



OHIO AUDITOR OF STATE
KEITH FABER



**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2020**

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COLUMBIANA COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Liverpool City School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2020, 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 District, as of June 30, 2020, 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, during 2020, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. In addition, as discussed in Note 17 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may 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 May 12, 2021, 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

May 12, 2021

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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, 2020. 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 2020 are as follows:

- In total, net position of governmental activities decreased \$2,693,100 which represents a 11.62% decrease from June 30, 2019's restated net position.
- General revenues accounted for \$24,871,085 in revenue or 76.03% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$7,840,306 or 23.97% of total revenues of \$32,711,391.
- The District had \$35,404,491 in expenses related to governmental activities; \$7,840,306 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 not adequate to provide for these programs.
- The District has two major funds: the general fund and classroom facilities maintenance fund. The general fund had \$28,673,840 in revenues and other financing sources and \$28,976,584 in expenditures and other financing uses. The general fund's fund balance decreased \$302,744 from a restated balance of \$2,967,100 to \$2,664,356.
- The classroom facilities maintenance fund had \$199,967 in revenues and \$176,814 in expenditures. The classroom facilities maintenance fund's fund balance increased \$23,153 from \$1,482,942 to \$1,506,095.

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, 2020
(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 fiscal year 2020?" 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, 2020
(UNAUDITED)**

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 31-71 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, 2020
(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, 2020 and June 30, 2019. The net position at June 30, 2019 has been restated as described in Note 3.B.

	Net Position	
	Governmental Activities <u>2020</u>	Restated Governmental Activities <u>2019</u>
<u>Assets</u>		
Current and other assets	\$ 17,402,476	\$ 17,856,290
Net OPEB asset	1,650,096	1,604,051
Capital assets, net	<u>41,959,884</u>	<u>43,227,088</u>
Total assets	<u>61,012,456</u>	<u>62,687,429</u>
<u>Deferred Outflows of Resources</u>		
Pension	5,442,166	7,537,714
OPEB	<u>573,791</u>	<u>439,019</u>
Total deferred outflows of resources	<u>6,015,957</u>	<u>7,976,733</u>
<u>Liabilities</u>		
Current liabilities	4,167,858	4,210,074
Long-term liabilities:		
Due within one year	693,006	603,875
Due in more than one year:		
Net pension liability	27,893,488	27,829,135
Net OPEB liability	2,525,493	2,891,480
Other amounts	<u>2,410,489</u>	<u>2,785,855</u>
Total liabilities	<u>37,690,334</u>	<u>38,320,419</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	4,124,062	3,916,595
Pension	1,864,695	2,432,506
OPEB	<u>2,870,600</u>	<u>2,822,820</u>
Total deferred inflows of resources	<u>8,859,357</u>	<u>9,171,921</u>
<u>Net Position</u>		
Net investment in capital assets	39,983,840	41,182,139
Restricted	3,794,424	4,074,321
Unrestricted	<u>(23,299,542)</u>	<u>(22,084,638)</u>
Total net position	<u>\$ 20,478,722</u>	<u>\$ 23,171,822</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

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.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$20,478,722.

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.

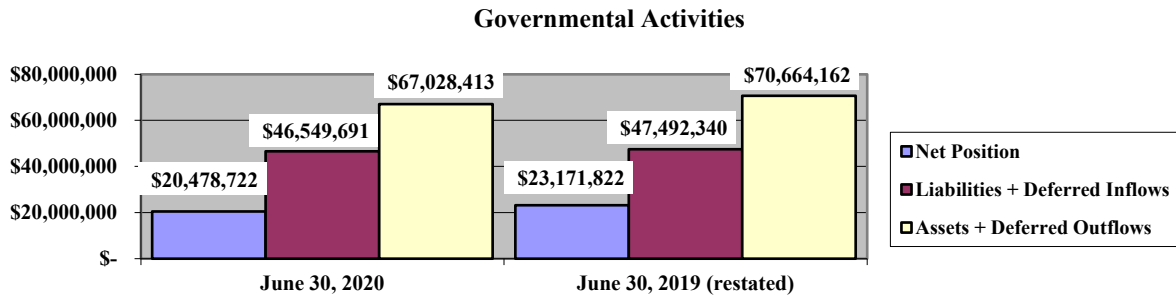
Total assets include a net OPEB asset reported by STRS. See Note 14 for more detail.

At year-end, capital assets represented 68.77% 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, 2020, was \$39,983,840. 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 OPEB liability and other amounts. The net OPEB liability is outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it is 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, \$3,794,424, represents resources that are subject to external restriction on how they may be used. Of the restricted net position, \$1,519,738 is restricted for classroom facilities maintenance. The remaining balance of unrestricted net position is (\$23,299,542).

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2020 and June 30, 2019. The amounts at June 30, 2019 have been restated as described in Note 3.B.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The table below shows the change in net position for fiscal years 2020 and 2019. The net position at June 30, 2019 has been restated as described in Note 3.C.

	Change in Net Position	
	Governmental	Restated
	Activities	Governmental
	<u>2020</u>	<u>2019</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,144,357	\$ 1,573,454
Operating grants and contributions	6,695,949	6,622,298
General revenues:		
Property taxes	4,427,723	4,252,356
Grants and entitlements - unrestricted	20,088,160	20,326,300
Investment earnings	197,817	192,749
Other	<u>157,385</u>	<u>158,276</u>
Total revenues	<u>32,711,391</u>	<u>33,125,433</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	13,932,150	11,512,234
Special	4,583,380	4,006,578
Vocational	1,365,694	1,238,928
Adult/continuing	208	204
Other	3,024,840	2,676,006
Support services:		
Pupil	1,673,040	1,633,055
Instructional staff	1,288,425	1,104,953
Board of education	132,268	78,275
Administration	1,696,054	1,328,986
Fiscal	642,329	491,142
Operations and maintenance	3,424,928	2,816,952
Pupil transportation	1,245,785	962,449
Central	64,044	106,549
Operations of non-instructional services:		
Other non-instructional services	221,150	137,307
Food service operations	1,499,205	1,236,131
Extracurricular activities	545,777	368,607
Interest and fiscal charges	<u>65,214</u>	<u>81,218</u>
Total expenses	<u>35,404,491</u>	<u>29,779,574</u>
Change in net position	(2,693,100)	3,345,859
Net position at beginning of year (restated)	<u>23,171,822</u>	<u>19,825,963</u>
Net position at end of year	<u>\$ 20,478,722</u>	<u>\$ 23,171,822</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Governmental Activities

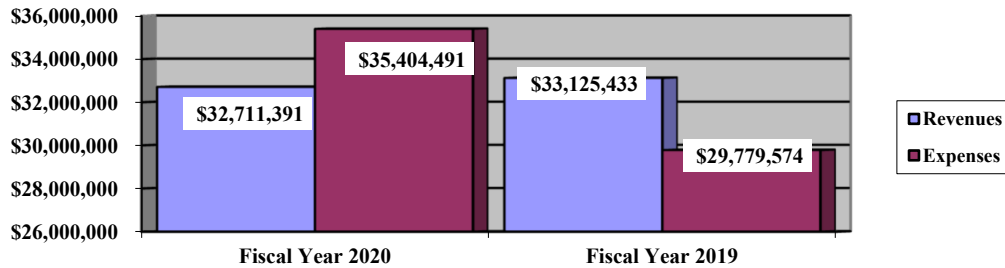
Net position of the District's governmental activities decreased \$2,693,100. Total governmental expenses of \$35,404,491 were offset by program revenues of \$7,840,306 and general revenues of \$24,871,085. Program revenues supported 22.14% of the total governmental expenses.

Overall, expenses of the governmental activities increased \$5,624,917 or 18.89%. This increase is primarily the result of an increase in pension expense and OPEB expense. Pension expense increased approximately \$1.4 million and OPEB expense increased approximately \$2.9 million. These increases were the result of experience at the pension systems level.

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 74.95% of total governmental revenue. The most significant decreases was in the areas of charges for services and sales. Charges for services and sales decreased due to a decrease in open enrollment tuition.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2020 and 2019.

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, 2020
(UNAUDITED)**

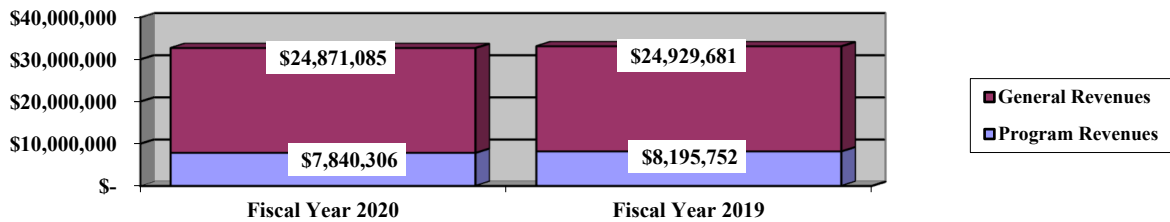
Governmental Activities

	Total Cost of Services <u>2020</u>	Net Cost of Services <u>2020</u>	Total Cost of Services <u>2019</u>	Net Cost of Services <u>2019</u>
Program expenses				
Instruction:				
Regular	\$ 13,932,150	\$ 12,783,050	\$ 11,512,234	\$ 10,094,060
Special	4,583,380	2,120,970	4,006,578	1,112,797
Vocational	1,365,694	1,015,249	1,238,928	905,669
Adult/continuing	208	(379)	204	146
Other	3,024,840	2,300,591	2,676,006	2,023,783
Support services:				
Pupil	1,673,040	1,153,344	1,633,055	1,505,973
Instructional staff	1,288,425	996,548	1,104,953	742,059
Board of education	132,268	132,268	78,275	78,275
Administration	1,696,054	1,538,794	1,328,986	930,343
Fiscal	642,329	642,329	491,142	489,310
Operations and maintenance	3,424,928	3,403,958	2,816,952	2,677,448
Pupil transportation	1,245,785	1,110,132	962,449	846,399
Central	64,044	55,044	106,549	97,549
Operations of non-instructional services:				
Other non-instructional services	221,150	(12,415)	137,307	(2,769)
Food service operations	1,499,205	(111,166)	1,236,131	(266,164)
Extracurricular activities	545,777	370,654	368,607	267,726
Interest and fiscal charges	<u>65,214</u>	<u>65,214</u>	<u>81,218</u>	<u>81,218</u>
Total	<u>\$ 35,404,491</u>	<u>\$ 27,564,185</u>	<u>\$ 29,779,574</u>	<u>\$ 21,583,822</u>

The dependence upon tax and other general revenues for governmental activities is apparent as 79.54% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.86%. 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 2020 and 2019.

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, 2020
(UNAUDITED)

The District's Funds

The District's governmental funds reported a combined fund balance of \$5,942,217, which is higher than last year's restated total of \$5,796,141. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2020 and 2019. The fund balances at June 30, 2019 have been restated as described in Note 3.B.

	Fund Balance <u>June 30, 2020</u>	Restated Fund Balance <u>June 30, 2019</u>	<u>Change</u>	Percentage <u>Change</u>
General fund	\$ 2,664,356	\$ 2,967,100	\$ (302,744)	(10.20) %
Classroom facilities maintenance	1,506,095	1,482,942	23,153	1.56 %
Other governmental funds	<u>1,771,766</u>	<u>1,346,099</u>	<u>425,667</u>	31.62 %
Total	<u>\$ 5,942,217</u>	<u>\$ 5,796,141</u>	<u>\$ 146,076</u>	2.52 %

General Fund

During fiscal year 2020, the District's general fund balance decreased \$302,744.

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

	<u>2020 Amount</u>	<u>2019 Amount</u>	<u>Change</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Property taxes	\$ 4,342,631	\$ 4,165,401	\$ 177,230	4.25 %
Tuition	1,061,216	1,166,922	(105,706)	(9.06) %
Earnings on investments	118,549	157,806	(39,257)	(24.88) %
Intergovernmental	22,341,473	22,624,133	(282,660)	(1.25) %
Other revenues	<u>313,951</u>	<u>107,198</u>	<u>206,753</u>	192.87 %
Total	<u>\$ 28,177,820</u>	<u>\$ 28,221,460</u>	<u>\$ (43,640)</u>	(0.15) %
<u>Expenditures</u>				
Instruction	\$ 18,955,423	\$ 18,703,649	\$ 251,774	1.35 %
Support services	8,521,996	8,553,950	(31,954)	(0.37) %
Non-instructional services	3,806	81,178	(77,372)	(95.31) %
Extracurricular activities	326,619	265,111	61,508	23.20 %
Capital outlay	496,020	135,683	360,337	265.57 %
Debt service	<u>628,207</u>	<u>553,307</u>	<u>74,900</u>	13.54 %
Total	<u>\$ 28,932,071</u>	<u>\$ 28,292,878</u>	<u>\$ 639,193</u>	2.26 %

Revenues of the general fund decreased \$43,640 or 0.15%. The most significant decreases were in the areas of tuition and intergovernmental. Tuition decreased due to a decrease in open enrollment tuition received by the District. Intergovernmental decreased due to less State foundation money being received. The State decrease foundation funding statewide due to the COVID-19 pandemic.

Expenditures increased \$639,193 or 2.26%. The largest increases were in the areas of instruction and capital outlay. Instruction increased due to increases in salaries and benefits paid to teachers. Capital outlay increased due to a capital lease for buses entered into by the District.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Classroom Facilities Maintenance Fund

The classroom facilities maintenance fund had \$199,967 in revenues and \$176,814 in expenditures. The classroom facilities maintenance fund's fund balance increased \$23,153 from \$1,482,942 to \$1,506,095.

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 2020, the District amended its general fund estimated revenue budget several times. For the general fund, original budgeted revenues and other financing sources of \$27,540,890 were decreased in the final budgeted revenues and other financing sources to \$27,281,931. Actual revenue and other financing sources of \$28,258,744 were \$976,813 more than the final budgeted amounts.

General fund actual expenditures plus other financing uses of \$30,033,249 were \$1,761,008 lower than final appropriations (appropriated expenditures plus other financing uses) of \$31,794,257. Original appropriations were \$31,670,779.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, the District had \$41,959,884 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, 2020 balances compared to June 30, 2019.

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

	Governmental Activities	
	2020	2019
Land	\$ 46,225	\$ 46,225
Land improvements	743,695	867,099
Buildings and improvements	39,293,924	40,680,444
Furniture and equipment	912,997	1,037,935
Vehicles	963,043	595,385
Total	\$ 41,959,884	\$ 43,227,088

Capital assets decreased \$1,267,204. The District had additions of \$551,494 and depreciation of \$1,818,698 during fiscal year 2020.

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

Debt Administration

At June 30, 2020 the District had \$1,976,044 in capital leases outstanding. Of this total, \$573,985 is due within one year and \$1,402,059 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, 2020
(UNAUDITED)

The table below summarizes the long-term obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2020</u>	Governmental Activities <u>2019</u>
Capital leases	\$ 1,976,044	\$ 2,044,949
Total	<u>\$ 1,976,044</u>	<u>\$ 2,044,949</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 2,355 students, grades PK-12. During fiscal year 2019-2020, 2,233 of those students were educated at the District's five schools housed in four physical plants compared with 2,246 students in the prior fiscal year, a decrease of 13 students or about 0.58%. 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, 2020, 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, 2020
(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 \$74.6 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 Mr. Anson Wiegand, 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, 2020

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 8,982,878
Cash and cash equivalents with a fiscal agent . . .	2,477,224
Receivables:	
Property taxes	5,161,834
Accounts	17,389
Accrued interest	2,707
Intergovernmental	686,362
Prepayments	37,684
Inventory held for resale	36,398
Net OPEB asset	1,650,096
Capital assets:	
Nondepreciable capital assets	46,225
Depreciable capital assets, net	41,913,659
Capital assets, net	41,959,884
Total assets	61,012,456
Deferred outflows of resources:	
Pension	5,442,166
OPEB	573,791
Total deferred outflows of resources	6,015,957
Liabilities:	
Accounts payable	170,863
Accrued wages and benefits payable	2,410,810
Compensated absences payable	15,529
Intergovernmental payable	481,898
Pension and postemployment benefits payable . .	349,291
Accrued interest payable	10,425
Claims payable	635,287
Accrued vacation leave payable	93,755
Long-term liabilities:	
Due within one year	693,006
Due in more than one year:	
Net pension liability	27,893,488
Net OPEB liability	2,525,493
Other amounts due in more than one year .	2,410,489
Total liabilities	37,690,334
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	4,124,062
Pension	1,864,695
OPEB	2,870,600
Total deferred inflows of resources	8,859,357
Net position:	
Net investment in capital assets	39,983,840
Restricted for:	
Capital projects	94,279
Classroom facilities maintenance	1,519,738
Locally funded programs	29,683
State funded programs	420,346
Federally funded programs	251,742
Student activities	100,977
Other purposes	1,377,659
Unrestricted (deficit)	(23,299,542)
Total net position	\$ 20,478,722

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, 2020

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 13,932,150	\$ 834,779	\$ 314,321	\$ (12,783,050)
Special	4,583,380	11,992	2,450,418	(2,120,970)
Vocational	1,365,694	-	350,445	(1,015,249)
Adult/continuing	208	-	587	379
Other	3,024,840	-	724,249	(2,300,591)
Support services:				
Pupil	1,673,040	-	519,696	(1,153,344)
Instructional staff	1,288,425	-	291,877	(996,548)
Board of education	132,268	-	-	(132,268)
Administration	1,696,054	23,714	133,546	(1,538,794)
Fiscal	642,329	-	-	(642,329)
Operations and maintenance	3,424,928	14,753	6,217	(3,403,958)
Pupil transportation	1,245,785	-	135,653	(1,110,132)
Central	64,044	-	9,000	(55,044)
Operation of non-instructional services:				
Other non-instructional services	221,150	-	233,565	12,415
Food service operations	1,499,205	107,843	1,502,528	111,166
Extracurricular activities	545,777	151,276	23,847	(370,654)
Interest and fiscal charges	65,214	-	-	(65,214)
Total governmental activities	\$ 35,404,491	\$ 1,144,357	\$ 6,695,949	(27,564,185)
General revenues:				
Property taxes levied for:				
General purposes				4,358,417
Classroom facilities maintenance				69,306
Grants and entitlements not restricted to specific programs				20,088,160
Investment earnings				197,817
Miscellaneous				157,385
Total general revenues				24,871,085
Change in net position				(2,693,100)
Net position at beginning of year (restated)				23,171,822
Net position at end of year				\$ 20,478,722

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments.	\$ 5,357,852	\$ 1,516,962	\$ 2,108,064	\$ 8,982,878
Receivables:				
Property taxes.	5,079,996	81,838	-	5,161,834
Accounts.	2,000	-	15,389	17,389
Accrued interest.	2,707	-	-	2,707
Intergovernmental.	71,925	-	614,437	686,362
Prepayments.	36,704	-	980	37,684
Inventory held for resale.	-	-	36,398	36,398
Due from other funds.	177,063	-	-	177,063
Total assets.	<u>\$ 10,728,247</u>	<u>\$ 1,598,800</u>	<u>\$ 2,775,268</u>	<u>\$ 15,102,315</u>
Liabilities:				
Accounts payable.	\$ 75,565	\$ 13,472	\$ 81,826	\$ 170,863
Accrued wages and benefits payable.	2,231,740	-	179,070	2,410,810
Compensated absences payable.	15,529	-	-	15,529
Intergovernmental payable.	441,203	-	40,695	481,898
Pension and postemployment benefits payable.	307,456	-	41,835	349,291
Due to other funds.	-	-	177,063	177,063
Total liabilities.	<u>3,071,493</u>	<u>13,472</u>	<u>520,489</u>	<u>3,605,454</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	4,058,472	65,590	-	4,124,062
Delinquent property tax revenue not available.	859,659	13,643	-	873,302
Intergovernmental revenue not available.	72,132	-	483,013	555,145
Accrued interest not available.	2,135	-	-	2,135
Total deferred inflows of resources.	<u>4,992,398</u>	<u>79,233</u>	<u>483,013</u>	<u>5,554,644</u>
Fund balances:				
Nonspendable:				
Prepayments.	36,704	-	980	37,684
Unclaimed monies.	44,483	-	-	44,483
Restricted:				
Capital improvements.	-	-	94,279	94,279
Classroom facilities maintenance.	-	1,506,095	-	1,506,095
Food service operations.	-	-	1,382,674	1,382,674
Non-public schools.	-	-	27,773	27,773
Extracurricular activities.	-	-	100,977	100,977
Student wellness and success.	-	-	388,929	388,929
Other purposes.	-	-	153,868	153,868
Assigned:				
Student instruction.	566,605	-	-	566,605
Student and staff support.	943,670	-	-	943,670
Extracurricular activities.	1,193	-	-	1,193
Subsequent year's appropriations.	1,071,701	-	-	1,071,701
Unassigned (deficit).	-	-	(377,714)	(377,714)
Total fund balances (deficit).	<u>2,664,356</u>	<u>1,506,095</u>	<u>1,771,766</u>	<u>5,942,217</u>
Total liabilities, deferred inflows and fund balances.	<u>\$ 10,728,247</u>	<u>\$ 1,598,800</u>	<u>\$ 2,775,268</u>	<u>\$ 15,102,315</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, 2020

Total governmental fund balances		\$	5,942,217
<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.			41,959,884
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	873,302	
Accrued interest receivable		2,135	
Intergovernmental receivable		555,145	
Total			1,430,582
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.			1,841,937
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(10,425)
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		5,442,166	
Deferred inflows of resources - pension		(1,864,695)	
Net pension liability		(27,893,488)	
Total			(24,316,017)
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		573,791	
Deferred inflows of resources - OPEB		(2,870,600)	
Net OPEB asset		1,650,096	
Net OPEB liability		(2,525,493)	
Total			(3,172,206)
Long-term liabilities, including capital lease obligations, are not due and payable in the current period and therefore are not reported in the funds.			
Capital lease obligations		(1,976,044)	
Vacation payable		(93,755)	
Compensated absences		(1,127,451)	
Total			(3,197,250)
Net position of governmental activities		\$	20,478,722

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, 2020

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 4,342,631	\$ 69,629	\$ -	\$ 4,412,260
Tuition	1,061,216	-	-	1,061,216
Earnings on investments	118,549	-	8,062	126,611
Charges for services	-	-	108,194	108,194
Extracurricular	23,111	-	151,879	174,990
Classroom materials and fees	620	-	-	620
Rental income	14,402	-	-	14,402
Contributions and donations	2,680	-	27,749	30,429
Other local revenues	273,138	-	21,001	294,139
Intergovernmental - intermediate	-	-	652	652
Intergovernmental - state	22,265,745	130,338	916,702	23,312,785
Intergovernmental - federal	75,728	-	3,663,899	3,739,627
Total revenues	<u>28,177,820</u>	<u>199,967</u>	<u>4,898,138</u>	<u>33,275,925</u>
Expenditures:				
Current:				
Instruction:				
Regular	11,708,778	-	245,180	11,953,958
Special	3,889,762	-	522,813	4,412,575
Vocational	1,218,341	-	61,587	1,279,928
Adult/continuing	-	-	208	208
Other	2,138,542	-	856,470	2,995,012
Support services:				
Pupil	1,422,272	-	201,420	1,623,692
Instructional staff	885,896	-	344,920	1,230,816
Board of education	131,563	-	-	131,563
Administration	1,466,184	-	141,803	1,607,987
Fiscal	614,679	1,760	-	616,439
Operations and maintenance	2,850,158	175,054	7,301	3,032,513
Pupil transportation	1,096,200	-	6,536	1,102,736
Central	55,044	-	9,000	64,044
Operation of non-instructional services:				
Other operation of non-instructional	2,854	-	218,230	221,084
Food service operations	952	-	1,441,207	1,442,159
Extracurricular activities	326,619	-	207,950	534,569
Facilities acquisition and construction	-	-	252,359	252,359
Capital outlay	496,020	-	-	496,020
Debt service:				
Principal retirement	564,925	-	-	564,925
Interest and fiscal charges	63,282	-	-	63,282
Total expenditures	<u>28,932,071</u>	<u>176,814</u>	<u>4,516,984</u>	<u>33,625,869</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(754,251)</u>	<u>23,153</u>	<u>381,154</u>	<u>(349,944)</u>
Other financing sources (uses):				
Transfers in	-	-	44,513	44,513
Transfers (out)	(44,513)	-	-	(44,513)
Capital lease transaction	496,020	-	-	496,020
Total other financing sources (uses)	<u>451,507</u>	<u>-</u>	<u>44,513</u>	<u>496,020</u>
Net change in fund balances	(302,744)	23,153	425,667	146,076
Fund balances at beginning of year (restated)	<u>2,967,100</u>	<u>1,482,942</u>	<u>1,346,099</u>	<u>5,796,141</u>
Fund balances (deficit) at end of year	<u>\$ 2,664,356</u>	<u>\$ 1,506,095</u>	<u>\$ 1,771,766</u>	<u>\$ 5,942,217</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds	\$	146,076
<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	\$ 551,494	
Current year depreciation	<u>(1,818,698)</u>	
Total		(1,267,204)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	15,463	
Tuition	(215,065)	
Earnings on investments	(851)	
Intergovernmental	<u>(406,682)</u>	
Total		(607,135)
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.		
		564,925
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.		
		(496,020)
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.		
		(1,932)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension		2,128,675
OPEB		56,792
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		(3,720,765)
OPEB		442,232
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	217,330	
Vacation payable	<u>9,543</u>	
Total		226,873
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>(165,617)</u>
Change in net position of governmental activities	\$	<u>(2,693,100)</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)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 4,053,368	\$ 4,012,244	\$ 4,351,559	\$ 339,315
Tuition.	1,134,156	1,122,650	1,059,406	(63,244)
Earnings on investments	151,863	150,322	117,977	(32,345)
Classroom materials and fees	922	913	620	(293)
Rental income	850	10,380	14,402	4,022
Contributions and donations	1,262	1,249	275	(974)
Other local revenues	78,826	78,027	256,818	178,791
Intergovernmental - state	21,817,360	21,596,012	22,327,052	731,040
Intergovernmental - federal	190,381	188,450	75,728	(112,722)
Total revenues	<u>27,428,988</u>	<u>27,160,247</u>	<u>28,203,837</u>	<u>1,043,590</u>
Expenditures:				
Current:				
Instruction:				
Regular	12,938,864	12,991,128	12,213,374	777,754
Special.	4,155,550	4,145,406	3,931,434	213,972
Vocational.	1,901,167	1,398,416	1,262,719	135,697
Other.	2,197,762	2,141,700	2,138,542	3,158
Support services:				
Pupil.	1,750,091	1,865,131	1,524,377	340,754
Instructional staff	922,016	945,922	911,961	33,961
Board of education	140,794	149,351	142,319	7,032
Administration.	1,275,448	1,511,238	1,450,197	61,041
Fiscal	586,620	601,739	627,462	(25,723)
Operations and maintenance.	3,579,987	3,213,956	3,063,259	150,697
Pupil transportation	1,328,023	1,811,830	1,827,381	(15,551)
Central.	102,520	99,628	66,266	33,362
Other operation of non-instructional services	16,352	2,618	2,854	(236)
Extracurricular activities.	304,349	360,303	316,577	43,726
Debt service:				
Principal	368,000	368,000	368,000	-
Interest and fiscal charges.	69,314	57,932	48,677	9,255
Total expenditures	<u>31,636,857</u>	<u>31,664,298</u>	<u>29,895,399</u>	<u>1,768,899</u>
Excess of expenditures over revenues	<u>(4,207,869)</u>	<u>(4,504,051)</u>	<u>(1,691,562)</u>	<u>2,812,489</u>
Other financing sources (uses):				
Refund of prior year's expenditures	111,874	111,874	45,125	(66,749)
Transfers (out).	(33,922)	(129,959)	(137,850)	(7,891)
Sale of capital assets	28	9,810	9,782	(28)
Total other financing sources (uses)	<u>77,980</u>	<u>(8,275)</u>	<u>(82,943)</u>	<u>(74,668)</u>
Net change in fund balance	(4,129,889)	(4,512,326)	(1,774,505)	2,737,821
Fund balance at beginning of year	5,312,830	5,312,830	5,312,830	-
Prior year encumbrances appropriated	378,413	378,413	378,413	-
Fund balance at end of year	<u>\$ 1,561,354</u>	<u>\$ 1,178,917</u>	<u>\$ 3,916,738</u>	<u>\$ 2,737,821</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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 26,124	\$ 67,796	\$ 69,855	\$ 2,059
Intergovernmental - state	48,742	10,916	130,338	119,422
Total revenues	<u>74,866</u>	<u>78,712</u>	<u>200,193</u>	<u>121,481</u>
Expenditures:				
Current:				
Support Services:				
Fiscal	2,244	1,782	1,840	(58)
Operations and maintenance	319,056	262,976	223,232	39,744
Total expenditures	<u>321,300</u>	<u>264,758</u>	<u>225,072</u>	<u>39,686</u>
Net change in fund balance	(246,434)	(186,046)	(24,879)	161,167
Fund balance at beginning of year	1,420,567	1,420,567	1,420,567	-
Prior year encumbrances appropriated	59,818	59,818	59,818	-
Fund balance at end of year	<u>\$ 1,233,951</u>	<u>\$ 1,294,339</u>	<u>\$ 1,455,506</u>	<u>\$ 161,167</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, 2020

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Cash and cash equivalents with fiscal agent	\$ 2,477,224
Total current assets	<u>2,477,224</u>
Liabilities:	
Current liabilities:	
Claims payable	635,287
Total current liabilities	<u>635,287</u>
Net position:	
Unrestricted.	1,841,937
Total net position.	<u>\$ 1,841,937</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, 2020

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 6,438,776
Other	95,649
Total operating revenues	<u>6,534,425</u>
 Operating expenses:	
Purchased services	1,345,592
Claims	<u>5,434,569</u>
Total operating expenses	<u>6,780,161</u>
 Operating loss	 <u>(245,736)</u>
 Nonoperating revenues:	
Interest revenue	80,119
Total nonoperating revenues	<u>80,119</u>
 Change in net position	 (165,617)
 Net position at beginning of year	 <u>2,007,554</u>
Net position at end of year	<u>\$ 1,841,937</u>

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, 2020

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 6,438,776
Cash received from other operations	95,649
Cash payments for contractual services	(1,345,592)
Cash payments for claims	<u>(5,414,156)</u>
Net cash used in operating activities	<u>(225,323)</u>
Cash flows from investing activities:	
Interest received	<u>80,119</u>
Net cash provided by investing activities	<u>80,119</u>
Net change in cash and cash equivalents	(145,204)
Cash and cash equivalents at beginning of year . . .	<u>2,622,428</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,477,224</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating income.	\$ (245,736)
Changes in assets and liabilities:	
Claims payable	<u>20,413</u>
Net cash used in operating activities.	<u><u>\$ (225,323)</u></u>

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, 2020

NOTE 1 - DESCRIPTION OF THE SCHOOL 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, 2020

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, 2020, the District paid \$63,905 for basic service charges to ACCESS.

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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, 2020

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 and (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.

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 custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District has no fiduciary funds.

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, 2020

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.

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.

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, 2020

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, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 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, 2020

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 2020.

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 2020.

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 2020, 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, 2020

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

During fiscal year 2020, 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 2020, 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 \$100 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 2020 amounted to \$118,549, which includes \$46,343 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, 2020

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 prepayments 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 custodial 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, 2020

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, 2020, 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, 2020

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, 2020, 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, 2020

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 2020.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2020, the District has implemented GASB Statement No. 84, "*Fiduciary Activities*" and GASB Statement No. 90, "*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*".

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

B. Restatement of Net Position and Fund Balances

The implementation of GASB 84 had the following effect on fund balance as reported at June 30, 2019:

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance as previously reported	\$ 2,922,617	\$ 1,482,942	\$ 1,258,579	\$ 5,664,138
GASB Statement No. 84	<u>44,483</u>	<u>-</u>	<u>87,520</u>	<u>132,003</u>
Restated Fund Balance, at June 30, 2019	<u>\$ 2,967,100</u>	<u>\$ 1,482,942</u>	<u>\$ 1,346,099</u>	<u>\$ 5,796,141</u>

The implementation of the GASB 84 pronouncement had the following effect on the net position as reported at June 30, 2019:

	<u>Governmental Activities</u>
Net position as previously reported	\$ 23,039,819
GASB Statement No. 84	<u>132,003</u>
Restated net position at June 30, 2019	<u>\$ 23,171,822</u>

Related to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. At June 30, 2019, agency funds reported assets and liabilities of \$74,017. Also, related to the implementation of GASB Statement No. 84, the District will no longer be reporting private purpose trust funds. At June 30, 2019, private purpose trust funds reported a net position of \$58,280.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances

Fund balances at June 30, 2020 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$ 11,010
Miscellaneous state grants	12,125
ESSER	1,250
Title VI-B	67,861
Vocational education	38,356
Title I	214,445
IDEA Preschool	10,136

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 adjustments for accrued liabilities. The District had deficit balances in several of these funds on a cash basis at June 30, 2020.

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, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**EAST LIVERPOOL CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) 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;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio and STAR Plus); and,
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all School District deposits was \$3,847,407 and the bank balance of all District deposits was \$4,109,983, including \$1,033,792 in nonnegotiable certificates of deposit. Of the bank balance, \$2,909,909 was covered by the FDIC and \$1,200,074 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 \$2,477,224. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 2020, 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.

B. Investments

As of June 30, 2020, 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	<u>\$ 5,135,471</u>	<u>\$ 5,135,471</u>

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, 2020 is 86 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. 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, 2020:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,847,407
Investments	5,135,471
Cash with fiscal agent	<u>2,477,224</u>
Total	<u>\$ 11,460,102</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	<u>\$ 11,460,102</u>
Total	<u>\$ 11,460,102</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund Transfers

Transfers made during fiscal year 2020 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ -	\$ 44,513
Nonmajor governmental funds	<u>44,513</u>	<u>-</u>
Total	<u>\$ 44,513</u>	<u>\$ 44,513</u>

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

B. Due to/from other funds consisted of the following at June 30, 2020, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 177,063</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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, 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 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019 and are collected in 2020 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available as an advance at June 30, 2020 in the general and classroom facilities maintenance funds were \$161,865 and \$2,605, respectively. The amount available for advance at June 30, 2019, in the general and classroom facilities maintenance funds were \$170,794 and \$2,831, 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, 2020 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 146,865,250	86.59	\$ 159,355,090	87.09
Public utility personal	<u>22,749,680</u>	<u>13.41</u>	<u>23,627,250</u>	<u>12.91</u>
Total	<u>\$ 169,614,930</u>	<u>100.00</u>	<u>\$ 182,982,340</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$34.10		\$33.63	
Classroom facilities maint.	0.50		0.50	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2020 consisted of property taxes, accounts, 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	\$ 5,161,834
Accounts	17,389
Accrued interest	2,707
Intergovernmental	<u>686,362</u>
Total	<u>\$ 5,868,292</u>

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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, 2020

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	<u>Balance</u> <u>06/30/19</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/20</u>
Governmental activities:				
<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	14,985	-	3,076,539
Buildings and improvements	62,904,276	-	-	62,904,276
Furniture and fixtures	5,932,179	40,489	-	5,972,668
Vehicles	2,169,573	496,020	-	2,665,593
<i>Total capital assets, being depreciated</i>	<u>74,067,582</u>	<u>551,494</u>	<u>-</u>	<u>74,619,076</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,194,455)	(138,389)	-	(2,332,844)
Buildings and improvements	(22,223,832)	(1,386,520)	-	(23,610,352)
Furniture and fixtures	(4,894,244)	(165,427)	-	(5,059,671)
Vehicles	(1,574,188)	(128,362)	-	(1,702,550)
<i>Total accumulated depreciation</i>	<u>(30,886,719)</u>	<u>(1,818,698)</u>	<u>-</u>	<u>(32,705,417)</u>
Governmental activities capital assets, net	<u>\$ 43,227,088</u>	<u>\$ (1,267,204)</u>	<u>\$ -</u>	<u>\$ 41,959,884</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,532,911
Vocational	42,167
<u>Support services:</u>	
Instructional staff	9,530
Administration	8,982
Operations and maintenance	54,884
Pupil transportation	102,270
Food service operations	38,762
Extracurricular activities	29,192
Total depreciation expense	<u>\$ 1,818,698</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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.

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 a capitalized lease for buses. During a previous fiscal year, the District entered into a capitalized lease for trucks, copiers and 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 \$1,065,658. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2020 for the equipment and vehicles was \$249,877, leaving a current book value of \$815,781. A corresponding liability is recorded in the government-wide financial statements.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 633,342
2022	426,378
2023	303,375
2024	296,480
2025	288,010
2026 - 2027	<u>198,412</u>
Total minimum lease payments	2,145,997
Less: amount representing interest	<u>(169,953)</u>
Total	<u>\$ 1,976,044</u>

NOTE 10 - LONG-TERM OBLIGATIONS

During the fiscal year 2020, the following activity occurred in governmental activities long-term obligations.

	<u>Balance</u>			<u>Balance</u>	<u>Amount Due</u>
	<u>6/30/19</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/20</u>	<u>Within</u>
					<u>One Year</u>
<u>Governmental activities:</u>					
Net pension liability	\$ 27,829,135	\$ 83,576	\$ (19,223)	\$ 27,893,488	\$ -
Net OPEB liability/asset	2,891,480	-	(365,987)	2,525,493	-
Compensated absences	1,344,781	-	(217,330)	1,127,451	119,021
Capital leases	<u>2,044,949</u>	<u>496,020</u>	<u>(564,925)</u>	<u>1,976,044</u>	<u>573,985</u>
Total long-term obligations	<u>\$ 34,110,345</u>	<u>\$ 579,596</u>	<u>\$ (1,167,465)</u>	<u>\$ 33,522,476</u>	<u>\$ 693,006</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.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Life Insurance

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

C. Health Insurance

During fiscal year 2009, the District joined the Jefferson Health Plan self-insurance plan (See Note 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 \$635,287 is reported in the internal service fund at June 30, 2020, 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>
2020	\$ 614,874	\$ 5,434,569	\$ (5,414,156)	\$ 635,287
2019	547,942	3,930,601	(3,863,669)	614,874

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 2020, the District contracted for various types of insurance through the Ohio School Insurance Program.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - RISK MANAGEMENT - (Continued)

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.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 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.

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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District’s contractually required contribution to SERS was \$472,803 for fiscal year 2020. Of this amount, \$24,044 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, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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 28 years of service, or 33 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.

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.

**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)

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 \$1,655,872 for fiscal year 2020. Of this amount, \$266,652 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, 2019, 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	0.10267410%	0.09982283%	
Proportion of the net pension liability current measurement date	<u>0.09795990%</u>	<u>0.09962909%</u>	
Change in proportionate share	<u>-0.00471420%</u>	<u>-0.00019374%</u>	
Proportionate share of the net pension liability	\$ 5,861,113	\$ 22,032,375	\$ 27,893,488
Pension expense	\$ 776,255	\$ 2,944,510	\$ 3,720,765

At June 30, 2020, 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>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 148,625	\$ 179,381	\$ 328,006
Changes of assumptions	-	2,588,128	2,588,128
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	-	397,357	397,357
Contributions subsequent to the measurement date	<u>472,803</u>	<u>1,655,872</u>	<u>2,128,675</u>
Total deferred outflows of resources	<u>\$ 621,428</u>	<u>\$ 4,820,738</u>	<u>\$ 5,442,166</u>

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

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 95,374	\$ 95,374
Net difference between projected and actual earnings on pension plan investments	75,233	1,076,822	1,152,055
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	180,544	436,722	617,266
Total deferred inflows of resources	\$ 255,777	\$ 1,608,918	\$ 1,864,695

\$2,128,675 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, 2021.

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ 35,553	\$ 1,126,433	\$ 1,161,986
2022	(180,368)	355,529	175,161
2023	(5,005)	(38,876)	(43,881)
2024	42,668	112,862	155,530
Total	\$ (107,152)	\$ 1,555,948	\$ 1,448,796

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.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2019, 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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
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.

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

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	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 8,213,514	\$ 5,861,113	\$ 3,888,330

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

	July 1, 2019
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)	0.00%

For the July 1, 2019, 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, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**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)

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	<u>100.00 %</u>	

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**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.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. 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, 2019. 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, 2019.

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	Current Discount Rate	1% Increase
	District's proportionate share of the net pension liability	\$32,197,861	\$ 22,032,375

**EAST LIVERPOOL CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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.

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/funded 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 under Employers/Audit Resources.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. 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 2020, the District's surcharge obligation was \$56,792.

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 \$56,792 for fiscal year 2020. Of this amount, \$56,792 is reported as pension and postemployment benefits payable.

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, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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, 2020, 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, 2019, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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/asset prior measurement date	0.10422490%	0.09982283%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.10042560%</u>	<u>0.09962909%</u>	
Change in proportionate share	<u>-0.00379930%</u>	<u>-0.00019374%</u>	
Proportionate share of the net OPEB liability	\$ 2,525,493	\$ -	\$ 2,525,493
Proportionate share of the net OPEB asset	\$ -	\$ (1,650,096)	\$ (1,650,096)
OPEB expense	\$ 45,705	\$ (487,937)	\$ (442,232)

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 37,073	\$ 149,595	\$ 186,668
Net difference between projected and actual earnings on OPEB plan investments	6,062	-	6,062
Changes of assumptions	184,459	34,684	219,143
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	-	105,126	105,126
Contributions subsequent to the measurement date	<u>56,792</u>	<u>-</u>	<u>56,792</u>
Total deferred outflows of resources	<u>\$ 284,386</u>	<u>\$ 289,405</u>	<u>\$ 573,791</u>

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 554,834	\$ 83,951	\$ 638,785
Net difference between projected and actual earnings on OPEB plan investments	-	103,636	103,636
Changes of assumptions	141,523	1,809,141	1,950,664
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>170,449</u>	<u>7,066</u>	<u>177,515</u>
Total deferred inflows of resources	<u>\$ 866,806</u>	<u>\$ 2,003,794</u>	<u>\$ 2,870,600</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

\$56,792 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, 2021. 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:			
2021	\$ (180,356)	\$ (376,638)	\$ (556,994)
2022	(108,550)	(376,636)	(485,186)
2023	(106,773)	(335,101)	(441,874)
2024	(107,058)	(320,530)	(427,588)
2025	(95,348)	(310,038)	(405,386)
Thereafter	(41,127)	4,554	(36,573)
Total	\$ (639,212)	\$ (1,714,389)	\$ (2,353,601)

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019 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	3.13%
Prior measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.22%
Prior measurement date	3.70%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. 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, 2025. 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, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (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 3.62% was used as of June 30, 2018. 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 (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 3,065,469	\$ 2,525,493	\$ 2,096,148
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,023,431	\$ 2,525,493	\$ 3,191,607

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
	Initial	Ultimate	Initial	Ultimate
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%	
Discounted rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.87%	4.00%	6.00%	4.00%
Medicare	4.93%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	7.73%	4.00%	8.00%	4.00%
Medicare	9.62%	4.00%	-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.

Actuarial assumptions used in the June 30, 2019 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 - There were no changes in assumptions since the prior measurement date of June 30, 2018.

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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:

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	<u>100.00 %</u>	

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**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.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2019. 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, 2019.

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, 2019, 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.

	1% Decrease	Current Discount Rate	1% Increase
	District's proportionate share of the net OPEB asset	\$ 1,408,029	\$ 1,650,096

	1% Decrease	Current Trend Rate	1% Increase
	District's proportionate share of the net OPEB asset	\$ 1,871,134	\$ 1,650,096

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 and classroom facilities maintenance fund are 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 and classroom facilities maintenance fund:

	Net Change in Fund Balance	
	<u>General fund</u>	Classroom Facilities <u>Maintenance fund</u>
Budget basis	\$ (1,774,505)	\$ (24,879)
Net adjustment for revenue accruals	(57,316)	(226)
Net adjustment for expenditure accruals	(456,159)	(13,198)
Net adjustment for other sources/uses	441,113	-
Funds budgeted elsewhere	28,649	-
Adjustment for encumbrances	<u>1,515,474</u>	<u>61,456</u>
GAAP basis	<u>\$ (302,744)</u>	<u>\$ 23,153</u>

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.

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, 2020, if applicable, cannot be determined at this time.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 16 - CONTINGENCIES - (Continued)

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 2019-2020 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 - COVID-19

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 District’s investment portfolio and the investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in 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, 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.

NOTE 18 - 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, 2019	
Current year set-aside requirement	367,346
Current year offsets	(80,373)
Prior year offset from bond proceeds	<u>(286,973)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2021	<u>\$ -</u>
Set-aside reserve balance June 30, 2020	<u><u>\$ -</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 18 - 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 \$6,318,499 at June 30, 2020.

NOTE 19 - 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	\$ 1,454,266
Classroom facilities maintenance	61,456
Nonmajor governmental	<u>375,797</u>
Total	<u>\$ 1,891,519</u>

NOTE 20 - CLAIMS SERVICING POOL

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

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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 SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.09795990%	0.10267410%	0.10497820%	0.10503950%
District's proportionate share of the net pension liability	\$ 5,861,113	\$ 5,880,336	\$ 6,272,216	\$ 7,687,922
District's covered payroll	\$ 3,369,119	\$ 3,368,570	\$ 3,455,793	\$ 3,301,021
District's proportionate share of the net pension liability as a percentage of its covered payroll	173.97%	174.56%	181.50%	232.90%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

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>2016</u>	<u>2015</u>	<u>2014</u>
0.10300870%	0.10718500%	0.10718500%
\$ 5,877,776	\$ 5,424,572	\$ 6,373,948
\$ 2,875,857	\$ 3,434,618	\$ 3,102,392
204.38%	157.94%	205.45%
69.16%	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 SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.09962909%	0.09982283%	0.09628277%	0.09647745%
District's proportionate share of the net pension liability	\$ 22,032,375	\$ 21,948,799	\$ 22,872,178	\$ 32,293,911
District's covered payroll	\$ 11,743,729	\$ 11,673,657	\$ 10,396,193	\$ 10,355,707
District's proportionate share of the net pension liability as a percentage of its covered payroll	187.61%	188.02%	220.01%	311.85%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

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>2016</u>	<u>2015</u>	<u>2014</u>
0.10235550%	0.10149734%	0.10149734%
\$ 28,288,066	\$ 24,687,666	\$ 29,407,786
\$ 10,120,007	\$ 10,883,323	\$ 9,322,146
279.53%	226.84%	315.46%
72.10%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 472,803	\$ 454,831	\$ 454,757	\$ 483,811
Contributions in relation to the contractually required contribution	<u>(472,803)</u>	<u>(454,831)</u>	<u>(454,757)</u>	<u>(483,811)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,377,164	\$ 3,369,119	\$ 3,368,570	\$ 3,455,793
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 462,143	\$ 379,038	\$ 476,038	\$ 429,371	\$ 392,846	\$ 383,521
<u>(462,143)</u>	<u>(379,038)</u>	<u>(476,038)</u>	<u>(429,371)</u>	<u>(392,846)</u>	<u>(383,521)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,301,021	\$ 2,875,857	\$ 3,434,618	\$ 3,102,392	\$ 2,920,788	\$ 3,051,082
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

**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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 1,655,872	\$ 1,644,122	\$ 1,634,312	\$ 1,455,467
Contributions in relation to the contractually required contribution	<u>(1,655,872)</u>	<u>(1,644,122)</u>	<u>(1,634,312)</u>	<u>(1,455,467)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,827,657	\$ 11,743,729	\$ 11,673,657	\$ 10,396,193
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 1,449,799	\$ 1,416,801	\$ 1,414,832	\$ 1,211,879	\$ 1,270,317	\$ 1,251,036
<u>(1,449,799)</u>	<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>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,355,707	\$ 10,120,007	\$ 10,883,323	\$ 9,322,146	\$ 9,771,669	\$ 9,623,354
14.00%	14.00%	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 FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.10042560%	0.10422490%	0.10662540%	0.10648724%
District's proportionate share of the net OPEB liability	\$ 2,525,493	\$ 2,891,480	\$ 2,861,546	\$ 3,035,280
District's covered payroll	\$ 3,369,119	\$ 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	74.96%	85.84%	82.80%	91.95%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	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 FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.09962909%	0.09982283%	0.09628277%	0.09647745%
District's proportionate share of the net OPEB liability/(asset)	\$ (1,650,096)	\$ (1,604,051)	\$ 3,756,598	\$ 5,159,639
District's covered payroll	\$ 11,743,729	\$ 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	14.05%	13.74%	36.13%	49.82%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.40%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 56,792	\$ 78,311	\$ 73,425	\$ 58,561
Contributions in relation to the contractually required contribution	<u>(56,792)</u>	<u>(78,311)</u>	<u>(73,425)</u>	<u>(58,561)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,377,164	\$ 3,369,119	\$ 3,368,570	\$ 3,455,793
Contributions as a percentage of covered payroll	1.68%	2.32%	2.18%	1.69%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 54,060	\$ 54,414	\$ 66,646	\$ 48,899	\$ 16,124	\$ 43,631
<u>(54,060)</u>	<u>(54,414)</u>	<u>(66,646)</u>	<u>(48,899)</u>	<u>(16,124)</u>	<u>(43,631)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,301,021	\$ 2,875,857	\$ 3,434,618	\$ 3,102,392	\$ 2,920,788	\$ 3,051,082
1.64%	1.89%	1.94%	1.58%	0.55%	1.43%

**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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</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	\$ 11,827,657	\$ 11,743,729	\$ 11,673,657	\$ 10,396,193
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ -	\$ -	\$ 108,833	\$ 93,221	\$ 97,717	\$ 96,234
-	-	(108,833)	(93,221)	(97,717)	(96,234)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,355,707	\$ 10,120,007	\$ 10,883,323	\$ 9,322,146	\$ 9,771,669	\$ 9,623,354
0.00%	0.00%	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, 2020

PENSION

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 years 2019-2020.

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 2018-2020.

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 years 2019-2020.

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 2020.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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 2017-2020.

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 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 rates 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 (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.

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. For fiscal year 2020, STRS increase the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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/asset 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 health care cost 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. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% 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, 2020**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
Non-Cash Assistance (Food Distribution):		10.555	\$75,866	\$75,866
Cash Assistance:				
School Breakfast Program		10.553	220,998	220,998
COVID-19 School Breakfast Program			123,266	123,266
School Lunch Program		10.555	647,343	647,343
COVID-19 School Lunch Program			254,685	254,685
Cash Assistance Subtotal			1,246,292	1,246,292
Total Child Nutrition Cluster (Cash and Non-cash)			1,322,158	1,322,158
Fresh Fruits and Vegetables Program		10.582	72,786	51,592
NSLP Equipment Assistance		10.579		15,389
Total U.S Department of Agriculture - (Cash and Non-cash)			<u>1,394,944</u>	<u>1,389,139</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Special Education Cluster:</i>				
Special Education Grants to States (IDEA Part B)	2019	84.027	137,265	74,991
	2020		464,701	499,610
Total Special Education Grants to States			601,966	574,601
Special Education - Preschool Grants	2019	84.173		1,486
	2020		4,288	10,135
Total Special Education - Preschool Grants			4,288	11,621
Total Special Education Cluster			<u>606,254</u>	<u>586,222</u>
Title II A - Improving Teacher Quality	2019	84.367	52,055	46,783
	2020		93,062	110,602
Total Title II A - Improving Teacher Quality			145,117	157,385
Title IV-Student Support and Enrichment	2019	84.424	19,427	-
	2020		63,127	-
			82,554	-
Grants to Local Educational Agencies (ESEA Title I)	2019	84.010	301,650	146,043
	2020		870,117	1,018,728
Total Grants to Local Educational Agencies (ESEA Title I)			1,171,767	1,164,771
Title VI- Rural Education	2018	84.358		1,256
	2019		6,802	
	2020			721
			6,802	1,977
Career and Technical Education - Basic Grants to States	2019	84.048	46,336	44,516
	2020		2,460	23,219
			48,796	67,735
State Personnel Development Grant	2019	84.323	98,114	19,735
	2020		153	83,480
Total State Personnel Development Grant			98,267	103,215
Total U.S. Department of Education			<u>2,159,557</u>	<u>2,081,305</u>
Total Federal Awards			<u>\$3,554,501</u>	<u>\$3,470,444</u>

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, 2020**

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 District's) under programs of the federal government for the year ended June 30, 2020. 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 District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Liverpool City School District, Columbiana County, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 12, 2021. We noted the District adopted GASB Statement No. 84, Fiduciary Activities, and we also noted the financial impact of COVID-19 and the continuing emergency measures which may 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) as a basis for designing 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies. We consider findings 2020-001 and 2020-002 to be significant deficiencies.

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 financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

May 12, 2021

OHIO AUDITOR OF STATE KEITH FABER



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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 8th 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 East Liverpool City School District's major federal programs for the year ended June 30, 2020. 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 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 the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on National School Breakfast Program and National School Lunch Program

As described in finding 2020-003 in the accompanying schedule of findings, the District did not comply with requirements regarding procurement and suspension and debarment applicable to its National School Breakfast Program and National School Lunch Program applicable to its CFDA #10.553 and #10.555 Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on National School Breakfast Program and National School Lunch Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on 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 National School Breakfast Program and National School Lunch Program for the year ended June 30, 2020.

Unmodified Opinion on the Other Major Federal Program

In our opinion, East Liverpool City School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2020.

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's compliance requirement will not be prevented, or timely detected or corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a 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 2020-003.

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 subject the District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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



Keith Faber
Auditor of State
Columbus, Ohio

May 12, 2021

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**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified – Nutrition Cluster (CFDA #10.553 & 10.555) Unmodified – Title 1 (CFDA #84.010)
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster (CFDA #10.553 & 10.555) Title I (CFDA #84.010)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2020-001

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. Finally, the Budgetary Clerk has administrative rights over the electronic purchasing system;
- 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 maintaining investments; and
- The Treasurer is responsible for all four aspects of internal control over the Intergovernmental revenue cycle which includes recording, posting, and reconciling receipt transaction into Accounting System.

This lack of segregation of duties led to errors going undetected in the District's monthly bank reconciliation which is reported in finding number 2020-002. 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.

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.

Official's Response: See Corrective Action Plan.

FINDING NUMBER 2020-002

Significant Deficiency – 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.

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.

Auditor of State, Management Advisory Services (MAS) Bulletin 91-11 addresses the accounting procedures to follow regarding outstanding, stale dated checks issued by governmental entities. Section 9.39 of the Ohio Rev. Code provides that unclaimed money shall be deposited to the credit of a trust fund and shall be retained there until claimed by its lawful owner. If not claimed within a period of five years, the money shall revert to the General fund of the Public Office.

Testing over the June reconciliation identified the following:

- The accounts payable outstanding check listing included \$39,152 of checks which had cleared the bank, however, the Treasurer failed to mark the checks as cleared in the accounting system. In addition, \$7,977 of checks both cleared the bank and were removed from the accounting system;
- The Employee Flex save account amount reported did not agree to the bank confirmation in the amount of \$3,849;
- One certificate of deposit did not agree to the bank confirmation in the amount of \$1,082, which was the result of the Treasurer failing to post interest earned to the accounting system;
- An unknown reconciling item was reported in the amount of \$479; and
- The payroll outstanding checklist included two checks totaling \$78 which have been outstanding longer than one year.

The matters above resulted in the District not properly reconciling their bank to book balances and as of June 30, a \$43,965 bank over book unreconciled variance existed. As a result, the Auditor of State's Local Government Services Division was hired by the District to reconcile each month's activity.

Further review of the District's monthly reconciliations identified the following:

- Interest was being earned on a monthly basis, however, was not being posted to the accounting system;
- Wire transfers, fees, and electronic payments posted to the accounting system, however, never cleared the bank;
- One check was voided in the accounting system but subsequently cleared the bank; and
- Two receipts were not posted to the accounting system

The items above resulted in the District needing to increase the accounting system by \$42,485, and a final difference amount of \$1,480 could not be identified. The District booked the amounts to the accounting system on April 21, 2021.

**FINDING NUMBER 2020-002
 (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 and has resulted in a cumbersome and/or incorrect reconciliation. Finally, unreconciled amounts 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. Finally, the District should implement policies and procedures which include reviewing the outstanding check list for any stale dated checks and then place these checks in an unclaimed money fund as provided for in MAS Bulletin 91-11.

Official's Response: See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Federal Programs – Procurement and Suspension and Debarment Procedures

Finding Number:	2020-003
CFDA Number and Title:	CFDA # 10.553, National School Breakfast, Program, and CFDA # 10.555, National School Lunch Program
Federal Award Identification Number / Year:	2020
Federal Agency:	United States Department of Education and Agriculture
Compliance Requirement:	Suspension and Debarment
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2019-004

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 2020-003
(Continued)**

During fiscal year 2020, the District entered into transactions with four vendors for the Nutrition Cluster program exceeding \$25,000 but provided no documentation that a verification was performed to ensure these vendors were not suspended or debarred. Although the District's policy states that they do not contract with vendors who are neither suspended nor debarred, there are no procedures in place noted in the policy regarding the matters taken by the District to assure the vendors are neither suspended nor debarred. In addition, a review of the District's policy manual identified it has not been updated to reflect the micro-purchase threshold. This is the result of the District not reviewing their policies and could result in expenditures made to parties excluded by the Federal Government.

The District should establish formal procedures within the policy to help ensure federal requirements over suspension and debarment are satisfied, as well as updating and maintaining the procurement policy in accordance with federal guidelines.

Official's Response: See Corrective Action Plan.

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The East Liverpool City Schools

810 West Eighth Street
East Liverpool, Ohio 43920

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) June 30, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Cash Reconciliation Process Errors	Not Corrected	The Treasurer completes the monthly Cash Rec to ensure a sound process of checks and balances. This has resulted in a consistent Bank to Book balance. Bank Recs, Disbursements and Receipts are presented to the BOE each month.
2019-002	Financial Reporting	Not Corrected	Mis postings for FY 20 were identified dating back clear until FY 19. They have been corrected and the Treasurer maintains control over the posting of financial transactions to ensure these types of errors do not occur again moving forward to increase the reliability of the data.
2019-003	Segregation of Duties	Not Corrected	Considering the size of the district and change of Treasurer, the segregation of functions is being (has been) addressed to the best measures possible and being modified when a weakness is identified. Examples are adding a layer to Payroll transfers, approvals and reconciliations by delegating duties to other members of the staff. The Treasurer has begun to initiate the wire transfers and review all checks being disbursed a second time after approval in the Req/PO process. The control over the bank accounts is being addressed by providing the BOE with monthly reposting to inspect and verify when needed.
2019-004	Procurement and Suspension and Debarment Procedures	Not Corrected	The Food Service director has a policy/procedure in place that will be instituted if contract with OMERESA ends.

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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, 2020

Finding Number: 2020-001
Planned Corrective Action: The Payroll functions have been directly addressed and will continue to be modified when opportunities are identified. An added layer of verification has been instituted utilizing Kim to prepare a spreadsheet of all items so that Treasurer can use that data to reconcile the Payroll account and deductions/checks. In budgetary items, the district is small, so the clerk needs to have admin rights. However, the Treasurer approves all Reqs prior to disbursements then inspects the disbursement check ledger when the checks have been printed to ensure proper payout. The Treasurer provides all monthly Cash Recs, Disbursement and Receipt Ledgers to the BOE monthly for inspection and verification to ensure errors cannot go undetected.

Anticipated Completion Date: 5/13/2021
Responsible Contact Person: Anson S. Wiegand, Treasurer

Finding Number: 2020-002
Planned Corrective Action: Cash Reconciliation is the most important function of providing reliable, credible data. Outstanding checks dating back to FY19 were discovered as a prior lack of reconciliation functions and verification. The Treasurer performs the monthly cash rec of book to bank timely (first week after close of prior month) and effectively. Cash Recs are provided to BOE for verification monthly. All unclaimed checks over a year are investigated and placed in a separate fund as prescribed. The segregation of duty is in the receipt of funds process where we have implemented another member of the staff to receipt all daily deposits into USAS, provide a printed receipt and bank slip to the Treasurer to verify correctness before signing off. This added layer will provide protection against theft, fraud or simple misstatement of monies received when performing the bank to book to fund reconciliation.

Anticipated Completion Date: 5/13/2021
Responsible Contact Person: Anson S. Wiegand, Treasurer

Finding Number: 2020-003
Planned Corrective Action: Policy review with Food Service Supervisor has occurred and the contract with OMERESA has been reviewed. Participation in the consortium provides an added layer of protection that a vendor being utilized has not been suspended or disbarred. Searches of vendors are performed on SAM.GOV when a new vendor is established into the USAS system. The Director bids out certain transactions such as Dairy and Pizza when OMERESA vendor may not be the best for the district. OASBO has been contacted to update our Policy as well in case of a separation from OMERESA.

Anticipated Completion Date: 6/30/2021
Responsible Contact Person: Joy Bock, Food Service

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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 6/15/2021

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