %
Earnings on investments	157,806	58,414	99,392	170.15 %
Intergovernmental	22,624,133	22,152,042	472,091	2.13 %
Other revenues	<u>107,198</u>	<u>250,394</u>	<u>(143,196)</u>	(57.19) %
Total	<u>\$ 28,221,460</u>	<u>\$ 27,256,061</u>	<u>\$ 965,399</u>	3.54 %
<b><u>Expenditures</u></b>				
Instruction	\$ 18,703,649	\$ 19,223,191	\$ (519,542)	(2.70) %
Support services	8,553,950	8,839,336	(285,386)	(3.23) %
Non-instructional services	81,178	29,978	51,200	170.79 %
Extracurricular activities	265,111	259,907	5,204	2.00 %
Capital outlay	135,683	-	135,683	N/A %
Debt service	<u>553,307</u>	<u>530,815</u>	<u>22,492</u>	4.24 %
Total	<u>\$ 28,292,878</u>	<u>\$ 28,883,227</u>	<u>\$ (590,349)</u>	(2.04) %

Revenues of the general fund increased \$965,399 or 3.54%. The most significant increases were in the areas of tuition and intergovernmental. Tuition increased due to an increase in open enrollment tuition received by the District. Intergovernmental increased to do more State foundation money being received. Earnings in investment also increased by \$93,890 or 160.73% during the fiscal year. This increase is primarily due to greater investment in the District's Star Ohio account.

Expenditures decreased \$590,349 or 2.04%. The largest decreases were in the areas of instruction and support services. Instruction services and support services decreased \$519,542 and \$285,386, respectively, due to decreases in salaries, wages and benefits paid to employees.

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

***Classroom Facilities Maintenance Fund***

The classroom facilities maintenance fund had \$202,847 in revenues and \$138,609 in expenditures. The classroom facilities maintenance fund's fund balance increased \$64,238 from \$1,418,704 to \$1,482,942.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2019, the District amended its general fund estimated revenue budget several times. For the general fund, original budgeted revenues and other financing sources of \$29,475,129 were decreased in the final budgeted revenues and other financing sources to \$28,819,143. Actual revenue and other financing sources of \$28,215,350 were \$603,793 less than the final budgeted amounts.

General fund actual expenditures plus other financing uses of \$28,124,762 were \$2,465,523 lower than final appropriations (appropriated expenditures plus other financing uses) of \$30,593,831. Original appropriations were \$31,095,329.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2019, the District had \$43,227,088 invested in land, land improvements, buildings and improvements, furniture and fixtures and vehicles. This entire amount is reported in governmental activities. The table that follows shows June 30, 2019 balances compared to June 30, 2018.

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2019	2018
Land	\$ 46,225	\$ 46,225
Land improvements	867,099	1,005,253
Buildings and improvements	40,680,444	41,981,038
Furniture and equipment	1,037,935	1,011,172
Vehicles	595,385	500,552
Total	\$ 43,227,088	\$ 44,544,240

Capital assets decreased \$1,317,152. The District had additions of \$504,927 and depreciation of \$1,822,079 during fiscal year 2019.

See Note 8 to the basic financial statements for detail on the District's capital assets.

***Debt Administration***

At June 30, 2019 the District had \$2,044,949 in capital leases outstanding. Of this total, \$482,255 is due within one year and \$1,562,694 is due in more than one year.

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The table below summarizes the long-term obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
Capital leases	\$ 2,044,949	\$ 2,383,900
Total	<u>\$ 2,044,949</u>	<u>\$ 2,383,900</u>

See Note 10 to the basic financial statements for detail on the District's debt administration.

**Current Issues**

The District is financially responsible for educating approximately 2,341 students, grades PK-12. During fiscal year 2018-2019, 2,246 of those students were educated at the District's five schools housed in four physical plants compared with 1,956 students in the prior fiscal year, an increase of 290 students or about 1.5%. The rest were educated either by other school districts in the State, mostly through open enrollment, or at community schools in accordance with State law. The enrollment pattern in recent years has been mixed, albeit relatively stable.

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

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

The District provides free breakfast and lunch to 100% of its students due to being part of the Community Eligibility Program with the State. Due to the socio-economic status within the District, all buildings are qualified for this program to provide free breakfast and lunch.

Socio-economic issues in the community cause the District to confront several educational issues. Approximately 25% of East Liverpool students qualify for special education services. This compares to an average of 14.8% for Ohio's school age population. The District also commits substantial resources to pre-school, after-school programs, summer programs, and other efforts to help students succeed academically.

In terms of school funding, the District is heavily dependent on State financial support. Approximately 80% of the funds for day-to-day school operations are provided by the State of Ohio. This funding is subject to the biennial appropriation of the Ohio General Assembly.

The District currently has strong reserves to withstand any possible financial difficulties. As of June 30, 2019, cash reserves were approximately \$2 million. This reserve amounts to a 60-day cushion in operating cash reserves. The current Five-Year Financial Forecast projects stable cash reserves for the coming school year but declining reserves for the balance of the forecast period. The Board of Education and administration are working together to chart the best future courses of action to address long-term financial challenges.

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

The District currently operates five school units: LaCroft Elementary (grades K-4), North Elementary (grades K-4), Westgate Elementary (grades PK, 5-6), East Liverpool Junior High School (grades 7-8) and East Liverpool High School (grades 9-12).

Seeking to address socio-economic issues at an early age, the School District has expanded preschool programs, which operate from the Westgate facility.

The District's physical capital assets, including property physical plant and equipment total approximately \$68.8 million before adjustments for depreciation.

**Contacting the District's Financial Management**

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

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**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2019

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 8,771,230
Cash and cash equivalents with a fiscal agent . . . . .	2,622,428
Receivables:	
Property taxes . . . . .	4,948,059
Accrued interest . . . . .	2,986
Intergovernmental . . . . .	1,275,084
Prepayments . . . . .	41,542
Inventory held for resale . . . . .	62,958
Net OPEB asset . . . . .	1,604,051
Capital assets:	
Nondepreciable capital assets . . . . .	46,225
Depreciable capital assets, net . . . . .	43,180,863
Capital assets, net . . . . .	43,227,088
Total assets . . . . .	62,555,426
 <b>Deferred outflows of resources:</b>	
Pension . . . . .	7,537,714
OPEB . . . . .	439,019
Total deferred outflows of resources . . . . .	7,976,733
 <b>Liabilities:</b>	
Accounts payable . . . . .	123,558
Accrued wages and benefits payable . . . . .	2,587,135
Compensated absences payable . . . . .	59,919
Intergovernmental payable . . . . .	346,350
Pension and postemployment benefits payable . . . . .	366,447
Accrued interest payable . . . . .	8,493
Claims payable . . . . .	614,874
Accrued vacation leave payable . . . . .	103,298
Long-term liabilities:	
Due within one year . . . . .	603,875
Due in more than one year:	
Net pension liability . . . . .	27,829,135
Net OPEB liability . . . . .	2,891,480
Other amounts due in more than one year . . . . .	2,785,855
Total liabilities . . . . .	38,320,419
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	3,916,595
Pension . . . . .	2,432,506
OPEB . . . . .	2,822,820
Total deferred inflows of resources . . . . .	9,171,921
 <b>Net position:</b>	
Net investment in capital assets . . . . .	41,182,139
Restricted for:	
Capital projects . . . . .	347,056
Classroom facilities maintenance . . . . .	1,496,908
Locally funded programs . . . . .	23,513
State funded programs . . . . .	54,525
Federally funded programs . . . . .	815,572
Student activities . . . . .	15,438
Other purposes . . . . .	1,189,306
Unrestricted (deficit) . . . . .	(22,084,638)
Total net position . . . . .	\$ 23,039,819

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 11,512,234	\$ 924,750	\$ 493,424	\$ (10,094,060)
Special . . . . .	4,006,578	376,546	2,517,235	(1,112,797)
Vocational . . . . .	1,238,928	-	333,259	(905,669)
Adult/continuing. . . . .	204	-	58	(146)
Other . . . . .	2,676,006	-	652,223	(2,023,783)
Support services:				
Pupil . . . . .	1,633,055	-	127,082	(1,505,973)
Instructional staff . . . . .	1,104,953	-	362,894	(742,059)
Board of education . . . . .	78,275	-	-	(78,275)
Administration. . . . .	1,328,986	48,273	350,370	(930,343)
Fiscal. . . . .	491,142	-	1,832	(489,310)
Operations and maintenance . . . . .	2,816,952	2,713	136,791	(2,677,448)
Pupil transportation. . . . .	962,449	-	116,050	(846,399)
Central . . . . .	106,549	-	9,000	(97,549)
Operation of non-instructional services:				
Other non-instructional services . . . . .	137,307	-	140,076	2,769
Food service operations . . . . .	1,236,131	127,376	1,374,919	266,164
Extracurricular activities. . . . .	368,607	93,796	7,085	(267,726)
Interest and fiscal charges . . . . .	81,218	-	-	(81,218)
<b>Total governmental activities . . . . .</b>	<b>\$ 29,779,574</b>	<b>\$ 1,573,454</b>	<b>\$ 6,622,298</b>	<b>(21,583,822)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				4,122,548
Debt service. . . . .				62,739
Classroom facilities maintenance . . . . .				67,069
Grants and entitlements not restricted to specific programs . . . . .				20,326,300
Investment earnings . . . . .				192,749
Miscellaneous . . . . .				158,276
<b>Total general revenues . . . . .</b>				<b>24,929,681</b>
<b>Change in net position . . . . .</b>				<b>3,345,859</b>
<b>Net position at beginning of year (restated)</b>				<b>19,693,960</b>
<b>Net position at end of year. . . . .</b>				<b>\$ 23,039,819</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments. . . . .	\$ 5,616,479	\$ 1,480,385	\$ 1,674,366	\$ 8,771,230
<b>Receivables:</b>				
Property taxes. . . . .	4,870,143	77,916	-	4,948,059
Accrued interest . . . . .	2,986	-	-	2,986
Intergovernmental. . . . .	452,672	-	822,412	1,275,084
Prepayments. . . . .	40,345	-	1,197	41,542
Inventory held for resale. . . . .	-	-	62,958	62,958
Due from other funds . . . . .	156,523	-	-	156,523
Total assets . . . . .	<u>\$ 11,139,148</u>	<u>\$ 1,558,301</u>	<u>\$ 2,560,933</u>	<u>\$ 15,258,382</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 40,390	\$ 274	\$ 82,894	\$ 123,558
Accrued wages and benefits payable . . . . .	2,442,508	-	144,627	2,587,135
Compensated absences payable . . . . .	59,919	-	-	59,919
Intergovernmental payable . . . . .	291,330	-	55,020	346,350
Pension and postemployment benefits payable . . . . .	325,569	-	40,878	366,447
Due to other funds . . . . .	-	-	156,523	156,523
Total liabilities. . . . .	<u>3,159,716</u>	<u>274</u>	<u>479,942</u>	<u>3,639,932</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	3,855,476	61,119	-	3,916,595
Delinquent property tax revenue not available. . . . .	843,873	13,966	-	857,839
Intergovernmental revenue not available. . . . .	244,235	-	822,412	1,066,647
Accrued interest not available. . . . .	2,986	-	-	2,986
Miscellaneous revenue not available. . . . .	110,245	-	-	110,245
Total deferred inflows of resources . . . . .	<u>5,056,815</u>	<u>75,085</u>	<u>822,412</u>	<u>5,954,312</u>
<b>Fund balances:</b>				
Nonspendable:				
Prepayments . . . . .	40,345	-	1,197	41,542
Restricted:				
Capital improvements . . . . .	-	-	347,056	347,056
Classroom facilities maintenance . . . . .	-	1,482,942	-	1,482,942
Food service operations . . . . .	-	-	1,212,743	1,212,743
Non-public schools . . . . .	-	-	1,402	1,402
Other purposes. . . . .	-	-	69,796	69,796
Extracurricular activities . . . . .	-	-	15,438	15,438
Assigned:				
Student and staff support. . . . .	62,599	-	-	62,599
Subsequent year's appropriations . . . . .	2,819,673	-	-	2,819,673
Unassigned (deficit). . . . .	-	-	(389,053)	(389,053)
Total fund balances (deficit) . . . . .	<u>2,922,617</u>	<u>1,482,942</u>	<u>1,258,579</u>	<u>5,664,138</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 11,139,148</u>	<u>\$ 1,558,301</u>	<u>\$ 2,560,933</u>	<u>\$ 15,258,382</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2019

<b>Total governmental fund balances</b>		\$	5,664,138
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			43,227,088
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	857,839	
Accrued interest receivable		2,986	
Intergovernmental receivable		1,176,892	
Total			2,037,717
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			2,007,554
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(8,493)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources - pension		7,537,714	
Deferred inflows of resources - pension		(2,432,506)	
Net pension liability		(27,829,135)	
Total			(22,723,927)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources - OPEB		439,019	
Deferred inflows of resources - OPEB		(2,822,820)	
Net OPEB asset		1,604,051	
Net OPEB liability		(2,891,480)	
Total			(3,671,230)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Capital lease obligations		(2,044,949)	
Vacation payable		(103,298)	
Compensated absences		(1,344,781)	
Total			(3,493,028)
<b>Net position of governmental activities</b>		<b>\$</b>	<b>23,039,819</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,165,401	\$ 67,616	\$ 152,482	\$ 4,385,499
Tuition . . . . .	1,166,922	-	-	1,166,922
Earnings on investments . . . . .	157,806	-	3,067	160,873
Charges for services . . . . .	-	-	127,661	127,661
Extracurricular . . . . .	48,273	-	95,349	143,622
Classroom materials and fees . . . . .	950	-	-	950
Rental income . . . . .	875	-	-	875
Contributions and donations . . . . .	5,074	-	5,086	10,160
Other local revenues . . . . .	52,026	-	7,690	59,716
Intergovernmental - intermediate . . . . .	-	-	500	500
Intergovernmental - state . . . . .	22,419,624	135,231	394,510	22,949,365
Intergovernmental - federal . . . . .	204,509	-	3,356,361	3,560,870
<b>Total revenues . . . . .</b>	<b>28,221,460</b>	<b>202,847</b>	<b>4,142,706</b>	<b>32,567,013</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	11,214,139	-	487,486	11,701,625
Special . . . . .	3,993,160	-	649,181	4,642,341
Vocational . . . . .	1,341,487	-	21,270	1,362,757
Adult/continuing . . . . .	-	-	204	204
Other . . . . .	2,154,863	-	638,080	2,792,943
Support services:				
Pupil . . . . .	1,704,059	-	145,753	1,849,812
Instructional staff . . . . .	848,010	-	370,018	1,218,028
Board of education . . . . .	81,007	-	-	81,007
Administration . . . . .	1,269,225	-	296,151	1,565,376
Fiscal . . . . .	543,301	2,043	4,657	550,001
Operations and maintenance . . . . .	2,890,955	136,566	6,585	3,034,106
Pupil transportation . . . . .	1,119,844	-	13,568	1,133,412
Central . . . . .	97,549	-	9,000	106,549
Operation of non-instructional services:				
Other operation of non-instructional . . . . .	15,940	-	121,560	137,500
Food service operations . . . . .	65,238	-	1,243,318	1,308,556
Extracurricular activities . . . . .	265,111	-	120,510	385,621
Facilities acquisition and construction . . . . .	-	-	286,309	286,309
Capital outlay . . . . .	135,683	-	-	135,683
Debt service:				
Principal retirement . . . . .	474,634	-	-	474,634
Interest and fiscal charges . . . . .	78,673	-	-	78,673
<b>Total expenditures . . . . .</b>	<b>28,292,878</b>	<b>138,609</b>	<b>4,413,650</b>	<b>32,845,137</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(71,418)	64,238	(270,944)	(278,124)
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	357,148	357,148
Transfers (out) . . . . .	(33,257)	-	(323,891)	(357,148)
Capital lease transaction . . . . .	135,683	-	-	135,683
<b>Total other financing sources (uses) . . . . .</b>	<b>102,426</b>	<b>-</b>	<b>33,257</b>	<b>135,683</b>
Net change in fund balances . . . . .	31,008	64,238	(237,687)	(142,441)
<b>Fund balances at beginning of year (restated)</b>	<b>2,891,609</b>	<b>1,418,704</b>	<b>1,496,266</b>	<b>5,806,579</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 2,922,617</b>	<b>\$ 1,482,942</b>	<b>\$ 1,258,579</b>	<b>\$ 5,664,138</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<b>Net change in fund balances - total governmental funds</b>	\$	(142,441)
<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.		
Capital asset additions	\$ 504,927	
Current year depreciation	(1,822,079)	
<b>Total</b>		<b>(1,317,152)</b>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(133,143)	
Tuition	133,424	
Earnings on investments	562	
Other local revenue	110,245	
Intergovernmental	412,951	
<b>Total</b>		<b>524,039</b>
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		474,634
Issuances of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(135,683)
In the statement of activities, interest is accrued on outstanding capital leases, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities.		
		(2,545)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension		2,098,953
OPEB		78,311
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability and net OPEB liability/asset are reported as pension expense and OPEB expense in the statement of activities.		
Pension		(2,277,114)
OPEB		3,334,532
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences	(47,857)	
Vacation payable	(4,741)	
<b>Total</b>		<b>(52,598)</b>
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>762,923</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>3,345,859</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,452,849	\$ 4,242,264	\$ 4,174,442	\$ (67,822)
Tuition . . . . .	960,518	1,187,011	1,168,034	(18,977)
Earnings on investments . . . . .	62,155	158,940	161,901	2,961
Classroom materials and fees . . . . .	2,122	965	950	(15)
Rental income . . . . .	743	889	875	(14)
Contributions and donations . . . . .	6,390	1,321	1,300	(21)
Other local revenues . . . . .	106,606	82,500	46,703	(35,797)
Intergovernmental - state . . . . .	23,527,794	22,834,098	22,344,734	(489,364)
Intergovernmental - federal . . . . .	254,239	199,253	204,509	5,256
Total revenues . . . . .	<u>29,373,416</u>	<u>28,707,241</u>	<u>28,103,448</u>	<u>(603,793)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	12,314,485	12,921,437	11,012,195	1,909,242
Special . . . . .	4,277,129	4,121,345	3,972,545	148,800
Vocational . . . . .	1,288,975	1,364,994	1,331,810	33,184
Other . . . . .	2,113,439	2,191,556	2,154,863	36,693
Support services:				
Pupil . . . . .	1,890,839	1,729,631	1,680,832	48,799
Instructional staff . . . . .	1,107,472	894,699	857,944	36,755
Board of education . . . . .	76,084	91,547	87,725	3,822
Administration . . . . .	1,468,737	1,256,861	1,199,297	57,564
Fiscal . . . . .	626,608	583,523	546,038	37,485
Operations and maintenance . . . . .	3,472,995	3,290,895	3,200,127	90,768
Pupil transportation . . . . .	1,386,328	1,290,072	1,238,830	51,242
Central . . . . .	121,537	99,882	99,083	1,799
Other operation of non-instructional services . . . . .	3,300	16,258	15,940	318
Extracurricular activities . . . . .	252,062	271,795	265,056	6,739
Facilities acquisition and construction . . . . .	92,878	-	-	-
Debt service:				
Principal . . . . .	363,000	363,000	363,000	-
Interest and fiscal charges . . . . .	73,079	73,079	67,220	5,859
Total expenditures . . . . .	<u>30,928,947</u>	<u>30,560,574</u>	<u>28,091,505</u>	<u>2,469,069</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,555,531)</u>	<u>(1,853,333)</u>	<u>11,943</u>	<u>1,865,276</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	101,713	111,874	111,874	-
Transfers (out) . . . . .	(166,382)	(33,257)	(33,257)	-
Sale of capital assets . . . . .	-	28	28	-
Total other financing sources (uses) . . . . .	<u>(64,669)</u>	<u>78,645</u>	<u>78,645</u>	<u>-</u>
Net change in fund balance . . . . .	(1,620,200)	(1,774,688)	90,588	1,865,276
<b>Fund balance at beginning of year (restated)</b>	4,304,781	4,304,781	4,304,781	-
<b>Prior year encumbrances appropriated . . . . .</b>	917,461	917,461	917,461	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 3,602,042</u>	<u>\$ 3,447,554</u>	<u>\$ 5,312,830</u>	<u>\$ 1,865,276</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
CLASSROOM FACILITIES MAINTENANCE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 81,845	\$ 29,234	\$ 67,796	\$ 38,562
Intergovernmental - state . . . . .	163,255	58,311	135,231	76,920
Total revenues . . . . .	<u>245,100</u>	<u>87,545</u>	<u>203,027</u>	<u>115,482</u>
<b>Expenditures:</b>				
Current:				
Support Services:				
Fiscal . . . . .	2,401	2,623	2,123	500
Operations and maintenance . . . . .	213,685	234,524	198,937	35,587
Total expenditures . . . . .	<u>216,086</u>	<u>237,147</u>	<u>201,060</u>	<u>36,087</u>
Net change in fund balance . . . . .	29,014	(149,602)	1,967	151,569
<b>Fund balance at beginning of year . . . . .</b>	1,382,514	1,382,514	1,382,514	-
<b>Prior year encumbrances appropriated . . . . .</b>	36,086	36,086	36,086	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,447,614</u>	<u>\$ 1,268,998</u>	<u>\$ 1,420,567</u>	<u>\$ 151,569</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2019

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents with fiscal agent	\$ 2,622,428
Total current assets . . . . .	<u>2,622,428</u>
<b>Liabilities:</b>	
Current liabilities:	
Claims payable . . . . .	614,874
Total current liabilities . . . . .	<u>614,874</u>
<b>Net position:</b>	
Unrestricted. . . . .	2,007,554
Total net position. . . . .	<u>\$ 2,007,554</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 5,845,972
Other . . . . .	76,811
Total operating revenues . . . . .	<u>5,922,783</u>
 <b>Operating expenses:</b>	
Purchased services . . . . .	1,263,640
Claims . . . . .	<u>3,930,601</u>
Total operating expenses . . . . .	<u>5,194,241</u>
 Operating income . . . . .	 <u>728,542</u>
 <b>Nonoperating revenues:</b>	
Interest revenue . . . . .	34,381
Total nonoperating revenues . . . . .	<u>34,381</u>
 Change in net position . . . . .	 762,923
 <b>Net position at beginning of year . . . . .</b>	 <u>1,244,631</u>
<b>Net position at end of year . . . . .</b>	<b><u><u>\$ 2,007,554</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 5,845,972
Cash received from other operations . . . . .	76,811
Cash payments for contractual services . . . . .	(1,263,640)
Cash payments for claims . . . . .	<u>(3,863,669)</u>
Net cash provided by operating activities . . . . .	<u>795,474</u>
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	<u>34,381</u>
Net cash provided by investing activities . . . . .	<u>34,381</u>
Net change in cash and cash cash equivalents . . . . .	829,855
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>1,792,573</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 2,622,428</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income. . . . .	\$ 728,542
Changes in assets and liabilities: Claims payable . . . . .	<u>66,932</u>
Net cash provided by operating activities. . . . .	<u><u>\$ 795,474</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2019

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 58,280	\$ 74,017
Total assets. . . . .	<u>58,280</u>	<u>\$ 74,017</u>
<b>Liabilities:</b>		
Intergovernmental payable . . . . .	-	\$ 294
Due to students. . . . .	-	<u>73,723</u>
Total liabilities . . . . .	<u>-</u>	<u>\$ 74,017</u>
<b>Net position:</b>		
Held in trust for scholarships . . . . .	<u>58,280</u>	
Total net position. . . . .	<u>\$ 58,280</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 178
Gifts and contributions . . . . .	200
Total additions . . . . .	378
Change in net position . . . . .	378
<b>Net position at beginning of year . . . . .</b>	<b>57,902</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 58,280</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 1 - DESCRIPTION OF THE DISTRICT**

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

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

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

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

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

The District's significant accounting policies are described below.

**A. Reporting Entity**

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

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

The following activities are included within the reporting entity:

Non-Public Schools

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Area Cooperative Computerized Education Service System (ACCESS)

Area Cooperative Computerized Education Service System (ACCESS) is a computer network which provides data services to twenty-six school districts in Columbiana and Mahoning County, two educational service centers, twenty non-public schools and two Special Education Regional Resource Centers. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All of ACCESS revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer at 439 Bev Road, Building #1 Youngstown, Ohio 44512. During the year ended June 30, 2019, the District paid \$107,901 for basic service charges to ACCESS.

The District also participates in a claims servicing pool, the Jefferson Health Plan, which is presented in Note 19.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

The following are the District's major governmental funds:

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

Classroom Facilities Maintenance Fund - The classroom facilities maintenance fund is used to account for property taxes and intergovernmental revenues restricted for the maintenance of facilities.

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

*PROPRIETARY FUND*

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

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

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

**D. Basis of Accounting**

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

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

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

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

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

*Deferred Outflows/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 District, deferred outflows of resources are reported on the government-wide statement of net position for pension. See Notes 13 and 14 for deferred outflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively.



**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 13 and 14 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

**E. Budgetary Data**

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

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Estimated Resources: Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. On or before July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or before July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final amended certificates of estimated resources issued during fiscal year 2019.

Appropriations: Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. Supplemental appropriations were legally enacted during fiscal year 2019.

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

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

**F. Cash and Investments**

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

During fiscal year 2019, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

During fiscal year 2019, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2019 amounted to \$152,304, which includes \$103,726 assigned from other funds.

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

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

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

**G. Capital Assets**

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

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

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

**H. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is nonspendable on the fund financial statements by an amount equal to the carrying value of the asset.

**I. Inventory**

On government-wide and fund financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Donated commodities are presented at their entitlement value. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**J. Interfund Balances**

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables" and "due to/due from other funds". These amounts are eliminated in the governmental activities columns of the statement of net position. Receivables and payables resulting from short-term interfund loans between governmental activities and agency funds are classified as "loans receivable/payable".

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**K. Compensated Absences**

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2019, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**L. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related 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.

**M. Accrued Liabilities and Long-Term Obligations**

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

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

**N. Fund Balance**

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

The classifications are as follows:

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

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

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

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

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

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

**O. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2019, there was no net position restricted by enabling legislation.

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

**P. 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.

**Q. Interfund Activity**

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

**R. Operating Revenues and Expenses**

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2019.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2019, the District has implemented GASB Statement No. 83, "*Certain Asset Retirement Obligations*" and GASB Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic 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. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the District.

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2019 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Public school preschool	68,726
IDEA VI-B	73,202
Vocational education	21,194
Title I	186,864
IDEA Preschool Stimulus	3,472
Title II-A	35,595

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from negative cash balances and adjustments for accrued liabilities.

**C. Fund Balance and Net Position Restatement**

The District is reporting a prior period adjustment to properly report fund cash balances at June 30, 2018 due to errors and omissions previously reported. The restatement had the following effect on fund balances at June 30, 2018:

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 916,431	\$ 1,418,704	\$ 3,357,332	\$ 5,692,467
Fund restatements:				
Errors and omissions	<u>1,975,178</u>	<u>-</u>	<u>(1,861,066)</u>	<u>114,112</u>
Total fund restatements	<u>1,975,178</u>	<u>-</u>	<u>(1,861,066)</u>	<u>114,112</u>
Restated fund balance at July 1	<u>\$ 2,891,609</u>	<u>\$ 1,418,704</u>	<u>\$ 1,496,266</u>	<u>\$ 5,806,579</u>

The governmental activities net position at June 30, 2018 have been restated as follows:

	<u>Governmental Activities</u>
Net position as previously reported	\$ 19,579,848
Restatement due to errors and omission previously reported	<u>114,112</u>
Restated net position (deficit) at July 1, 2018	<u>\$ 19,693,960</u>

The restatement caused the beginning fund balance of the general fund's budgetary-basis fund balance at June 30, 2018 to be restated to \$4,304,781 from \$2,329,603.



**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio and STAR Plus);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

**A. Cash on Hand**

At fiscal year end, the District had \$200 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and investments”.

**B. Deposits with Financial Institutions**

At June 30, 2019, the carrying amount of all School District deposits was, was \$3,198,623 and the bank balance of all District deposits was \$3,268,066, including \$769,217 in nonnegotiable certificates of deposit. Of the bank balance, \$2,265,714 was covered by the FDIC and \$936,085 was covered by the Ohio Pooled Collateral System.

The District participates in the Jefferson Health Plan for employee benefits. The amount held at fiscal year- end for the employee benefit self-insurance fund was \$2,622,428. All benefit deposits are made to the consortium’s depository account. Collateral is held by a qualified third-party trustee in the name of the health plan. This amount is reported as “cash and cash equivalents with a fiscal agent” on the basic financial statements.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the School District’s and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) 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. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2019, certain District’s financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2019, the District had the following investments and maturities:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturity 6 months or less</u>
<i>Amortized Cost:</i>		
STAR Ohio	\$ 5,704,704	\$ 5,704,704

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio to maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2019 is 77 days and carries a rating of AAAM by Standard & Poor's.

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

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

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

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2019:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,198,623
Investments	5,704,704
Cash with fiscal agent	2,622,428
Cash on hand	200
Total	\$ 11,525,955
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 11,393,658
Private purpose trust funds	58,280
Agency funds	74,017
Total	\$ 11,525,955

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 5 - INTERFUND TRANSACTIONS**

**A. Interfund Transfers**

Transfers made during fiscal year 2019 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ -	\$ 33,257
Permanent improvement fund	259,906	-
Nonmajor governmental funds	<u>97,242</u>	<u>323,891</u>
Total	<u>\$ 357,148</u>	<u>\$ 357,148</u>

These transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. The transfer of \$259,906 from the bond retirement fund (a nonmajor governmental fund) to the permanent improvement fund was a residual equity transfer for the remaining balance after all debt obligations had been paid. The \$63,985 transfer from the Title IV-A fund (a nonmajor governmental fund) to the Title I fund (a nonmajor governmental fund) was part of the State’s transferability/schoolwide pool which allows districts to transfer funding they receive, by formula, under certain federal programs, to their allocations under other federal programs so they can address more effectively their unique needs.

**B. Due to/from other funds consisted of the following at June 30, 2019, as reported on the fund statement:**

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 156,523</u>

The primary purpose of the amount due to the general fund from the nonmajor governmental fund was to eliminate negative cash balances. The amount will be repaid once cash is received.

Amounts due to/from between governmental funds are eliminated on the government-wide statements.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018 and are collected in 2019 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 6 - PROPERTY TAXES - (Continued)**

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available as an advance at June 30, 2019 in the general and classroom facilities maintenance funds were \$170,794 and \$2,831, respectively. The amount available for advance at June 30, 2018, in the general, bond retirement and classroom facilities maintenance funds were \$179,835, \$18,818, and \$3,011, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2019 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 146,554,220	90.13	\$ 146,865,250	86.59
Public utility personal	16,055,940	9.87	22,749,680	13.41
Total	<u>\$ 162,610,160</u>	<u>100.00</u>	<u>\$ 169,614,930</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$34.10		\$34.10	
Bond retirement	2.90		-	
Classroom facilities maint.	0.50		0.50	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2019 consisted of property taxes, accrued interest and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year. The intergovernmental receivable at June 30 consisted of federal grants and other receivables.

**Governmental activities:**

Property taxes	\$ 4,948,059
Accrued interest	2,986
Intergovernmental	<u>1,275,084</u>
Total	<u>\$ 6,226,129</u>

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**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2019, was as follows.

	Balance			Balance
<b><u>Governmental activities:</u></b>	<u>06/30/18</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/19</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 46,225	\$ -	\$ -	\$ 46,225
<i>Total capital assets, not being depreciated</i>	<u>46,225</u>	<u>-</u>	<u>-</u>	<u>46,225</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,061,554	-	-	3,061,554
Buildings and improvements	62,820,115	84,161	-	62,904,276
Furniture and fixtures	5,705,496	226,683	-	5,932,179
Vehicles	1,975,490	194,083	-	2,169,573
<i>Total capital assets, being depreciated</i>	<u>73,562,655</u>	<u>504,927</u>	<u>-</u>	<u>74,067,582</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,056,301)	(138,154)	-	(2,194,455)
Buildings and improvements	(20,839,077)	(1,384,755)	-	(22,223,832)
Furniture and fixtures	(4,694,324)	(199,920)	-	(4,894,244)
Vehicles	(1,474,938)	(99,250)	-	(1,574,188)
<i>Total accumulated depreciation</i>	<u>(29,064,640)</u>	<u>(1,822,079)</u>	<u>-</u>	<u>(30,886,719)</u>
Total capital assets, net	<u>\$ 44,544,240</u>	<u>\$ (1,317,152)</u>	<u>\$ -</u>	<u>\$ 43,227,088</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,500,318
Special	7,411
Vocational	42,173
<u>Support services:</u>	
Instructional staff	50,228
Administration	8,983
Operations and maintenance	56,384
Pupil transportation	83,372
Food service operations	41,226
Extracurricular activities	<u>31,984</u>
Total depreciation expense	<u>\$ 1,822,079</u>

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In December 2010, the District entered into a Ground Lease Agreement with Huntington National Bank, in which the District was the Lessor of District land (known as the "Project Site") for school facilities construction. On the same date, the District entered into a lease agreement with Huntington National Bank in which the District would lease, from Huntington National Bank, the Project Site and Project Facilities. The lease is considered a direct borrowing. Direct borrowings have terms negotiated directly between the District and the lender and are not offered for public sale.

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**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)**

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

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

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

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

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

During the current fiscal year, the District entered into capitalized leases for trucks and copiers. During a previous fiscal year, the District entered into a capitalized lease for buses. This lease agreement meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment and vehicles have been capitalized in the amount of \$569,638. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2019 for the equipment and vehicles was \$145,285, leaving a current book value of \$424,353. A corresponding liability is recorded in the government-wide financial statements.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 549,306
2021	540,538
2022	335,496
2023	214,466
2024	209,597
2025 - 2026	<u>401,615</u>
Total minimum lease payments	2,251,018
Less: amount representing interest	<u>(206,069)</u>
Total	<u>\$ 2,044,949</u>

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
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**NOTE 10 - LONG-TERM OBLIGATIONS**

During the fiscal year 2019, the following activity occurred in governmental activities long-term obligations.

	Balance 6/30/18	Additions	Deductions	Balance 6/30/19	Amount Due Within One Year
<b><u>Governmental activities:</u></b>					
Net pension liability	\$ 29,144,394	\$ -	\$ (1,315,259)	\$ 27,829,135	\$ -
Net OPEB liability	6,618,144	29,934	(3,756,598)	2,891,480	-
Compensated absences	1,296,924	154,815	(106,958)	1,344,781	121,620
Capital leases	2,383,900	135,683	(474,634)	2,044,949	482,255
Total long-term obligations	<u>\$ 39,443,362</u>	<u>\$ 320,432</u>	<u>\$ (5,653,449)</u>	<u>\$ 34,110,345</u>	<u>\$ 603,875</u>

*Net Pension Liability and Net OPEB Liability/Asset:* The District pays obligations related to employee compensation from the fund benefiting from their service. See Notes 13 and 14 for details.

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

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

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**B. Life Insurance**

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



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**NOTE 11 - OTHER EMPLOYEE BENEFITS - (Continued)**

**C. Health Insurance**

During fiscal year 2009, the District joined the Jefferson Health Plan self-insurance plan (See Note 19) for its medical and dental insurance programs. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$50,000 per employee. The liability for unpaid claims of \$614,874 is reported in the internal service fund at June 30, 2019, in accordance with Governmental Accounting Standards Board Statement No. 10. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2019	\$ 547,942	\$ 3,930,601	\$ (3,863,669)	\$ 614,874
2018	669,547	4,778,098	(4,899,703)	547,942

**NOTE 12 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the District contracted for various types of insurance through the Ohio School Insurance Program.

Coverage provided is as follows:

<u>Types of Coverage</u>	<u>Coverage Amount</u>
Property: All Building and Contents (\$1,000 deductible)	\$ 115,889,403
Flood: Field, Building and Contents (\$25,000 deductible)	1,000,000
Crime Insurance	25,000
Automobile	3,000,000
Uninsured	1,000,000
General Liability (\$1,000 deductible)	
Per Occurrence	3,000,000
Total Per Year	5,000,000

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

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

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$454,831 for fiscal year 2019. Of this amount, \$24,301 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,644,122 for fiscal year 2019. Of this amount, \$278,520 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.10497820%	0.09628277%	
Proportion of the net pension liability current measurement date	<u>0.10267410%</u>	<u>0.09982283%</u>	
Change in proportionate share	<u>-0.00230410%</u>	<u>0.00354006%</u>	
Proportionate share of the net pension liability	\$ 5,880,336	\$ 21,948,799	\$ 27,829,135
Pension expense	\$ 384,967	\$ 1,892,147	\$ 2,277,114

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 322,497	\$ 506,646	\$ 829,143
Changes of assumptions	132,789	3,889,742	4,022,531
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	23,864	563,223	587,087
Contributions subsequent to the measurement date	<u>454,831</u>	<u>1,644,122</u>	<u>2,098,953</u>
Total deferred outflows of resources	<u>\$ 933,981</u>	<u>\$ 6,603,733</u>	<u>\$ 7,537,714</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 143,338	\$ 143,338
Net difference between projected and actual earnings on pension plan investments	162,928	1,330,951	1,493,879
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>82,727</u>	<u>712,562</u>	<u>795,289</u>
Total deferred inflows of resources	<u>\$ 245,655</u>	<u>\$ 2,186,851</u>	<u>\$ 2,432,506</u>

\$2,098,953 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	\$ 399,367	\$ 1,666,175	\$ 2,065,542
2021	77,072	1,015,957	1,093,029
2022	(192,977)	242,917	49,940
2023	<u>(49,967)</u>	<u>(152,289)</u>	<u>(202,256)</u>
Total	<u>\$ 233,495</u>	<u>\$ 2,772,760</u>	<u>\$ 3,006,255</u>

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 8,282,896	\$ 5,880,336	\$ 3,865,950

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation**	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

\*\*The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.



**EAST LIVERPOOL CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 32,053,332	\$ 21,948,799	\$ 13,396,683

**NOTE 14 - DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability/Asset**

The net OPEB liability/asset reported on the statement of net position represents a liability/asset to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

***Plan Description - School Employees Retirement System (SERS)***

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$61,465.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$78,311 for fiscal year 2019. Of this amount, \$62,365 is reported as pension and postemployment benefits payable.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.10662540%	0.09628277%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.10422490%</u>	<u>0.09982283%</u>	
Change in proportionate share	<u>-0.00240050%</u>	<u>0.00354006%</u>	
Proportionate share of the net OPEB liability	\$ 2,891,480	\$ -	\$ 2,891,480
Proportionate share of the net OPEB asset	\$ -	\$ (1,604,051)	\$ (1,604,051)
OPEB expense	\$ 125,079	\$ (3,459,611)	\$ (3,334,532)

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 47,200	\$ 187,356	\$ 234,556
Difference between employer contributions and proportionate share of contributions/change in proportionate share	-	126,152	126,152
Contributions subsequent to the measurement date	78,311	-	78,311
Total deferred outflows of resources	\$ 125,511	\$ 313,508	\$ 439,019
	SERS	STRS	Total
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 93,457	\$ 93,457
Net difference between projected and actual earnings on pension plan investments	4,337	183,250	187,587
Changes of assumptions	259,779	2,185,646	2,445,425
Difference between employer contributions and proportionate share of contributions/change in proportionate share	88,915	7,436	96,351
Total deferred inflows of resources	\$ 353,031	\$ 2,469,789	\$ 2,822,820

\$78,311 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 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:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$ (123,384)	\$ (387,773)	\$ (511,157)
2020	(99,869)	(387,773)	(487,642)
2021	(25,397)	(387,773)	(413,170)
2022	(23,552)	(346,158)	(369,710)
2023	(23,850)	(331,557)	(355,407)
Thereafter	(9,779)	(315,247)	(325,026)
Total	\$ (305,831)	\$ (2,156,281)	\$ (2,462,112)

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Actuarial Assumptions - SERS*

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment 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.

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	\$ 3,508,584	\$ 2,891,480	\$ 2,402,850

	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	\$ 2,332,894	\$ 2,891,480	\$ 3,631,149

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018	July 1, 2017
Inflation	2.50%	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%, effective July 1, 2017
Discounted rate of return	7.45%	N/A
Blended discount rate of return	N/A	4.13%
Health care cost trends		6 to 11% initial, 4.50% ultimate
	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**Assumption Changes Since the Prior Measurement Date** - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

**Benefit Term Changes Since the Prior Measurement Date** - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation**</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

\*\* The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Discount Rate** - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

**Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.



**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	\$ 1,374,822	\$ 1,604,051	\$ 1,796,707
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 1,785,831	\$ 1,604,051	\$ 1,419,439

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

	<b>Net Change in Fund Balance</b>	
	<u>General fund</u>	<u>Classroom Facilities Maintenance fund</u>
Budget basis	\$ 90,588	\$ 1,967
Net adjustment for revenue accruals	60,670	(180)
Net adjustment for expenditure accruals	(407,301)	2,633
Net adjustment for other sources/uses	23,781	-
Funds budgeted elsewhere	(115,143)	-
Adjustment for encumbrances	378,413	59,818
GAAP basis	\$ 31,008	\$ 64,238

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund and the termination benefits fund.

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2019, if applicable, cannot be determined at this time.

**B. Litigation**

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

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2018-2019 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. Adjustments have been finalized and did not have a material impact on the District's financial statements.

**NOTE 17 - SET-ASIDES**

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

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

	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2018	\$ -
Current year set-aside requirement	365,275
Current year qualifying expenditures	-
Current year offsets	(78,712)
Prior year offset from bond proceeds	<u>(286,563)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2020	<u>\$ -</u>
Set-aside reserve balance June 30, 2019	<u>\$ -</u>

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 17 - SET-ASIDES - (Continued)**

During fiscal year 2003, the District issued \$7,900,000 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$6,605,472 at June 30, 2019.

**NOTE 18 - COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 351,308
Classroom facilities maintenance	59,638
Permanent improvement	84,161
Nonmajor governmental	<u>202,143</u>
Total	<u>\$ 697,250</u>

**NOTE 19 - CLAIMS SERVICING POOL**

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

**NOTE 20 - SIGNIFICANT SUBSEQUENT EVENTS**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The investments of the pension and other employee benefit plan in which the District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST SIX FISCAL YEARS			
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
District's proportion of the net pension liability	0.10267410%	0.10497820%	0.10503950%	0.10300870%
District's proportionate share of the net pension liability	\$ 5,880,336	\$ 6,272,216	\$ 7,687,922	\$ 5,877,776
District's covered payroll	\$ 3,368,570	\$ 3,455,793	\$ 3,301,021	\$ 2,875,857
District's proportionate share of the net pension liability as a percentage of its covered payroll	174.56%	181.50%	232.90%	204.38%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.10718500%	0.10718500%
\$ 5,424,572	\$ 6,373,948
\$ 3,434,618	\$ 3,102,392
157.94%	205.45%
71.70%	65.52%

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST SIX FISCAL YEARS			
	2019	2018	2017	2016
District's proportion of the net pension liability	0.09982283%	0.09628277%	0.09647745%	0.10235550%
District's proportionate share of the net pension liability	\$ 21,948,799	\$ 22,872,178	\$ 32,293,911	\$ 28,288,066
District's covered payroll	\$ 11,673,657	\$ 10,396,193	\$ 10,355,707	\$ 10,120,007
District's proportionate share of the net pension liability as a percentage of its covered payroll	188.02%	220.01%	311.85%	279.53%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.30%	66.80%	72.10%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2015</u>	<u>2014</u>
0.10149734%	0.10149734%
\$ 24,687,666	\$ 29,407,786
\$ 10,883,323	\$ 9,322,146
226.84%	315.46%
74.70%	69.30%

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 454,831	\$ 454,757	\$ 483,811	\$ 462,143
Contributions in relation to the contractually required contribution	<u>(454,831)</u>	<u>(454,757)</u>	<u>(483,811)</u>	<u>(462,143)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,369,119	\$ 3,368,570	\$ 3,455,793	\$ 3,301,021
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 379,038	\$ 476,038	\$ 429,371	\$ 392,846	\$ 383,521	\$ 363,918
<u>(379,038)</u>	<u>(476,038)</u>	<u>(429,371)</u>	<u>(392,846)</u>	<u>(383,521)</u>	<u>(363,918)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,875,857	\$ 3,434,618	\$ 3,102,392	\$ 2,920,788	\$ 3,051,082	\$ 2,687,725
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,644,122	\$ 1,634,312	\$ 1,455,467	\$ 1,449,799
Contributions in relation to the contractually required contribution	<u>(1,644,122)</u>	<u>(1,634,312)</u>	<u>(1,455,467)</u>	<u>(1,449,799)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,743,729	\$ 11,673,657	\$ 10,396,193	\$ 10,355,707
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 1,416,801	\$ 1,414,832	\$ 1,211,879	\$ 1,270,317	\$ 1,251,036	\$ 1,178,665
<u>(1,416,801)</u>	<u>(1,414,832)</u>	<u>(1,211,879)</u>	<u>(1,270,317)</u>	<u>(1,251,036)</u>	<u>(1,178,665)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,120,007	\$ 10,883,323	\$ 9,322,146	\$ 9,771,669	\$ 9,623,354	\$ 9,066,654
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<b>2019</b>	<b>2018</b>	<b>2017</b>
District's proportion of the net OPEB liability	0.10422490%	0.10662540%	0.10648724%
District's proportionate share of the net OPEB liability	\$ 2,891,480	\$ 2,861,546	\$ 3,035,280
District's covered payroll	\$ 3,368,570	\$ 3,455,793	\$ 3,301,021
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	85.84%	82.80%	91.95%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY/ASSET  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.09982283%	0.09628277%	0.09647745%
District's proportionate share of the net OPEB liability/(asset)	\$ (1,604,051)	\$ 3,756,598	\$ 5,159,639
District's covered payroll	\$ 11,673,657	\$ 10,396,193	\$ 10,355,707
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	13.74%	36.13%	49.82%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 78,311	\$ 73,425	\$ 58,561	\$ 54,060
Contributions in relation to the contractually required contribution	<u>(78,311)</u>	<u>(73,425)</u>	<u>(58,561)</u>	<u>(54,060)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,369,119	\$ 3,368,570	\$ 3,455,793	\$ 3,301,021
Contributions as a percentage of covered payroll	2.32%	2.18%	1.69%	1.64%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 54,414	\$ 66,646	\$ 48,899	\$ 16,124	\$ 43,631	\$ 12,364
<u>(54,414)</u>	<u>(66,646)</u>	<u>(48,899)</u>	<u>(16,124)</u>	<u>(43,631)</u>	<u>(12,364)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,875,857	\$ 3,434,618	\$ 3,102,392	\$ 2,920,788	\$ 3,051,082	\$ 2,687,725
1.89%	1.94%	1.58%	0.55%	1.43%	0.46%

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,743,729	\$ 11,673,657	\$ 10,396,193	\$ 10,355,707
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ -	\$ 108,833	\$ 93,221	\$ 97,717	\$ 96,234	\$ 90,667
-	(108,833)	(93,221)	(97,717)	(96,234)	(90,667)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,120,007	\$ 10,883,323	\$ 9,322,146	\$ 9,771,669	\$ 9,623,354	\$ 9,066,654
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2019.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.

(Continued)

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in trend rates from 6.00%-11.00 initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.

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**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
Non-Cash Assistance (Food Distribution):		10.555	\$91,802	\$91,802
Cash Assistance:				
National School Breakfast Program		10.553	303,775	303,775
National School Lunch Program		10.555	946,952	946,952
Cash Assistance Subtotal			<u>1,250,727</u>	<u>1,250,727</u>
Total Child Nutrition Cluster (Cash and Non-cash)			1,342,529	1,342,529
Fresh Fruits and Vegetables Program		10.582	55,363	55,363
Total U.S Department of Agriculture - (Cash and Non-cash)			<u>1,397,892</u>	<u>1,397,892</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Special Education Cluster:</i>				
Special Education Grants to States (IDEA Part B)	2018	84.027	89,941	77,391
	2019		505,275	570,201
Total Special Education Grants to States			<u>595,216</u>	<u>647,592</u>
Special Education - Preschool Grants	2018	84.173	37	0
	2019		7,359	8,356
Total Special Education - Preschool Grants			<u>7,396</u>	<u>8,356</u>
Total Special Education Cluster			<u>602,612</u>	<u>655,948</u>
Title II A - Improving Teacher Quality	2018	84.367	8,922	1,948
	2019		106,606	112,105
Total Title II A - Improving Teacher Quality			<u>115,527</u>	<u>114,053</u>
Title IV-Student Support and Enrichment	2018	84.424	-	-
	2019		63,985	63,985
			<u>63,985</u>	<u>63,985</u>
Grants to Local Educational Agencies (ESEA Title I)	2018	84.010	22,161	1,856
	2019		993,500	1,235,865
Total Grants to Local Educational Agencies (ESEA Title I)			<u>1,015,661</u>	<u>1,237,721</u>
Title VI- Rural Education	2018	84.358	2,203	2,203
	2019		0	6,802
			<u>2,203</u>	<u>9,005</u>
Career and Technical Education - Basic Grants to States	2018	84.048	8,237	4,406
	2019		19,865	21,685
			<u>28,103</u>	<u>26,091</u>
State Personnel Development Grant	2019	84.323A	129,855	136,048
Total U.S. Department of Education			<u>1,957,946</u>	<u>2,242,851</u>
<b>Total Federal Awards</b>			<b><u>3,355,838</u></b>	<b><u>3,640,743</u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of East Liverpool City School District (the Government's) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Government, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Government.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Receipts and expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of receipts and expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The Government has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D – CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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

**NOTE F – TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The Government transferred the following amounts from 2019 to 2020 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	41,014
Special Education - Grants to States	84.027	10,618
Title II-A Supporting Effective Instruction	84.367	2,225
Title IV-A Student Support and Academic Enrichment	84.424	2,641
Title V-B Rural and Low-Income	84.358	174



# OHIO AUDITOR OF STATE KEITH FABER



101 Central Plaza South  
700 Chase Tower  
Canton, Ohio 44702-1509  
(330) 438-0617 or (800) 443-9272  
EastRegion@ohioauditor.gov

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

East Liverpool City School District  
Columbiana County  
810 West 8<sup>th</sup> Street  
East Liverpool, Ohio 43920

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Liverpool City School District, Columbiana County, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 29, 2020, wherein we noted beginning net position and fund balances were restated due to errors and omissions previously reported. We also referred to the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. We consider findings 2019-001 and 2019-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2019-003 described in the accompanying schedule of findings to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2019-001 and 2019-002.

***District's Response to Findings***

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

July 29, 2020

# OHIO AUDITOR OF STATE KEITH FABER



101 Central Plaza South  
700 Chase Tower  
Canton, Ohio 44702-1509  
(330) 438-0617 or (800) 443-9272  
EastRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

East Liverpool City School District  
Columbiana County  
810 West 8<sup>th</sup> Street  
East Liverpool, Ohio 43920

To the Board of Education:

### ***Report on Compliance for each Major Federal Program***

We have audited East Liverpool City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of East Liverpool City School District's major federal programs for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Basis for Qualified Opinion on Special Education - Grants to States (IDEA, Part B Grant), Special Education – Preschool Grants (IDEA, Preschool), and National School Breakfast Program and National School Lunch Program***

As described in finding 2019-004 in the accompanying schedule of findings, the District did not comply with requirements regarding procurement and suspension and debarment applicable to its Special Education - Grants to States (IDEA, Part B Grant), Special Education – Preschool Grants (IDEA, Preschool), and National School Breakfast Program and National School Lunch Program major federal programs. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

***Qualified Opinion on Special Education - Grants to States (IDEA, Part B Grant), Special Education – Preschool Grants (IDEA, Preschool), and National School Breakfast Program and National School Lunch Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Special Education - Grants to States (IDEA, Part B Grant), Special Education – Preschool Grants (IDEA, Preschool), and National School Breakfast Program and National School Lunch Program paragraph, East Liverpool City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education - Grants to States (IDEA, Part B Grant), Special Education – Preschool Grants (IDEA, Preschool), and National School Breakfast Program and National School Lunch Program for the year ended June 30, 2019.

***Report on Internal Control Over Compliance***

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2019-004.

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Keith Faber  
Auditor of State

Columbus, Ohio

July 29, 2020

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**EAST LIVERPOOL CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2019**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster (CFDA #84.027 & 84.173) Nutrition Cluster (CFDA #10.553 & 10.555)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	Yes

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

**FINDING NUMBER 2019-001**

**Noncompliance and Material Weakness – Cash Reconciliation Process Errors**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

**Ohio Rev. Code § 5705.10(D)** provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Treasurer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board and/or other administrator are responsible for reviewing the reconciliations and related support.

A review of the District's June 2019 reconciliation identified the following:

- Outstanding payroll deductions totaling \$580,995 included deductions which had already cleared the bank;
- The June 28, 2019 payroll totaling \$396,442 was included as a reconciling item, however, the payroll was recorded in the accounting system and included in the bank activity; and
- The July 12, 2019 payroll totaling \$495,967 was included as reconciling item, however, the expenditures had not been recorded in the accounting system and were not included in the bank activity.

The result of the items above led to the District having an unreconciled bank to book balance in the amount of \$1,473,404 and resulted in additional auditing procedures.

Through review of the District's ledgers and inquiry of the Treasurer, it was determined that multiple mispostings dating back to March of 2017 were included in the books which required corrections. The Treasurer subsequently corrected the reconciliations. The results of the revised reconciliations resulted in a restatement to beginning balances, and adjustments to the fund balances of several funds, which are detailed below:



**FINDING NUMBER 2019-001  
 (Continued)**

**July 1, 2019 Beginning Fund Balance Adjustments:**

<b>Opinion Unit Adjusted:</b>	<b>Amount</b>	<b>Explanation</b>
General	\$1,975,178	To restate beginning fund balance due to the double posting of STRS employer deductions.
Permanent Improvement Capital Projects	(1,866,645)	To restate beginning fund balance due to cash reconciliations errors and omissions.
Remaining Fund Information	2,071, 776, 426, 1,765, and 542	To restate beginning fund balances of the Athletics, Preschool, Title VI-B, Title 1 and Improving Teacher Quality Special Revenue Funds due to cash reconciliation errors and omissions previously reported.
Governmental Activities	114,112	To restate beginning net position due to cash reconciliation errors and omissions previously reported.

**Adjustments to the 2019 Financial Statement Accounts:**

<b>Fund Adjusted:</b>	<b>Accounts</b>	<b>Amount</b>	<b>Fund Increase (Decrease)</b>	<b>Explanation</b>
General	Regular Instruction Expenditures	(\$1,603,628)	\$1,603,628	To adjust the financial statements for the double posting of the STRS deduction.
General	Earnings on Investment, Intergovernmental and Other Local Revenues	5,502, 8,441, and (34,478)	(20,535)	To adjust the financial statements for cash reconciliation errors which include failing to post interest on certificates of deposit, failing to post a medicaid reimbursement, and not properly postings receipts and overpaying withholding amounts.
Food Service Special Revenue	Charges for Services Revenue	637	637	To adjust the financial statements for cash reconciliation errors.

All required adjustments have been made to the District's accounting records and are reflected in the financial statements.

**FINDING NUMBER 2019-001  
(Continued)**

Failure to reconcile monthly increases the possibility that the District will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements. Finally, this could also result in an unauditible declaration.

The Treasurer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

**Officials' Response:** See Corrective Action Plan.

**FINDING NUMBER 2019-002**

**Noncompliance and Material Weakness – Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

**Ohio Rev. Code § 5705.10(D)** provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The District did not have procedures in place to record transactions properly or procedures in place to include updated disclosures. This resulted in adjustments and a reclassification to the financial statements. The District Treasurer and management have agreed to and posted the adjustments to the District's accounting records and agreed to the reclassification. The corrected amounts are reflected in the accompanying financial statements.

In addition to the cash reconciliation errors that led to the adjustments outlined in finding 2019-001, errors in financial reporting resulted in the following additional adjustments:

- The District understated assigned fund balance by \$2,819,673 and overstated unassigned fund balance by the same amount; and
- The District has been posting in the accounting system the half-mill equalization payment to the General Fund instead of the Classroom Facilities Maintenance Special Revenue fund since fiscal year 2016. The amount misposted during this period totaled \$497,261. The District has agreed to, and made, the proper adjustment in the accounting system during fiscal year 2020.

**FINDING NUMBER 2019-002  
(Continued)**

Other mispostings were identified, however were not material and the District decided not to make the adjustments.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities.

The Treasurer should maintain the accounting system to enable the District to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the chart of accounts and settlement sheets to help ensure that financial activity of the District is accurately recorded and reported.

**Officials' Response:** See Corrective Action Plan.

**FINDING NUMBER 2019-003**

**Significant Deficiency – Segregation of Duties**

Segregation of duties provides two significant benefits: (1) a deliberate fraud is more difficult because it requires collusion of two or more persons and (2) it is more likely an error will be detected.

Proper segregation of duties is not possible when only one or two people handle all four aspects of the internal control cycle, (record keeping, authorization, custody and reconciliation.) The following weaknesses were identified:

- The Payroll Clerk modifies employee masterfiles, prepares payroll for processing, records the payroll expense in the accounting system and generates pay checks. In addition, the Treasurer approves payroll, reviews and approves the final payroll reports and reconciles the payroll bank account;
- In the non-payroll expenditures cycle, the budgetary clerk and Treasurer are involved in the purchasing and disbursing functions. In addition, the budgetary clerk prepares the voucher package, mails the vendor checks, and initiates wire transactions while the Treasurer approves the voucher packages and wire transfers; and
- The Treasurer is responsible for all four aspects of internal control over the Bank and Investments cycle, including initiating request to open bank accounts and access for online banking, initiating investment transactions and transfers to and from bank accounts to and from investment accounts, reviewing and approving investment transactions, posting investment activity to the accounting system, reconciling investment accounts to the accounting system, and maintain investments.

This lack of segregation of duties led to errors going undetected in the District's monthly bank reconciliation. Lack of segregation of duties might also lead to fraud or theft.

Due to the size of the District, segregating every function may not be feasible, however, careful consideration of which functions needs to be separated should be completed. The District's Board of Education should review their procedures and where possible take steps to include involvement of employees from another department handling one of the functions, levels of approval and review of the record keeping, authorization, custody, and reconciliation of accounts.

**FINDING NUMBER 2019-003  
(Continued)**

In addition, for those cycles for which segregation of duties is not possible, the Board members should enact additional monitoring controls which include reviewing monthly reconciliations, comparison of budgeted versus actual figures, and receipt and disbursement ledgers. Implementation of these procedures may help strengthen internal control over the entire financial reporting cycle, help create a culture of accountability and assist in protecting the District from unnecessary loss and errors.

**Officials' Response:** See Corrective Action Plan.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Federal Programs – Procurement and Suspension and Debarment Procedures**

<b>Finding Number:</b>	<b>2019-004</b>
<b>CFDA Number and Title:</b>	<b>Special Education – Grants to States (IDEA, Part B) CFDA #84.027, Special Education – Preschool Grants (IDEA, Preschool) CFDA# 84.173, National School Breakfast Program CFDA #10.553, and National School Lunch Program CFDA #10.555</b>
<b>Federal Award Identification Number / Year:</b>	<b>2019</b>
<b>Federal Agency:</b>	<b>United States Departments of Education and Agriculture</b>
<b>Compliance Requirement:</b>	<b>Suspension and Debarment</b>
<b>Pass-Through Entity:</b>	<b>Ohio Department of Education</b>
<b>Repeat Finding from Prior Audit?</b>	<b>No</b>

**Noncompliance and Material Weakness**

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in **2 CFR Section 180.220**. All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in **2 CFR Section 180.215**.

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity, as defined in 2 CFR Section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/>, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR Section 180.300).

**FINDING NUMBER 2019-004  
(Continued)**

During fiscal year 2019, the District had procedures in place for this requirement as evidenced through a Board-approved policy, however, the procedures were not always followed. As a result, the District entered into transactions with vendors for the Nutrition and Title VI-B Cluster programs exceeding \$25,000 but provided no documentation that a verification was performed to ensure these vendors were not suspended or debarred. This could result in expenditures made to parties excluded by the Federal Government and the result of the District not reviewing their policy.

The District should enact policies and procedures to help ensure federal requirements over suspension and debarment are satisfied.

**Official's Response:** See Corrective Action Plan.

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# The East Liverpool City Schools

810 West Eighth Street  
East Liverpool, Ohio 43920

## CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2019

**Finding Number:** 2019-001

**Planned Corrective Action:** The Treasurer will complete the Cash Reconciliations and ensure that all items are accounted for and that the book balances reconcile to the bank balances. All reconciliations will be presented to the Board each month at the Board meeting.

**Anticipated Completion Date:** 06/30/2020

**Responsible Contact Person:** Linda Molinaro, Interim Treasurer

**Finding Number:** 2019-002

**Planned Corrective Action:** The Treasurer will complete the Cash Reconciliations and ensure that all items are accounted for and that the book balances reconcile to the bank balances. All reconciliations will be presented to the Board each month at the Board meeting.

**Anticipated Completion Date:** 06/30/2020

**Responsible Contact Person:** Linda Molinaro, Interim Treasurer

**Finding Number:** 2019-003

**Planned Corrective Action:** The Treasurer will complete the Cash Reconciliations and ensure that all items are accounted for and that the book balances reconcile to the bank balances. All reconciliations will be presented to the Board each month at the Board meeting.

**Anticipated Completion Date:** 06/30/2020

**Responsible Contact Person:** Linda Molinaro, Interim Treasurer

**Finding Number:** 2019-004

**Planned Corrective Action:** The Food Service Secretary has been apprised of the requirements to perform the proper EPLS searches for vendors paid in excess of \$25,000. The new Food Service Director will also be apprised of these requirements when she is properly hired by the Board of Education on July 23, 2020. Proper searches will be conducted for each required vendor

**Anticipated Completion Date:** 07/23/2020

**Responsible Contact Person:** Joy Bock, Food Service Director

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# OHIO AUDITOR OF STATE KEITH FABER



**EAST LIVERPOOL CITY SCHOOL DISTRICT**

**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 8/18/2020**

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](http://www.ohioauditor.gov)