



OHIO AUDITOR OF STATE  
**KEITH FABER**





**CITY OF EAST LIVERPOOL  
COLUMBIANA COUNTY  
DECEMBER 31, 2018**

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COLUMBIANA COUNTY  
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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

City of East Liverpool  
Columbiana County  
126 West 6<sup>th</sup> Street  
East Liverpool, Ohio 43920

To the City Council:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Police Fund, Fire Fund and Street Levy Fund 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 19 to the financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

### **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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber  
Auditor of State

Columbus, Ohio

October 22, 2019

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**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*  
*Unaudited*

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The management's discussion and analysis of the City of East Liverpool's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for 2018 are:

- The City's governmental net position increased during 2018 due to increases in current and other assets resulting from increased income tax collections and receivables as well as increases in net capital assets due to capital asset additions. The business-type net position had a decrease in net position during 2018 primarily due to increases in net OPEB liability and increases in deferred inflows related to pension and OPEB. This decrease was offset by increases in deferred outflows of resources related to OPEB, decreases in net pension liability and reductions.
- Capital asset additions in 2018 included construction in progress on roadwork, waterline and raw water intake projects, land purchases, building improvements, general improvements and the purchase of various equipment and vehicles. 2018 also saw the completion of the several paving projects as the City continues to focus on improving and repairing its roads for the safety of its citizens.
- The City implemented GASB 75, which established standards for measuring and recognizing other postemployment benefit (OPEB) liabilities, deferred outflows/inflows of resources and expense/expenditure. The implementation of this GASB statement resulted in a significant change to the financial statements for the City.

**Using This Financial Report**

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

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

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

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

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially during 2018?" The *Statement of Net Position* and the *Statement of Activities*

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*Management's Discussion and Analysis*  
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*Unaudited*

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answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting method used by the private sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

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

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

The analysis of the City's major funds begins on page 13. Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds which account for the multitude of services, facilities and infrastructure provided to City residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of East Liverpool, the major funds are the general, police, fire, street levy, capital improvements, water, sewer and incinerator funds.

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

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

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***Proprietary Funds***

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

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

***Fiduciary Funds***

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

**The City as a Whole**

The *Statement of Net Position* looks at the City as a whole. Table 1 provides a summary of the City's net position for 2018 compared to 2017.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current and Other Assets	\$6,208,379	\$5,670,680	\$4,766,334	\$4,699,753	\$10,974,713	\$10,370,433
Noncurrent Assets:						
Net Pension Asset	6,425	0	6,964	0	13,389	0
Capital Assets, Net	13,803,315	13,104,644	10,276,057	9,630,419	24,079,372	22,735,063
<i>Total Assets</i>	<u>20,018,119</u>	<u>18,775,324</u>	<u>15,049,355</u>	<u>14,330,172</u>	<u>35,067,474</u>	<u>33,105,496</u>
<b>Deferred Outflows of Resources</b>						
Pension	1,127,312	1,875,930	500,422	1,176,878	1,627,734	3,052,808
OPEB	515,698	24,734	98,658	17,757	614,356	42,491
<i>Total Deferred Outflows of Resources</i>	<u>1,643,010</u>	<u>1,900,664</u>	<u>599,080</u>	<u>1,194,635</u>	<u>2,242,090</u>	<u>3,095,299</u>
<b>Liabilities</b>						
Current and Other Liabilities	799,557	628,155	410,676	370,452	1,210,233	998,607
Long-Term Liabilities:						
Due Within One Year	437,071	478,493	413,142	443,162	850,213	921,655
Due in More than One Year						
Net Pension Liability	6,477,117	7,605,342	2,026,479	3,001,912	8,503,596	10,607,254
Net OPEB Liability	5,483,749	4,806,413	1,333,778	1,282,057	6,817,527	6,088,470
Other Amounts	2,816,044	2,493,441	2,947,795	2,451,340	5,763,839	4,944,781
<i>Total Liabilities</i>	<u>\$16,013,538</u>	<u>\$16,011,844</u>	<u>\$7,131,870</u>	<u>\$7,548,923</u>	<u>\$23,145,408</u>	<u>\$23,560,767</u>

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
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**Table 1**  
**Net Position (continued)**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Deferred Inflows of Resources</b>						
Property Taxes	\$1,409,005	\$1,385,837	\$0	\$0	\$1,409,005	\$1,385,837
Payment in Lieu of Taxes	27,300	0	0	0	27,300	0
Pension	970,548	386,027	519,679	55,964	1,490,227	441,991
OPEB	224,628	0	127,429	0	352,057	0
<i>Total Deferred Inflows of Resources</i>	<u>2,631,481</u>	<u>1,771,864</u>	<u>647,108</u>	<u>55,964</u>	<u>3,278,589</u>	<u>1,827,828</u>
<b>Net Position</b>						
Net Investment in Capital Assets	11,298,021	10,934,765	6,964,287	6,797,065	18,262,308	17,731,830
Restricted:						
Capital Projects	525,541	465,737	0	0	525,541	465,737
Debt Service	443,603	493,418	0	0	443,603	493,418
Street Maintenance and Repair	449,878	441,271	0	0	449,878	441,271
Community Development	113,358	106,849	0	0	113,358	106,849
Other Purposes	722,607	654,014	0	0	722,607	654,014
Unclaimed Monies	4,553	2,299	0	0	4,553	2,299
Unrestricted (Deficit)	<u>(10,541,451)</u>	<u>(10,206,073)</u>	<u>905,170</u>	<u>1,122,855</u>	<u>(9,636,281)</u>	<u>(9,083,218)</u>
<i>Total Net Position</i>	<u>\$3,016,110</u>	<u>\$2,892,280</u>	<u>\$7,869,457</u>	<u>\$7,919,920</u>	<u>\$10,885,567</u>	<u>\$10,812,200</u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board 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.

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*Management's Discussion and Analysis*  
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GASB 68 and GASB 75 require the net pension liability (asset) and the net OPEB liability to equal the City'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 City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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. 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 City'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 (asset) and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating governmental net position at December 31, 2017, from \$7,673,959 to \$2,892,280 and restating business-type net position at December 31, 2017 from \$9,184,220 to \$7,919,920.

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Total current and other assets for governmental activities increased due mainly to an increase in cash and cash equivalents resulting from higher income tax collections attributable to an increase in employee withholding collections as well as to corresponding increases to income tax receivable. Net capital assets for governmental activities increased as a result of current year additions outpacing annual depreciation. The increase in long-term liabilities, other amounts, was due in large part to issuances of additional capital leases exceeding the continued pay-down of long-term obligations.

Total current and other assets for business-type activities increased due to an increase in cash and cash equivalents resulting from higher charges for services revenue as well as to increases in accounts receivable relating to customer accounts. Net capital assets for business-type activities increased as a result of current year additions outpacing annual depreciation. The increase in long-term liabilities, other amounts, for business-type activities was due to new OWDA loans for ongoing water infrastructure projects that were offset by the continued pay-down of outstanding debt.

Table 2 shows the changes in net position for the years ended December 31, 2018 and December 31, 2017.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$2,210,440	\$1,946,679	\$5,557,627	\$5,459,670	\$7,768,067	\$7,406,349
Operating Grants and Contributions	1,549,976	970,407	65,121	35,189	1,615,097	1,005,596
Capital Grants	206,252	1,943,321	0	0	206,252	1,943,321
<b>Total Program Revenues</b>	<b>3,966,668</b>	<b>4,860,407</b>	<b>5,622,748</b>	<b>5,494,859</b>	<b>9,589,416</b>	<b>10,355,266</b>
<i>General Revenues:</i>						
Property Taxes	1,500,157	1,418,163	0	0	1,500,157	1,418,163
Income Tax	3,357,632	3,015,664	0	0	3,357,632	3,015,664
Hotel Taxes	238	990	0	0	238	990
Grants and Entitlements not Restricted to Specific Programs	163,585	160,670	0	0	163,585	160,670
Payment in Lieu of Taxes	28,259	0	0	0	28,259	0
Interest	18	13	15,174	3,783	15,192	3,796
Unrestricted Contributions	0	418,201	0	0	0	418,201
Gain on Sale of Capital Assets	0	0	0	0	0	0
Other	119,848	62,159	78,471	83,375	198,319	145,534
<b>Total General Revenues</b>	<b>5,169,737</b>	<b>5,075,860</b>	<b>93,645</b>	<b>87,158</b>	<b>5,263,382</b>	<b>5,163,018</b>
<b>Total Revenues</b>	<b>\$9,136,405</b>	<b>\$9,936,267</b>	<b>\$5,716,393</b>	<b>\$5,582,017</b>	<b>\$14,852,798</b>	<b>\$15,518,284</b>

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Program Expenses:</b>						
General Government	\$1,471,460	\$1,517,459	\$0	\$0	\$1,471,460	\$1,517,459
Security of Persons and Property	4,693,550	3,901,064	0	0	4,693,550	3,901,064
Transportation	1,846,714	1,710,019	0	0	1,846,714	1,710,019
Public Health and Welfare	388,018	354,938	0	0	388,018	354,938
Leisure Time Activities	154,465	153,523	0	0	154,465	153,523
Community and Economic Development	350,537	329,461	0	0	350,537	329,461
Interest and Fiscal Charges	99,831	75,587	0	0	99,831	75,587
Business-Type Activities	0	0	5,774,856	5,386,034	5,774,856	5,386,034
<b>Total Program Expenses</b>	<b>9,004,575</b>	<b>8,042,051</b>	<b>5,774,856</b>	<b>5,386,034</b>	<b>14,779,431</b>	<b>13,428,085</b>
<i>Excess Revenues over (under) Expenses</i>	131,830	1,894,216	(58,463)	195,983	73,367	2,090,199
Transfers	(8,000)	(5,000)	8,000	5,000	0	0
<b>Change in Net Position</b>	<b>123,830</b>	<b>1,889,216</b>	<b>(50,463)</b>	<b>200,983</b>	<b>73,367</b>	<b>2,090,199</b>
<i>Net Position Beginning of Year</i>	2,892,280	N/A	7,919,920	N/A	10,812,200	N/A
<b>Net Position End of Year</b>	<b>\$3,016,110</b>	<b>\$2,892,280</b>	<b>\$7,869,457</b>	<b>\$7,919,920</b>	<b>\$10,885,567</b>	<b>\$10,812,200</b>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$42,491 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned and adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report an OPEB expense of \$519,891. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-type Activities	Total
Total 2018 program expenses under GASB 75	\$9,004,575	\$5,774,856	\$14,779,431
OPEB expense under GASB 75	(421,136)	(98,755)	(519,891)
2018 contractually required contribution	10,136	506	10,642
Adjusted 2018 program expenses	8,593,575	5,676,607	14,270,182
Total 2017 program expenses under GASB 45	8,042,051	5,386,034	13,428,085
Increase (Decrease) in program expenses not related to OPEB	\$551,524	\$290,573	\$842,097

**City of East Liverpool, Ohio**  
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*Unaudited*

***Governmental Activities***

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

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

Charges for services program revenue increased due to increased revenues generated from fines and forfeitures. Operating grants and contributions increased due mainly to increased grant monies to fund the Dresden Avenue Slip project. Capital grants and contributions program revenue decreased due to greater amounts of monies received from ODOT grants in 2017.

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

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

Another major expense of the City in 2018 was transportation, or the street maintenance and repair department. There was an increase from the prior year due to the City performing more maintenance and repair projects. The street department employs 9 full time employees who provide the City and its citizens many services which include road salting, leaf and debris pickup, paint striping and alley profiling.

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

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

	Governmental Activities			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2018	2017	2018	2017
General Government	\$1,471,460	\$1,517,459	\$590,003	\$685,541
Security of Persons and Property	4,693,550	3,901,064	3,193,959	2,833,942
Transportation	1,846,714	1,710,019	784,203	(856,849)
Public Health and Welfare	388,018	354,938	171,922	157,229
Leisure Time Activities	154,465	153,523	118,234	114,293
Community and Economic Development	350,537	329,461	79,755	171,901
Interest and Fiscal Charges	99,831	75,587	99,831	75,587
<b>Total</b>	<b>\$9,004,575</b>	<b>\$8,042,051</b>	<b>\$5,037,907</b>	<b>\$3,181,644</b>



**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*  
*Unaudited*

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## **The City's Funds**

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

### ***Governmental Funds***

The City's funds are accounted for using the modified accrual basis of accounting. The City focuses on its governmental funds to provide a financial picture on activities as they provide information on how the City did over a period of one year as well as where the City's funds stood at December 31, 2018. The information provided is useful to determine the City's available balances.

The City's major governmental funds are the general fund, the police, fire, street levy special revenue funds and the capital improvements capital projects fund. The general fund had an increase in fund balance due to an increase in revenues generated from income tax collections. The police special revenue fund had a decrease in fund balance due to increased expenditures from increased personal and contractual service costs. The fire special revenue fund had an increase in fund balance due to increased charges for services revenues from the City's ambulance service. The street levy special revenue fund had an increase in fund balance due to efforts to lower transportations expenditures due to efforts to control costs. The capital improvements capital projects fund had an increase in fund balance due to an increase in revenues generated from income tax collections.

### ***Business-Type Funds***

As mentioned earlier, the City's major business-type funds are water, sewer and incinerator. The largest sources of operating revenue for these funds in 2018 were charges for services. The water fund had a decrease in net position due primarily to a reduction of cash and cash equivalents from the continued costs of maintaining and upgrading water assets. The sewer and incinerator funds experienced an increase in net position as revenues outpaced expenses and transfers out.

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

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

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

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*  
*Unaudited*

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**Capital Assets and Debt Administration**

***Capital Assets***

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

***Debt***

At December 31, 2018, outstanding debt is comprised of installment loans, Ohio Public Works Commission (OPWC) loans, Ohio Water Development Authority (OWDA) loans, State Infrastructure Bank (SIB) loans, capital leases and police and fire pension liability.

For additional information see Notes 14 and 15 to the basic financial statements.

**Current Financial Related Activities**

The City continues to strive to provide the services its citizen's desire while maintaining costs. This is a challenge the City's administration deals with. The City is also continuing to upgrade its capital assets and infrastructure in an effort to make improvements when possible. During 2018, the City performed construction work on various paving projects, purchased various equipment and vehicles and continued to make water infrastructure improvements.

**Contacting the City's Finance Department**

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

**City of East Liverpool, Ohio**  
*Statement of Net Position*  
*December 31, 2018*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,205,807	\$3,802,194	\$6,008,001
Materials and Supplies Inventory	39,105	32,265	71,370
Accounts Receivable	541,370	883,249	1,424,619
Intergovernmental Receivable	664,557	0	664,557
Prepaid Items	105,039	48,626	153,665
Income Taxes Receivable	726,846	0	726,846
Property Taxes Receivable	1,878,549	0	1,878,549
Payment in Lieu of Taxes Receivable	27,300	0	27,300
Loans Receivable	19,806	0	19,806
Net Pension Asset	6,425	6,964	13,389
Nondepreciable Capital Assets	2,179,209	967,693	3,146,902
Depreciable Capital Assets, Net	11,624,106	9,308,364	20,932,470
<i>Total Assets</i>	<u>20,018,119</u>	<u>15,049,355</u>	<u>35,067,474</u>
<b>Deferred Outflows of Resources</b>			
Pension	1,127,312	500,422	1,627,734
OPEB	515,698	98,658	614,356
<i>Total Deferred Outflows of Resources</i>	<u>1,643,010</u>	<u>599,080</u>	<u>2,242,090</u>
<b>Liabilities</b>			
Accounts Payable	54,666	123,023	177,689
Contracts Payable	231,675	54,588	286,263
Accrued Wages	164,672	75,632	240,304
Intergovernmental Payable	102,594	32,552	135,146
Matured Compensated Absences Payable	8,959	3,093	12,052
Accrued Interest Payable	26,759	32,067	58,826
Vacation Benefits Payable	206,414	89,721	296,135
Claims Payable	3,818	0	3,818
Long-Term Liabilities:			
Due Within One Year	437,071	413,142	850,213
Due In More Than One Year:			
Net Pension Liability (See Note 11)	6,477,117	2,026,479	8,503,596
Net OPEB Liability (See Note 12)	5,483,749	1,333,778	6,817,527
Other Amounts	2,816,044	2,947,795	5,763,839
<i>Total Liabilities</i>	<u>16,013,538</u>	<u>7,131,870</u>	<u>23,145,408</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,409,005	0	1,409,005
Payment in Lieu of Taxes	27,300	0	27,300
Pension	970,548	519,679	1,490,227
OPEB	224,628	127,429	352,057
<i>Total Deferred Inflows of Resources</i>	<u>2,631,481</u>	<u>647,108</u>	<u>3,278,589</u>
<b>Net Position</b>			
Net Investment in Capital Assets	11,298,021	6,964,287	18,262,308
Restricted for:			
Capital Projects	525,541	0	525,541
Debt Service	443,603	0	443,603
Street Maintenance and Repair	449,878	0	449,878
Community Development	113,358	0	113,358
Other Purposes	722,607	0	722,607
Unclaimed Monies	4,553	0	4,553
Unrestricted (Deficit)	(10,541,451)	905,170	(9,636,281)
<i>Total Net Position</i>	<u>\$3,016,110</u>	<u>\$7,869,457</u>	<u>\$10,885,567</u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2018

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants
<b>Governmental Activities:</b>				
General Government	\$1,471,460	\$880,627	\$356	\$474
Security of Persons and Property	4,693,550	1,128,707	370,884	0
Transportation	1,846,714	65,734	801,741	195,036
Public Health and Welfare	388,018	69,482	146,614	0
Leisure Time Activities	154,465	36,231	0	0
Community and Economic Development	350,537	29,659	230,381	10,742
Interest and Fiscal Charges	99,831	0	0	0
<i>Total Governmental Activities</i>	<u>9,004,575</u>	<u>2,210,440</u>	<u>1,549,976</u>	<u>206,252</u>
<b>Business-Type Activities:</b>				
Water	3,434,226	2,686,706	39,658	0
Sewer	1,327,456	1,737,537	15,756	0
Incinerator	983,668	1,092,571	8,325	0
Swimming Pool	25,126	38,652	1,010	0
Off Street Parking	4,380	2,161	372	0
<i>Total Business-Type Activities</i>	<u>5,774,856</u>	<u>5,557,627</u>	<u>65,121</u>	<u>0</u>
<i>Total - Primary Government</i>	<u>\$14,779,431</u>	<u>\$7,768,067</u>	<u>\$1,615,097</u>	<u>\$206,252</u>

**General Revenues**

Property Taxes Levied for:

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

Income Tax Levied for:

- General Purposes
- Capital Improvements

Hotel Taxes

Grants and Entitlements not Restricted to Specific Programs

Payment in Lieu of Taxes

Interest

Other

*Total General Revenues*

Transfers

*Total General Revenues and Transfers*

Change in Net Position

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

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$590,003)	\$0	(\$590,003)
(3,193,959)	0	(3,193,959)
(784,203)	0	(784,203)
(171,922)	0	(171,922)
(118,234)	0	(118,234)
(79,755)	0	(79,755)
(99,831)	0	(99,831)
<u>(5,037,907)</u>	<u>0</u>	<u>(5,037,907)</u>
0	(707,862)	(707,862)
0	425,837	425,837
0	117,228	117,228
0	14,536	14,536
0	(1,847)	(1,847)
<u>0</u>	<u>(152,108)</u>	<u>(152,108)</u>
<u>(5,037,907)</u>	<u>(152,108)</u>	<u>(5,190,015)</u>
160,320	0	160,320
630,278	0	630,278
63,735	0	63,735
394,273	0	394,273
80,190	0	80,190
171,361	0	171,361
3,106,928	0	3,106,928
250,704	0	250,704
238	0	238
163,585	0	163,585
28,259	0	28,259
18	15,174	15,192
119,848	78,471	198,319
5,169,737	93,645	5,263,382
<u>(8,000)</u>	<u>8,000</u>	<u>0</u>
<u>5,161,737</u>	<u>101,645</u>	<u>5,263,382</u>
123,830	(50,463)	73,367
<u>2,892,280</u>	<u>7,919,920</u>	<u>10,812,200</u>
<u>\$3,016,110</u>	<u>\$7,869,457</u>	<u>\$10,885,567</u>

**City of East Liverpool, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2018*

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Street Levy</u>	<u>Capital Improvements</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$445,870	\$161,838	\$79,643	\$318,122	\$133,179
Materials and Supplies Inventory	0	0	0	0	0
Accounts Receivable	164,589	38,852	25,429	0	0
Intergovernmental Receivable	69,241	14,929	44,353	31,931	0
Prepaid Items	34,378	30,216	20,652	0	0
Income Taxes Receivable	672,333	0	0	0	54,513
Property Taxes Receivable	200,905	49,495	758,250	494,386	0
Payment in Lieu of Taxes Receivable	0	0	0	0	0
Loans Receivable	0	0	0	0	0
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	4,553	0	0	0	0
<i>Total Assets</i>	<u>\$1,591,869</u>	<u>\$295,330</u>	<u>\$928,327</u>	<u>\$844,439</u>	<u>\$187,692</u>
<b>Liabilities</b>					
Accounts Payable	\$22,418	\$20,161	\$3,306	\$2,009	\$2,829
Contracts Payable	0	0	0	0	0
Accrued Wages	41,423	62,592	39,216	0	0
Intergovernmental Payable	33,359	34,938	25,693	0	0
Matured Compensated Absences	8,959	0	0	0	0
<i>Total Liabilities</i>	<u>106,159</u>	<u>117,691</u>	<u>68,215</u>	<u>2,009</u>	<u>2,829</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	150,689	37,124	568,725	370,814	0
Payment In Lieu of Taxes	0	0	0	0	0
Unavailable Revenue	613,913	14,537	233,878	153,388	30,737
<i>Total Deferred Inflows of Resources</i>	<u>764,602</u>	<u>51,661</u>	<u>802,603</u>	<u>524,202</u>	<u>30,737</u>
<b>Fund Balances</b>					
Nonspendable	38,931	30,216	20,652	0	0
Restricted	0	95,762	36,857	318,228	154,126
Committed	0	0	0	0	0
Assigned	255,732	0	0	0	0
Unassigned (Deficit)	426,445	0	0	0	0
<i>Total Fund Balances</i>	<u>721,108</u>	<u>125,978</u>	<u>57,509</u>	<u>318,228</u>	<u>154,126</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$1,591,869</u>	<u>\$295,330</u>	<u>\$928,327</u>	<u>\$844,439</u>	<u>\$187,692</u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
December 31, 2018*

Other Governmental Funds	Total Governmental Funds		
		<b>Total Governmental Fund Balances</b>	<b>\$2,235,286</b>
		<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
		Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	13,803,315
\$937,755	\$2,076,407	Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
39,105	39,105	Delinquent Property Taxes	469,544
312,500	541,370	Income Taxes	412,396
504,103	664,557	Intergovernmental	514,067
19,793	105,039	Fees, Licenses and Permits	140,868
0	726,846	Contributions and Donations	312,500
375,513	1,878,549	Total	1,849,375
27,300	27,300	An internal service fund is used by management to charge the costs of workers' compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	121,029
19,806	19,806	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(26,759)
0	4,553	The net pension asset, net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
\$2,235,875	\$6,083,532	Net Pension Asset	6,425
		Deferred Outflows - Pension	1,127,312
\$3,943	\$54,666	Net Pension Liability	(6,477,117)
231,675	231,675	Deferred Inflows - Pension	(970,548)
21,441	164,672	Deferred Outflows - OPEB	515,698
8,604	102,594	Net OPEB Liability	(5,483,749)
0	8,959	Deferred Inflows - OPEB	(224,628)
265,663	562,566	Total	(11,506,607)
		Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(206,414)
281,653	1,409,005	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
27,300	27,300	Installment Loans	(100,727)
802,922	1,849,375	OPWC Loans	(154,813)
1,111,875	3,285,680	SIB Loans	(1,512,268)
		Capital Leases	(737,486)
58,898	148,697	Compensated Absences	(104,059)
999,018	1,603,991	Police and Fire Pension	(643,762)
10,260	10,260	Total	(3,253,115)
2,380	258,112		
(212,219)	214,226		
858,337	2,235,286		
\$2,235,875	\$6,083,532	<i>Net Position of Governmental Activities</i>	<b>\$3,016,110</b>

**City of East Liverpool, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2018*

	General	Police	Fire	Street Levy	Capital Improvements
<b>Revenues</b>					
Property Taxes	\$155,353	\$38,182	\$586,001	\$382,209	\$0
Income Taxes	3,027,700	0	0	0	244,489
Hotel Taxes	178	0	0	0	0
Payment in Lieu of Taxes	0	0	0	0	0
Intergovernmental	150,545	114,250	108,863	61,709	0
Interest	0	0	0	0	0
Fees, Licenses and Permits	512,427	0	0	0	0
Fines and Forfeitures	353,374	967,982	0	0	0
Charges for Services	11,669	68,275	66,860	0	0
Contributions and Donations	0	0	500	0	0
Other	14,223	25,922	13,625	4,000	300
<i>Total Revenues</i>	<u>4,225,469</u>	<u>1,214,611</u>	<u>775,849</u>	<u>447,918</u>	<u>244,789</u>
<b>Expenditures</b>					
Current:					
General Government	1,382,949	0	0	0	0
Security of Persons and Property	0	2,940,037	1,189,342	0	0
Transportation	0	0	0	351,630	0
Public Health and Welfare	188,563	0	0	0	0
Leisure Time Activities	135,571	0	0	0	0
Community and Economic Development	88,781	0	0	0	0
Capital Outlay	0	0	0	39,995	593,418
Debt Service:					
Principal Retirement	4,710	10,655	17,491	71,624	212,884
Interest and Fiscal Charges	1,885	10,044	18,568	2,147	21,264
<i>Total Expenditures</i>	<u>1,802,459</u>	<u>2,960,736</u>	<u>1,225,401</u>	<u>465,396</u>	<u>827,566</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,423,010</u>	<u>(1,746,125)</u>	<u>(449,552)</u>	<u>(17,478)</u>	<u>(582,777)</u>
<b>Other Financing Sources (Uses)</b>					
Inception of Capital Lease	0	0	0	39,995	499,924
Installment Loans Issued	0	0	0	0	90,000
SIB Loans Issued	0	0	0	0	0
Transfers In	0	1,685,000	480,000	0	0
Transfers Out	(2,310,392)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,310,392)</u>	<u>1,685,000</u>	<u>480,000</u>	<u>39,995</u>	<u>589,924</u>
<i>Net Change in Fund Balances</i>	112,618	(61,125)	30,448	22,517	7,147
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>608,490</u>	<u>187,103</u>	<u>27,061</u>	<u>295,711</u>	<u>146,979</u>
<i>Fund Balances End of Year</i>	<u>\$721,108</u>	<u>\$125,978</u>	<u>\$57,509</u>	<u>\$318,228</u>	<u>\$154,126</u>

See accompanying notes to the basic financial statements



**City of East Liverpool, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2018*

Other Governmental Funds	Total Governmental Funds		
		<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$1,073</b>
		<b>Amounts reported for governmental activities in the statement of activities are different because:</b>	
		Governmental funds report capital outlays as expenditures.	
		However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:	
\$290,058	\$1,451,803	Capital Asset Additions	1,546,776
0	3,272,189	Current Year Depreciation	(803,791)
60	238	Total	742,985
28,259	28,259		
1,262,567	1,697,934	Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(44,314)
18	18		
49,945	562,372	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
155,596	1,476,952	Delinquent Property Taxes	48,354
36,892	183,696	Income Taxes	85,443
56,865	57,365	Intergovernmental	214,514
61,778	119,848	Fees, Licenses and Permits	(12,580)
		Contributions and Donations	(50,000)
		Total	285,731
1,942,038	8,850,674	Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:	
		Pension	630,456
		OPEB	10,136
		Total	640,592
		Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities are reported as pension expense in the statement of activities:	
		Pension	(828,945)
		OPEB	(421,136)
		Total	(1,250,081)
		Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	495,625
		In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(11,636)
		Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
		Vacation Benefits Payable	(14,567)
		Compensated Absences	27,661
		Total	13,094
		Other financing sources in the governmental funds increase long-term liabilities in the statement of net position:	
		Installment Loan Issued	(90,000)
		Inception of Capital Lease	(545,626)
		SIB Loans Issued	(168,841)
		Total	(804,467)
		The internal service funds used by management are not reported in the City-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	55,228
		<b>Change in Net Position of Governmental Activities</b>	<b>\$123,830</b>

**City of East Liverpool, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$145,627	\$153,200	\$155,353	\$2,153
Income Taxes	2,767,037	2,923,500	2,990,606	67,106
Hotel Taxes	1,426	1,500	273	(1,227)
Intergovernmental	138,557	145,763	149,346	3,583
Fees, Licenses and Permits	499,629	525,613	527,374	1,761
Fines and Forfeitures	360,264	379,000	396,877	17,877
Charges for Services	8,227	8,573	11,669	3,096
Other	23,100	24,294	14,223	(10,071)
<i>Total Revenues</i>	<u>3,943,867</u>	<u>4,161,443</u>	<u>4,245,721</u>	<u>84,278</u>
<b>Expenditures</b>				
Current:				
General Government	1,401,429	1,570,927	1,436,734	134,193
Public Health and Welfare	187,561	200,503	186,658	13,845
Leisure Time Activities	126,667	132,256	128,928	3,328
Community and Economic Development	120,801	97,923	88,783	9,140
Debt Service:				
Principal Retirement	4,710	4,710	4,710	0
Interest and Fiscal Charges	1,885	1,885	1,885	0
<i>Total Expenditures</i>	<u>1,843,053</u>	<u>2,008,204</u>	<u>1,847,698</u>	<u>160,506</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	2,100,814	2,153,239	2,398,023	244,784
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(2,272,781)	(2,402,781)	(2,310,892)	91,889
<i>Net Change in Fund Balance</i>	(171,967)	(249,542)	87,131	336,673
<i>Fund Balance Beginning of Year</i>	237,302	237,302	237,302	0
Prior Year Encumbrances Appropriated	64,888	64,888	64,888	0
<i>Fund Balance End of Year</i>	<u>\$130,223</u>	<u>\$52,648</u>	<u>\$389,321</u>	<u>\$336,673</u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Police Fund*  
*For the Year Ended December 31, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$17,010	\$36,300	\$38,182	\$1,882
Intergovernmental	53,091	113,300	114,250	950
Fines and Forfeitures	590,835	1,260,883	1,140,141	(120,742)
Charges for Services	33,307	71,080	68,275	(2,805)
Other	937	2,000	25,922	23,922
<i>Total Revenues</i>	695,180	1,483,563	1,386,770	(96,793)
<b>Expenditures</b>				
Current:				
Security of Persons and Property	2,563,595	3,333,295	3,122,829	210,466
Debt Service:				
Principal Retirement	10,655	10,655	10,655	0
Interest and Fiscal Charges	10,044	10,044	10,044	0
<i>Total Expenditures</i>	2,584,294	3,353,994	3,143,528	210,466
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,889,114)	(1,870,431)	(1,756,758)	113,673
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,764,200	1,764,200	1,685,000	(79,200)
<i>Net Change in Fund Balance</i>	(124,914)	(106,231)	(71,758)	34,473
<i>Fund Balance Beginning of Year</i>	25,543	25,543	25,543	0
Prior Year Encumbrances Appropriated	99,999	99,999	99,999	0
<i>Fund Balance End of Year</i>	\$628	\$19,311	\$53,784	\$34,473

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire Fund*  
*For the Year Ended December 31, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$390,613	\$555,850	\$586,001	\$30,151
Intergovernmental	63,457	90,300	108,863	18,563
Charges for Services	112,437	160,000	41,431	(118,569)
Contributions and Donations	351	500	500	0
Other	34,362	48,898	13,625	(35,273)
<i>Total Revenues</i>	601,220	855,548	750,420	(105,128)
<b>Expenditures</b>				
Current:				
Security of Persons and Property	1,120,048	1,254,436	1,192,795	61,641
Debt Service:				
Principal Retirement	17,491	17,491	17,491	0
Interest and Fiscal Charges	18,568	18,568	18,568	0
<i>Total Expenditures</i>	1,156,107	1,290,495	1,228,854	61,641
<i>Excess of Revenues Over (Under) Expenditures</i>	(554,887)	(434,947)	(478,434)	(43,487)
<b>Other Financing Sources (Uses)</b>				
Transfers In	510,000	510,000	480,000	(30,000)
<i>Net Change in Fund Balance</i>	(44,887)	75,053	1,566	(73,487)
<i>Fund Balance Beginning of Year</i>	38,973	38,973	38,973	0
Prior Year Encumbrances Appropriated	17,014	17,014	17,014	0
<i>Fund Balance End of Year</i>	\$11,100	\$131,040	\$57,553	(\$73,487)

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Street Levy Fund*  
*For the Year Ended December 31, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$370,300	\$370,300	\$382,209	\$11,909
Intergovernmental	53,000	53,000	59,594	6,594
Other	4,000	4,000	4,000	0
<i>Total Revenues</i>	<u>427,300</u>	<u>427,300</u>	<u>445,803</u>	<u>18,503</u>
<b>Expenditures</b>				
Current:				
Transportation	479,739	504,194	439,150	65,044
Debt Service:				
Principal Retirement	71,624	71,624	71,624	0
Interest and Fiscal Charges	2,147	2,147	2,147	0
<i>Total Expenditures</i>	<u>553,510</u>	<u>577,965</u>	<u>512,921</u>	<u>65,044</u>
<i>Net Change in Fund Balance</i>	(126,210)	(150,665)	(67,118)	83,547
<i>Fund Balance Beginning of Year</i>	279,398	279,398	279,398	0
Prior Year Encumbrances Appropriated	<u>16,313</u>	<u>16,313</u>	<u>16,313</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$169,501</u>	<u>\$145,046</u>	<u>\$228,593</u>	<u>\$83,547</u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**December 31, 2018**

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
<b>Assets</b>						
<i>Current Assets:</i>						
Equity in Pooled Cash and Cash Equivalents	\$2,278,769	\$860,880	\$629,496	\$33,049	\$3,802,194	\$124,847
Accounts Receivable	404,474	306,195	172,580	0	883,249	0
Materials and Supplies Inventory	27,290	4,975	0	0	32,265	0
Prepaid Items	22,183	17,496	8,947	0	48,626	0
<i>Total Current Assets</i>	<u>2,732,716</u>	<u>1,189,546</u>	<u>811,023</u>	<u>33,049</u>	<u>4,766,334</u>	<u>124,847</u>
<i>Non-Current Assets:</i>						
Net Pension Asset	4,150	1,874	940	0	6,964	0
Nondepreciable Capital Assets	961,545	6,148	0	0	967,693	0
Depreciable Capital Assets, Net	7,655,323	1,277,857	361,814	13,370	9,308,364	0
<i>Total Non-Current Assets</i>	<u>8,621,018</u>	<u>1,285,879</u>	<u>362,754</u>	<u>13,370</u>	<u>10,283,021</u>	<u>0</u>
<i>Total Assets</i>	<u>11,353,734</u>	<u>2,475,425</u>	<u>1,173,777</u>	<u>46,419</u>	<u>15,049,355</u>	<u>124,847</u>
<b>Deferred Outflows of Resources</b>						
Pension	299,932	133,660	66,830	0	500,422	0
OPEB	58,815	26,562	13,281	0	98,658	0
<i>Total Deferred Outflows of Resources</i>	<u>358,747</u>	<u>160,222</u>	<u>80,111</u>	<u>0</u>	<u>599,080</u>	<u>0</u>
<b>Liabilities</b>						
<i>Current Liabilities:</i>						
Accounts Payable	41,540	66,791	14,692	0	123,023	0
Contracts Payable	54,588	0	0	0	54,588	0
Accrued Wages	39,861	22,285	13,486	0	75,632	0
Intergovernmental Payable	17,863	9,173	5,516	0	32,552	0
Matured Compensated Absences Payable	3,093	0	0	0	3,093	0
Accrued Interest Payable	28,621	3,181	265	0	32,067	0
Vacation Benefits Payable	45,002	34,198	10,521	0	89,721	0
Installment Loans Payable	21,481	0	0	0	21,481	0
OPWC Loans Payable	4,263	0	0	0	4,263	0
OWDA Loans Payable	248,074	8,650	0	0	256,724	0
Capital Leases Payable	14,281	56,673	30,307	0	101,261	0
Compensated Absences Payable	18,666	4,547	6,200	0	29,413	0
Claims Payable	0	0	0	0	0	3,818
<i>Total Current Liabilities</i>	<u>537,333</u>	<u>205,498</u>	<u>80,987</u>	<u>0</u>	<u>823,818</u>	<u>3,818</u>
<i>Long-Term Liabilities (net of current portion):</i>						
OPWC Loans Payable	4,262	0	0	0	4,262	0
OWDA Loans Payable	2,669,456	153,991	0	0	2,823,447	0
Capital Leases Payable	0	36,582	63,750	0	100,332	0
Net Pension Liability	1,208,093	545,590	272,796	0	2,026,479	0
Net OPEB Liability	795,136	359,094	179,548	0	1,333,778	0
Compensated Absences Payable	12,679	7,075	0	0	19,754	0
<i>Total Long-Term Liabilities</i>	<u>4,689,626</u>	<u>1,102,332</u>	<u>516,094</u>	<u>0</u>	<u>6,308,052</u>	<u>0</u>
<i>Total Liabilities</i>	<u>5,226,959</u>	<u>1,307,830</u>	<u>597,081</u>	<u>0</u>	<u>7,131,870</u>	<u>3,818</u>
<b>Deferred Inflows of Resources</b>						
Pension	307,552	139,276	72,851	0	519,679	0
OPEB	75,967	34,308	17,154	0	127,429	0
<i>Total Deferred Inflows of Resources</i>	<u>383,519</u>	<u>173,584</u>	<u>90,005</u>	<u>0</u>	<u>647,108</u>	<u>0</u>
<b>Net Position</b>						
Net Investment in Capital Assets	5,655,051	1,028,109	267,757	13,370	6,964,287	0
Unrestricted	446,952	126,124	299,045	33,049	905,170	121,029
<i>Total Net Position</i>	<u>\$6,102,003</u>	<u>\$1,154,233</u>	<u>\$566,802</u>	<u>\$46,419</u>	<u>\$7,869,457</u>	<u>\$121,029</u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2018*

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
<b>Operating Revenues</b>						
Charges for Services	\$2,686,706	\$1,737,537	\$1,092,571	\$40,813	\$5,557,627	\$205,919
Other	63,855	6,977	1,222	6,417	78,471	0
<i>Total Operating Revenues</i>	<u>2,750,561</u>	<u>1,744,514</u>	<u>1,093,793</u>	<u>47,230</u>	<u>5,636,098</u>	<u>205,919</u>
<b>Operating Expenses</b>						
Personal Services	1,771,936	833,287	561,089	20,146	3,186,458	0
Contractual Services	826,687	278,874	230,874	1,168	1,337,603	740
Materials and Supplies	379,512	75,920	98,442	3,577	557,451	0
Depreciation	383,621	118,658	80,879	1,779	584,937	0
Claims	0	0	0	0	0	149,951
Other	11,681	12,710	8,540	2,836	35,767	0
<i>Total Operating Expenses</i>	<u>3,373,437</u>	<u>1,319,449</u>	<u>979,824</u>	<u>29,506</u>	<u>5,702,216</u>	<u>150,691</u>
<i>Operating Income (Loss)</i>	<u>(622,876)</u>	<u>425,065</u>	<u>113,969</u>	<u>17,724</u>	<u>(66,118)</u>	<u>55,228</u>
<b>Non-Operating Revenues (Expenses)</b>						
Operating Grants	39,658	15,756	8,325	1,382	65,121	0
Interest	15,174	0	0	0	15,174	0
Loss on Disposal of Capital Assets	0	(470)	0	0	(470)	0
Interest and Fiscal Charges	(60,789)	(7,537)	(3,844)	0	(72,170)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(5,957)</u>	<u>7,749</u>	<u>4,481</u>	<u>1,382</u>	<u>7,655</u>	<u>0</u>
<i>Income (Loss) before Transfers</i>	<u>(628,833)</u>	<u>432,814</u>	<u>118,450</u>	<u>19,106</u>	<u>(58,463)</u>	<u>55,228</u>
Transfers In	189,917	0	0	8,000	197,917	0
Transfers Out	0	(171,617)	(18,300)	0	(189,917)	0
<i>Change in Net Position</i>	<u>(438,916)</u>	<u>261,197</u>	<u>100,150</u>	<u>27,106</u>	<u>(50,463)</u>	<u>55,228</u>
<i>Net Position Beginning Restated - (See Note 19)</i>	<u>6,540,919</u>	<u>893,036</u>	<u>466,652</u>	<u>19,313</u>	<u>7,919,920</u>	<u>65,801</u>
<i>Net Position End of Year</i>	<u>\$6,102,003</u>	<u>\$1,154,233</u>	<u>\$566,802</u>	<u>\$46,419</u>	<u>\$7,869,457</u>	<u>\$121,029</u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2018**

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>						
<b>Cash Flows from Operating Activities</b>						
Cash Received from Customers	\$2,749,198	\$1,749,335	\$1,086,857	\$40,813	\$5,626,203	\$0
Cash Received from Interfund Services Provided	0	0	0	0	0	205,919
Other Cash Receipts	63,855	6,977	1,222	6,417	78,471	0
Cash Payments to Employees for Services	(1,619,829)	(764,208)	(539,565)	(20,278)	(2,943,880)	0
Cash Payments for Goods and Services	(1,157,019)	(343,534)	(330,204)	(4,745)	(1,835,502)	(740)
Cash Payments for Claims	0	0	0	0	0	(159,472)
Other Cash Payments	(11,681)	(12,710)	(8,540)	(2,836)	(35,767)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>24,524</u>	<u>635,860</u>	<u>209,770</u>	<u>19,371</u>	<u>889,525</u>	<u>45,707</u>
<b>Cash Flows from Noncapital Financing Activities</b>						
Operating Grants	39,658	15,756	8,325	1,382	65,121	0
Transfers In	189,917	0	0	8,000	197,917	0
Transfers Out	0	(171,617)	(18,300)	0	(189,917)	0
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>229,575</u>	<u>(155,861)</u>	<u>(9,975)</u>	<u>9,382</u>	<u>73,121</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Proceeds from OWDA Loans	890,388	0	0	0	890,388	0
Principal Paid on Installment Loans	(33,309)	0	0	0	(33,309)	0
Interest Paid on Installment Loans	(1,741)	0	0	0	(1,741)	0
Principal Paid on OWDA Loans	(225,108)	(8,430)	0	0	(233,538)	0
Interest Paid on OWDA Loans	(61,627)	(4,377)	0	0	(66,004)	0
Principal Paid on OPWC Loan	(4,264)	0	0	0	(4,264)	0
Principal Paid on Capital Lease	(56,313)	(55,241)	(29,307)	0	(140,861)	0
Interest Paid on Capital Lease	(1,028)	(3,853)	(3,927)	0	(8,808)	0
Payments for Capital Acquisitions	(1,041,428)	(175,404)	(14,213)	0	(1,231,045)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(534,430)</u>	<u>(247,305)</u>	<u>(47,447)</u>	<u>0</u>	<u>(829,182)</u>	<u>0</u>
<b>Cash Flows from Investing Activities</b>						
Interest on Investments	15,174	0	0	0	15,174	0
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(265,157)</u>	<u>232,694</u>	<u>152,348</u>	<u>28,753</u>	<u>148,638</u>	<u>45,707</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,543,926</u>	<u>628,186</u>	<u>477,148</u>	<u>4,296</u>	<u>3,653,556</u>	<u>79,140</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$2,278,769</u>	<u>\$860,880</u>	<u>\$629,496</u>	<u>\$33,049</u>	<u>\$3,802,194</u>	<u>\$124,847</u>

See accompanying notes to the basic financial statements

(continued)



**City of East Liverpool, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
For the Year Ended December 31, 2018

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>						
Operating Income (Loss)	(\$622,876)	\$425,065	\$113,969	\$17,724	(\$66,118)	\$55,228
Adjustments:						
Depreciation	383,621	118,658	80,879	1,779	584,937	0
<i>(Increase) Decrease in Assets:</i>						
Accounts Receivable	62,492	23,798	(5,714)	0	80,576	0
Prepaid Items	344	871	514	307	2,036	0
Net Pension Asset	(2,555)	(1,154)	(579)	0	(4,288)	0
Materials and Supplies Inventory	(555)	0	0	0	(555)	0
(Increase) Decrease in Deferred Outflows - Pension	241,635	98,409	49,204	0	389,248	0
(Increase) Decrease in Deferred Outflows - OPEB	38,260	17,279	8,639	0	64,178	0
<i>Increase (Decrease) in Liabilities:</i>						
Accounts Payable	(4,871)	(599)	(531)	0	(6,001)	0
Contracts Payable	54,344	0	0	0	54,344	0
Accrued Wages	(2,485)	2,370	3,999	(306)	3,578	0
Accrued Vacation Leave Payable	(10,365)	(2,559)	729	0	(12,195)	0
Matured Compensated Absences Payable	3,093	0	0	0	3,093	0
Compensated Absences Payable	(14,049)	1,014	1,054	0	(11,981)	0
Intergovernmental Payable	138	894	889	(133)	1,788	0
Net Pension Liability	26,275	11,867	5,933	0	44,075	0
Net OPEB Liability	43,120	19,474	9,738	0	72,332	0
(Increase) Decrease in Deferred Inflows - Pension	(148,233)	(69,226)	(53,802)	0	(271,261)	0
(Increase) Decrease in Deferred Inflows - OPEB	(22,809)	(10,301)	(5,151)	0	(38,261)	0
Claims Payable	0	0	0	0	0	(9,521)
<i>Total Adjustments</i>	647,400	210,795	95,801	1,647	955,643	(9,521)
<i>Net Cash Provided by (Used for) Operating Activities</i>	\$24,524	\$635,860	\$209,770	\$19,371	\$889,525	\$45,707

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2018*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$156,524
Cash and Cash Equivalents in Segregated Accounts	<u>20,043</u>
<i>Total Assets</i>	<u><u>\$176,567</u></u>
 <b>Liabilities</b>	
Undistributed Monies	<u><u>\$176,567</u></u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2018*

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

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

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

***Reporting Entity***

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

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

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

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

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

***Basis of Presentation***

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2018*

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

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

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

**Fund Accounting**

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

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

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

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

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2018*

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

***Capital Improvements Fund*** The capital improvements capital projects fund accounts for and reports restricted revenues to be used for capital improvements to the City.

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

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

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

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

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

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

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

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

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

***Measurement Focus***

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2018*

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***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

***Basis of Accounting***

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

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

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

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2018*

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include payments in lieu of taxes, property taxes, pension, OPEB and unavailable revenue. Payments in lieu of taxes and property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, fees, licenses and permits and intergovernmental monies. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12)

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

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

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

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

***Cash and Cash Equivalents***

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

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
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Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the water fund during 2018 amounted to \$15,174, which includes \$9,412 assigned from other City funds.

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

***Inventory***

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

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

***Restricted Assets***

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

***Capital Assets***

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

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

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



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

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

***Compensated Absences***

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

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

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Capital leases and loans are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

***Fund Balance***

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2018*

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

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

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by Council. In the general fund, assigned amounts represent intended uses established by policies of the City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the City Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenue and appropriations in 2019’s budget and for recreation.

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

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2018*

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***Net Position***

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

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

***Operating Revenues and Expenses***

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

***Interfund Activity***

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

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

***Estimates***

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

***Budgetary Process***

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2018*

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

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

**Note 3 – Fund Deficits**

At December 31, 2018, the FEMA special revenue fund had a deficit fund balance of \$212,219. The deficit in the fund is caused by the application of generally accepted accounting principles to this fund. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 4 - Budgetary Basis of Accounting**

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

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

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
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The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and for the major special revenue funds.

	Net Change in Fund Balance			
	General	Police	Fire	Street Levy
GAAP Basis	\$112,618	(\$61,125)	\$30,448	\$22,517
Adjustment for Revenue Accruals	21,752	172,159	(25,429)	(42,110)
Beginning Unrecorded Cash	(3,081)	0	0	0
Ending Unrecorded Cash	5,921	0	0	0
Adjustment for Expenditure Accruals	9,681	(74,738)	18,637	42,004
Perspective Difference:				
Playground Fund	5,306	0	0	0
Adjustment for Encumbrances	(65,066)	(108,054)	(22,090)	(89,529)
Budget Basis	\$87,131	(\$71,758)	\$1,566	(\$67,118)

**Note 5 - Deposits and Investments**

Monies held by the City are classified by State statute into three categories.

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2018*

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

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

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

The City has passed an ordinance allowing the City to invest monies not required to be used for a period of six months or more in the following:

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2018*

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**Note 6 - Receivables**

Receivables at December 31, 2018, consisted primarily of municipal income taxes, property taxes, hotel taxes, accounts, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables except for delinquent property taxes and loans receivable are expected to be collected in one year. Property taxes, although ultimately collectible, include some portions of delinquencies that will not be collected within one year.

Loans receivable presented in the other governmental funds represents a low interest loan for development projects and home improvements granted to eligible City residents under Federal Grant programs. The loan bears interest at an annual rate of five percent. The loan is to be repaid over fifteen years. Loans expected to be collected in more than one year are \$10,865.

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes were levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018, was \$19.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2018 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Real Estate:	
Residential/Agricultural	\$57,202,690
Commercial/Industrial	23,316,070
Minerals	70
Public Utility Personal Property	<u>10,385,970</u>
Total	<u><u>\$90,904,800</u></u>

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2018*

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2018, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2018 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

***Municipal Income Taxes***

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

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

***Payments in Lieu of Taxes***

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

***Intergovernmental Receivable***

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

Governmental Activities	Amount
Dresden Ave Federal/State Grants	\$212,219
Homestead and Rollback	103,591
Gasoline Tax	100,958
Permissive Tax	76,444
Cents Per Gallon	51,573
Local Government	45,591
Vehicle Registration	27,052
Municipal Court	18,160
Dispatching	12,750
Victim Witness Assistance Grant	8,692
Other Amounts	4,977
Opioid Grant	2,550
Total Intergovernmental Receivables	\$664,557



**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2018*

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**Note 7 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2018, the City contracted with U.S. Specialty Insurance Company for its property and liability insurance. Cooper Insurance serves as the City's agent.

During 2018, the City purchased the following insurance coverage:

Coverage	Limit
Building and Contents	\$9,081,617
Inland Marine	2,194,835
Automobile Liability	1,000,000
Crime Insurance	30,000
Employee Dishonesty	50,000
Excess Liability	5,000,000
Wrongful Acts Liability	1,000,000
Employee Benefits Liability:	
Per Employee	1,000,000
Aggregate	3,000,000
General Liability:	
Per Occurrence	1,000,000
Aggregate	3,000,000
Law Enforcement Liability	1,000,000

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

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

***Employee Insurance Benefits***

In mid-2012, the City elected to cover the deductible cost of medical insurance through a self-insured program. The maintenance of these benefits is accounted for in the internal service fund. The deductible amount for medical in 2018 was \$2,500 for single and \$5,000 for family. Incurred but not reported claims of \$3,818 have been accrued as a liability based on a review of 2019 billings provided by the City Auditor's Office.

The claims liability of \$3,818 reported in the internal service fund at December 31, 2018 is based on the requirements of Governmental Accounting Standards Board Statement No. 30 "Risk Financing Omnibus," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the fund's claims liability amount for 2017 and 2018 were:

**City of East Liverpool, Ohio**  
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	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2017	\$11,980	\$205,690	\$204,331	\$13,339
2018	13,339	149,951	159,472	3,818

**Note 8 – Contingencies**

***Grants***

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

***Litigation***

Several claims and lawsuits are pending against the City. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the City at December 31, 2018.

**Note 9 – Other Employee Benefits**

***Compensated Absences***

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

***Insurance***

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

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

**City of East Liverpool, Ohio**  
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**Note 10 – Capital Assets**

Capital asset activity for governmental activities for the year ended December 31, 2018, was as follows:

	<u>Balance</u> 12/31/2017	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 12/31/2018
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$1,837,762	\$41,807	\$0	\$1,879,569
Construction in Progress	2,245,108	469,281	(2,414,749)	299,640
<i>Total Capital Assets, not being depreciated</i>	<u>4,082,870</u>	<u>511,088</u>	<u>(2,414,749)</u>	<u>2,179,209</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	439,315	44,108	0	483,423
Improvements other than Buildings	306,791	4,735	0	311,526
Machinery and Equipment	4,638,472	900,790	(79,799)	5,459,463
Infrastructure	11,597,490	2,500,804	0	14,098,294
<i>Total Capital Assets, being depreciated</i>	<u>16,982,068</u>	<u>3,450,437</u>	<u>(79,799)</u>	<u>20,352,706</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(299,164)	(6,740)	0	(305,904)
Improvements other than Buildings	(271,675)	(6,152)	0	(277,827)
Machinery and Equipment	(3,555,080)	(217,719)	35,485	(3,737,314)
Infrastructure	(3,834,375)	(573,180)	0	(4,407,555)
<i>Total Accumulated Depreciation</i>	<u>(7,960,294)</u>	<u>(803,791) *</u>	<u>35,485</u>	<u>(8,728,600)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>9,021,774</u>	<u>2,646,646</u>	<u>(44,314)</u>	<u>11,624,106</u>
<i>Governmental Activities</i>				
<i>Capital Assets, Net</i>	<u>\$13,104,644</u>	<u>\$3,157,734</u>	<u>(\$2,459,063)</u>	<u>\$13,803,315</u>

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

General Government	\$15,500
Security of Persons and Property	83,762
Transportation	670,202
Public Health and Welfare	1,284
Leisure Time Activities	17,988
Community and Economic Development	15,055
<b>Total Depreciation Expense</b>	<u>\$803,791</u>

**City of East Liverpool, Ohio**  
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Capital asset activity for business-type activities for the year ended December 31, 2018, was as follows:

	Balance 12/31/2017	Additions	Deductions	Balance 12/31/2018
<b>Business-Type Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$25,771	\$0	\$0	\$25,771
Construction in Progress	33,648	908,274	0	941,922
<i>Total Capital Assets, not being depreciated</i>	<u>59,419</u>	<u>908,274</u>	<u>0</u>	<u>967,693</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	5,030,941	0	0	5,030,941
Machinery and Equipment	5,409,819	322,771	(9,346)	5,723,244
Infrastructure	9,132,493	0	0	9,132,493
Water Lines	2,416,476	0	0	2,416,476
Sewer Lines	2,873,362	0	0	2,873,362
<i>Total Capital Assets, being depreciated</i>	<u>24,863,091</u>	<u>322,771</u>	<u>(9,346)</u>	<u>25,176,516</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(3,258,437)	(98,945)	0	(3,357,382)
Machinery and Equipment	(3,827,932)	(256,736)	8,876	(4,075,792)
Infrastructure	(4,729,496)	(176,835)	0	(4,906,331)
Water Lines	(1,101,302)	(29,315)	0	(1,130,617)
Sewer Lines	(2,374,924)	(23,106)	0	(2,398,030)
<i>Total Accumulated Depreciation</i>	<u>(15,292,091)</u>	<u>(584,937) *</u>	<u>8,876</u>	<u>(15,868,152)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>9,571,000</u>	<u>(262,166)</u>	<u>(470)</u>	<u>9,308,364</u>
<i>Business-Type Activities</i>				
<i>Capital Assets, Net</i>	<u>\$9,630,419</u>	<u>\$646,108</u>	<u>(\$470)</u>	<u>\$10,276,057</u>

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

Water	\$383,621
Sewer	118,658
Incinerator	80,879
Off Street Parking	1,649
Swimming Pool	130
Total	<u>\$584,937</u>

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2018*

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**Note 11 – Defined Benefit Pension Plans**

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

***Net Pension Liability (Asset)/Net OPEB Liability***

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

The net pension/OPEB liability (asset) represent the City’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/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.

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

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

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

**City of East Liverpool, Ohio**  
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***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

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

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

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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

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

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living

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adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

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

	State and Local
<b>2018 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee *	10.0 %
 <b>2018 Actual Contribution Rates</b>	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

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

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

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

**City of East Liverpool, Ohio**  
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For 2018, The City's contractually required contribution was \$477,837 for the traditional plan, \$5,589 for the combined plan and \$2,433 for the member-directed plan. Of these amounts, \$58,990 is reported as an intergovernmental payable for the traditional plan, \$691 for the combined plan, and \$301 for the member-directed plan.

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

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

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

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

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

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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



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	<u>Police</u>	<u>Firefighters</u>
<b>2018 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
<b>2018 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$398,411 for 2018. Of this amount, \$52,701 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2018, the specific liability of the City was \$643,762, payable in semi-annual payments through the year 2035.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.024841%	0.009835%	0.075056%	
Prior Measurement Date	<u>0.025422%</u>	<u>0.010681%</u>	<u>0.076325%</u>	
Change in Proportionate Share	<u>-0.000581%</u>	<u>-0.000846%</u>	<u>-0.001269%</u>	
Proportionate Share of the:				
Net Pension Liability	\$3,897,071	\$0	\$4,606,525	\$8,503,596
Net Pension Asset	0	13,389	0	13,389
Pension Expense	777,255	(8,870)	469,715	1,238,100

2018 pension expense for the member-directed defined contribution plan was \$2,433.

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For The Year Ended December 31, 2018

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$3,980	\$0	\$69,907	\$73,887
Changes of assumptions	465,726	1,170	200,731	667,627
Changes in proportion and differences between City contributions and proportionate share of contributions	3,971	412	0	4,383
City contributions subsequent to the measurement date	<u>477,837</u>	<u>5,589</u>	<u>398,411</u>	<u>881,837</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>\$951,514</u></b>	<b><u>\$7,171</u></b>	<b><u>\$669,049</u></b>	<b><u>\$1,627,734</u></b>
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$76,799	\$3,989	\$8,334	\$89,122
Net difference between projected and actual earnings on pension plan investments	836,650	2,112	159,350	998,112
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>79,251</u>	<u>0</u>	<u>323,742</u>	<u>402,993</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>\$992,700</u></b>	<b><u>\$6,101</u></b>	<b><u>\$491,426</u></b>	<b><u>\$1,490,227</u></b>

\$881,837 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2019	\$304,429	(\$622)	\$39,659	\$343,466
2020	(111,243)	(681)	(2,235)	(114,159)
2021	(368,416)	(1,153)	(167,284)	(536,853)
2022	(343,793)	(1,103)	(134,072)	(478,968)
2023	0	(361)	33,593	33,232
Thereafter	<u>0</u>	<u>(599)</u>	<u>9,551</u>	<u>8,952</u>
<b>Total</b>	<b><u>(\$519,023)</u></b>	<b><u>(\$4,519)</u></b>	<b><u>(\$220,788)</u></b>	<b><u>(\$744,330)</u></b>

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**Actuarial Assumptions - OPERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month.

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Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
<b>Total</b>	<b>100.00 %</b>	<b>5.66 %</b>

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

**Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate** The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.5 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
<b>City's proportionate share of the net pension liability (asset)</b>			
OPERS Traditional Plan	\$6,920,206	\$3,897,071	\$1,376,688
OPERS Combined Plan	(7,278)	(13,389)	(17,605)

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

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net pension liability is not known.

***Actuarial Assumptions – OP&F***

OP&F's total pension liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2017, compared with January 1, 2016, are presented below.

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

For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

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

For the January 1, 2016 valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

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

Note: Assumptions are geometric.

\* levered 2x

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

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**Discount Rate** For 2017, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2016 was 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$6,385,852	\$4,606,525	\$3,155,322

**Note 12 – Postemployment Benefits**

See Note 11 for a description of the net OPEB liability.

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

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$973 for 2018. Of this amount, \$120 is reported as an intergovernmental payable.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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



**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
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OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contractually required contribution to OP&F was \$9,669 for 2018. Of this amount, \$1,262 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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	<u>OPERS</u>	<u>OP&amp;F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.023620%	0.075056%	
Prior Measurement Date	<u>0.024410%</u>	<u>0.076325%</u>	
Change in Proportionate Share	<u>-0.000790%</u>	<u>-0.001269%</u>	
			<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$2,564,959	\$4,252,568	\$6,817,527
OPEB Expense	\$189,914	\$329,977	\$519,891

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$1,998	\$0	\$1,998
Changes of assumptions	186,756	414,960	601,716
City contributions subsequent to the measurement date	<u>973</u>	<u>9,669</u>	<u>10,642</u>
Total Deferred Outflows of Resources	<u>\$189,727</u>	<u>\$424,629</u>	<u>\$614,356</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$21,448	\$21,448
Net difference between projected and actual earnings on OPEB plan investments	191,072	27,992	219,064
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>53,983</u>	<u>57,562</u>	<u>111,545</u>
Total Deferred Inflows of Resources	<u>\$245,055</u>	<u>\$107,002</u>	<u>\$352,057</u>

\$10,642 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Year Ending December 31:	OPERS	OP&F	Total
2019	\$16,666	\$42,118	\$58,784
2020	16,666	42,118	58,784
2021	(41,865)	42,118	253
2022	(47,768)	42,118	(5,650)
2023	0	49,116	49,116
Thereafter	0	90,370	90,370
<b>Total</b>	<b>(\$56,301)</b>	<b>\$307,958</b>	<b>\$251,657</b>

**Actuarial Assumptions - OPERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial
	3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	<u>100.00 %</u>	<u>4.98 %</u>

**Discount Rate** A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected

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rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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

The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$3,407,657	\$2,564,959	\$1,883,223

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

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$2,454,118	\$2,564,959	\$2,679,453

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

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net OPEB liability is not known.

***Actuarial Assumptions – OP&F***

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions

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about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

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

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

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

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

**Discount Rate** The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$5,315,761	\$4,252,568	\$3,434,480

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate** Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

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Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	\$3,303,471	\$4,252,568	\$5,531,629

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

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

**Note 13 – Interfund Transfers**

Interfund transfers for the year ended December 31, 2018, consisted of the following:

Transfer To	Transfer From			
	General	Sewer	Incinerator	Total
Police	\$1,685,000	\$0	\$0	\$1,685,000
Fire	480,000	0	0	480,000
Other Governmental Funds	137,392	0	0	137,392
Water	0	171,617	18,300	189,917
Other Enterprise Funds	8,000	0	0	8,000
Grand Total	<u>\$2,310,392</u>	<u>\$171,617</u>	<u>\$18,300</u>	<u>\$2,500,309</u>



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

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

**Note 14 – Capital Leases**

In prior years, the City entered into capital leases for machinery and equipment. In 2018, the City entered into capital leases for various pieces of equipment for use in governmental activities. These lease obligations meet the criteria of a capital lease and have been recorded as capital assets on the government-wide statements and on the proprietary statement of fund net position. Capital lease payments are reflected as debt service expenditures in the various funds on the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

	Governmental Activities	Business-Type Activities
Asset:		
Machinery and Equipment	\$1,142,932	\$743,153
Less: Accumulated Depreciation	(239,235)	(170,618)
Current Book Value	\$903,697	\$572,535

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

	Governmental Activities	Business-type Activities
2019	\$189,926	\$106,662
2020	128,911	70,767
2021	83,812	33,234
2022	66,540	0
2023	48,081	0
2024 & Thereafter	336,481	0
Total Minimum Lease Payments	853,751	210,663
Less: Amount representing interest	(116,265)	(9,070)
Present Value of Minimum Lease Payments	\$737,486	\$201,593

**Note 15 - Long-Term Obligations**

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

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	Balance 12/31/2017	Issued	Retired	Balance 12/31/2018	Amounts Due In One Year
<b>Governmental Activities</b>					
Installment Loans:					
2014 Street Paving - 3.65%	\$81,506	\$0	(\$61,014)	\$20,492	\$20,492
2018 Ambulance - 9.15%	0	90,000	(9,765)	80,235	15,807
<i>Total Installment Loans</i>	<u>81,506</u>	<u>90,000</u>	<u>(70,779)</u>	<u>100,727</u>	<u>36,299</u>
Ohio Public Works Commission Loans:					
2003 State Route 39 Improvement Loan - 0.00%	130,889	0	(23,798)	107,091	23,798
2012 St. Clair Avenue Improvement Loan - 0.00%	57,267	0	(9,545)	47,722	9,545
<i>Total Ohio Public Works Commission Loans</i>	<u>188,156</u>	<u>0</u>	<u>(33,343)</u>	<u>154,813</u>	<u>33,343</u>
State Infrastructure Bank Loans:					
2011 Road Improvements Loan - 3.00%	269,219	0	(64,329)	204,890	66,273
2015 River Road Improvement Loan - 3.00%	1,081,893	0	(72,515)	1,009,378	74,706
2017 Road Improvement Loan - 3.00%	129,159	168,841	0	298,000	0
<i>Total State Infrastructure Bank Loans</i>	<u>1,480,271</u>	<u>168,841</u>	<u>(136,844)</u>	<u>1,512,268</u>	<u>140,979</u>
Capital Leases:					
2013 Street Sweeper - 2.95%	85,659	0	(33,513)	52,146	34,509
2013 Digital Radio System - 3.93%	44,332	0	(44,332)	0	0
2015 Dump Truck	50,389	0	(24,884)	25,505	25,505
2015 Copier - 8.83%	1,639	0	(1,639)	0	0
2015 Copier - 8.71%	1,616	0	(941)	675	675
2015 Copier - 8.71%	5,324	0	(1,573)	3,751	1,716
2016 Copier - 11.47%	9,891	0	(2,121)	7,770	2,378
2016 Police Interceptor - 6.45%	15,542	0	(7,528)	8,014	8,014
2017 Auditor Copier - 9.78%	8,461	0	(1,648)	6,813	1,817
2017 Phone System - 5.04%	46,646	0	(46,646)	0	0
2017 Police Cruisers - 3.35%	70,059	0	(22,576)	47,483	23,344
2017 Bush Hog Mower Lease - 3.46%	22,915	0	(4,272)	18,643	4,422
2017 Wing Mower - 3.45%	15,473	0	(2,885)	12,588	2,986
2017 Tractor Lease - 3.46%	42,000	0	(7,830)	34,170	8,105
2018 Income Tax Software - 2.98%	0	22,574	(14,938)	7,636	7,636
2018 Jet Rodder Lease - 4.79%	0	39,995	(10,610)	29,385	9,330
2018 Court Copier - 3.94 %	0	5,707	(150)	5,557	1,835
2018 Fire Truck - 3.00%	0	477,350	0	477,350	33,561
	<u>419,946</u>	<u>545,626</u>	<u>(228,086)</u>	<u>737,486</u>	<u>165,833</u>
Net Pension Liability:					
OPERS	2,770,992	0	(900,400)	1,870,592	0
OP&F	4,834,350	0	(227,825)	4,606,525	0
<i>Total Net Pension Liability</i>	<u>7,605,342</u>	<u>0</u>	<u>(1,128,225)</u>	<u>6,477,117</u>	<u>0</u>
Net OPEB Liability:					
OPERS	1,183,437	47,744	0	1,231,181	0
OP&F	3,622,976	629,592	0	4,252,568	0
<i>Total Net OPEB Liability</i>	<u>4,806,413</u>	<u>677,336</u>	<u>0</u>	<u>5,483,749</u>	<u>0</u>
Compensated Absences					
	131,720	28,901	(56,562)	104,059	32,902
Police and Fire Pension					
	670,335	0	(26,573)	643,762	27,715
<b>Total Governmental Activities</b>	<u>\$15,383,689</u>	<u>\$1,510,704</u>	<u>(\$1,680,412)</u>	<u>\$15,213,981</u>	<u>\$437,071</u>

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	Balance 12/31/2017	Issued	Retired	Balance 12/31/2018	Amounts Due In One Year
<b>Business-Type Activities</b>					
Installment Loans:					
2014 Painting Upflow Water Loan - 3.65%	\$42,195	\$0	(\$20,714)	\$21,481	\$21,481
2015 Communications Upgrade Water Loan - 2.85%	12,595	0	(12,595)	0	0
<i>Total Installment Loans</i>	<u>54,790</u>	<u>0</u>	<u>(33,309)</u>	<u>21,481</u>	<u>21,481</u>
Ohio Public Works Commission Loans:					
2001 Henry Avenue Waterline Water Loan - 0.00%	12,789	0	(4,264)	8,525	4,263
Ohio Water Development Authority Loans:					
2004 Project #4181 Water Loan - 3.35%	1,819,896	0	(201,930)	1,617,966	208,751
2013 Project #6489 Water Loan - 2.00%	432,354	0	(23,178)	409,176	23,644
2013 Project #6488 Sewer Loan - 2.59%	171,071	0	(8,430)	162,641	8,650
2018 Project #8041 Water Loan - 2.90%	0	841,932	0	841,932	15,679
2018 Project #8266 Water Loan - 0.00%	0	47,259	0	47,259	0
2018 Project #7975 Water Loan - 0.00%	0	1,197	0	1,197	0
<i>Total Ohio Water Development Authority Loans</i>	<u>2,423,321</u>	<u>890,388</u>	<u>(233,538)</u>	<u>3,080,171</u>	<u>256,724</u>
Capital Leases:					
2015 Sewer Vactor Sewer Lease - 2.60%	106,990	0	(34,752)	72,238	35,656
2016 Water Truck - 2.29%	70,594	0	(56,313)	14,281	14,281
2016 Sewer Truck - 2.55%	41,506	0	(20,489)	21,017	21,017
2017 Freightliner - 3.36%	123,364	0	(29,307)	94,057	30,307
<i>Total Capital Leases</i>	<u>342,454</u>	<u>0</u>	<u>(140,861)</u>	<u>201,593</u>	<u>101,261</u>
Net Pension Liability - OPERS:					
Water	1,789,601	0	(581,508)	1,208,093	0
Sewer	808,206	0	(262,616)	545,590	0
Incinerator	404,105	0	(131,309)	272,796	0
<i>Total Net Pension Liability - OPERS</i>	<u>3,001,912</u>	<u>0</u>	<u>(975,433)</u>	<u>2,026,479</u>	<u>0</u>
Net OPEB Liability - OPERS:					
Water	764,303	30,833	0	795,136	0
Sewer	345,169	13,925	0	359,094	0
Incinerator	172,585	6,963	0	179,548	0
<i>Total Net OPEB Liability - OPERS</i>	<u>1,282,057</u>	<u>51,721</u>	<u>0</u>	<u>1,333,778</u>	<u>0</u>
Compensated Absences	61,148	19,209	(31,190)	49,167	29,413
<b>Total Business-Type Activities</b>	<u>\$7,178,471</u>	<u>\$961,318</u>	<u>(\$1,418,595)</u>	<u>\$6,721,194</u>	<u>\$413,142</u>

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

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

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In 2017, the City was approved for a \$298,000 Ohio Department of Transportation SIB loan for Road improvements for road improvements. As of December 31, 2018, the City has drawn down proceeds of \$298,000. This loan has not been finalized and therefore the repayment schedule is not included in the schedule of debt service payments.

In 2018, the City received an \$841,932 Ohio Water Development Authority loan for the waterline replacement project. The loan was issued for a twenty year period with a final maturity in 2039.

In 2018, the City was approved for a \$200,202 Ohio Water Development Authority loan for the raw water intake improvements project. As of December 31, 2018, the City has drawn down proceeds of \$47,259. This loan has not been finalized and therefore the repayment schedule is not included in the schedule of debt service payments.

In 2018, the City was approved for a \$12,197 Ohio Water Development Authority loan for the water asset management plan. As of December 31, 2018, the City has drawn down proceeds of \$1,197. This loan has not been finalized and therefore the repayment schedule is not included in the schedule of debt service payments.

The City has pledged future revenues, net of operating expenses, to repay OPWC and OWDA loans in the City of East Liverpool water fund. The debt is payable solely from net revenues and are payable through 2039. Annual principal and interest payments on the debt issues are expected to require less than 100 percent of net revenues; however, in 2018 principal and interest payments on the loans exceeded net revenues. The total principal and interest remaining to be paid on the debt is \$3,468,111. Principal and interest paid for the current year and total net revenues were \$321,786 and (\$184,423), respectively.

The City has pledged future revenues, net of operating expenses, to repay OWDA loans in the City of East Liverpool sewer fund. The debt is payable solely from net revenues and are payable through 2034. Annual principal and interest payments on the debt issues are expected to require less than 3 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$198,498. Principal and interest paid for the current year and total net revenues were \$12,806 and \$559,479, respectively.

The City also has nineteen capital leases. The street sweeper capital lease will be paid from the street capital improvement fund. The copier capital leases will be paid from the general fund, the police special revenue fund and the maintenance fee capital project fund. The police interceptor, police cruisers, bush hog mower, wing mower, tractor, dump truck, income tax software and fire truck capital leases will be paid from the capital improvements capital projects fund. The jet rodder lease will be paid from the street levy fund. The freightliner business-type activities' capital lease will be paid from the incinerator fund. The business-type activities' truck capital leases will be paid from the water and sewer fund. The sewer vactor business-type activities' capital lease will be paid from the sewer fund.

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

As of December 31, 2018, the City's overall legal debt margin was \$7,820,602 and the unvoted legal debt margin was \$3,275,362. Principal and interest requirements to retire the outstanding debt at December 31, 2018, are as follows:

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	Governmental-Wide				
	Installment Loans		OPWC Loans	SIB Loan	
	Principal	Interest	Principal	Principal	Interest
2019	\$36,299	\$6,850	\$33,343	\$140,979	\$35,379
2020	17,317	5,183	33,342	145,241	31,117
2021	18,970	3,530	33,343	149,630	26,730
2022	20,782	1,719	33,343	81,686	22,744
2023	7,359	141	21,442	84,157	20,275
2024-2028	0	0	0	460,510	61,649
2029-2030	0	0	0	152,065	4,585
Totals	<u>\$100,727</u>	<u>\$17,423</u>	<u>\$154,813</u>	<u>\$1,214,268</u>	<u>\$202,479</u>

	Business-Type Funds				
	Installment Loans		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Principal	Interest
2019	\$21,481	\$795	\$4,263	\$256,724	\$76,898
2020	0	0	4,262	280,840	80,667
2021	0	0	0	289,783	71,727
2022	0	0	0	299,016	62,494
2023	0	0	0	308,544	52,966
2024-2028	0	0	0	879,632	144,262
2029-2033	0	0	0	429,187	72,249
2034-2038	0	0	0	260,500	24,776
2039	0	0	0	27,489	399
Totals	<u>\$21,481</u>	<u>\$795</u>	<u>\$8,525</u>	<u>\$3,031,715</u>	<u>\$586,438</u>

**Note 16 – Fund Balances**

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

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Fund Balances	General	Police	Fire	Street Levy	Capital Improvements	Other Governmental Funds	Total
<b><u>Nonspendable:</u></b>							
Inventory	\$0	\$0	\$0	\$0	\$0	\$39,105	\$39,105
Prepays	34,378	30,216	20,652	0	0	19,793	105,039
Unclaimed Monies	4,553	0	0	0	0	0	4,553
<i>Total Nonspendable</i>	<u>38,931</u>	<u>30,216</u>	<u>20,652</u>	<u>0</u>	<u>0</u>	<u>58,898</u>	<u>148,697</u>
<b><u>Restricted:</u></b>							
Transportation	0	0	0	318,228	0	263,420	581,648
Public Health and Safety	0	95,762	36,857	0	0	121,849	254,468
Police Pension	0	0	0	0	0	2,175	2,175
Fire Pension	0	0	0	0	0	2,171	2,171
Economic Development	0	0	0	0	0	113,358	113,358
Food Service	0	0	0	0	0	6,206	6,206
Court Computerization	0	0	0	0	0	10,384	10,384
Probation Services	0	0	0	0	0	59,408	59,408
Urban Redevelopment	0	0	0	0	0	27,800	27,800
Debt Service	0	0	0	0	0	126,690	126,690
Capital Improvements	0	0	0	0	154,126	265,557	419,683
<i>Total Restricted</i>	<u>0</u>	<u>95,762</u>	<u>36,857</u>	<u>318,228</u>	<u>154,126</u>	<u>999,018</u>	<u>1,603,991</u>
<b><u>Committed:</u></b>							
Economic Development	0	0	0	0	0	10,260	10,260
<b><u>Assigned:</u></b>							
Recreation	1,957	0	0	0	0	2,380	4,337
2019 Budget	196,589	0	0	0	0	0	196,589
Purchases on Order:							
Contractual Services	57,186	0	0	0	0	0	57,186
<i>Total Assigned</i>	<u>255,732</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,380</u>	<u>258,112</u>
Unassigned	426,445	0	0	0	0	(212,219)	214,226
Total Fund Balance	<u>\$721,108</u>	<u>\$125,978</u>	<u>\$57,509</u>	<u>\$318,228</u>	<u>\$154,126</u>	<u>\$858,337</u>	<u>\$2,235,286</u>

**Note 17 - Jointly Governed Organizations**

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

The Authority is a non-profit organization established to provide adequate public housing for low income individuals and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a five member board of commissioners. Two members are appointed by the Mayor of East Liverpool, one member is appointed by the Columbiana County Commissioners, one member is appointed by the judge of the probate court, and one member is appointed by the judge of the court of common pleas. The board exercises total control over the Authority's operations including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the board. The City did not contribute any amounts to the Authority during 2018. Information can be obtained from 325 Moore Street, East Liverpool, Ohio 43920.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2018*

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

OMEGA is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a seventeen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. A county commissioner serves as the County's representative on the board. The board has total control over budgeting, personnel and financial matters. Each member's degree of control is limited to its representation on the board. Each member currently pays a per capita membership fee based on the most recent United States census. During 2018, OMEGA received \$1,679 from the City of East Liverpool for an annual fee. Information can be obtained from 326 Highland Avenue, PO Box 130, Cambridge, Ohio 43725.

**Note 18 – Significant Commitments**

***Contractual Commitments***

As of December 31, 2018, the City had the following contractual construction commitments outstanding:

Vendor Name	Contract Amount	Amount Paid to Date	Remaining Contract
Dallas Dawson	\$434,728	\$154,269	\$280,459
Pusateri	266,373	0	266,373
WSOS	20,000	11,000	9,000
Utility Contracting	372,523	280,958	91,565
HATCH	5,000	2,080	2,920
Black McCuskey	30,000	14,057	15,943
	<u>\$1,128,624</u>	<u>\$462,364</u>	<u>\$666,260</u>

Remaining commitment amounts were encumbered at year-end.

***Encumbrances***

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2018*

<i>Governmental Funds:</i>		<i>Proprietary Funds:</i>	
General	\$65,066	Water	\$556,221
Police	108,054	Sewer	94,812
Fire	22,090	Incinerator	56,706
Street Levy	89,529	Other Proprietary Funds	<u>9</u>
Capital Improvements	18,428	Total Proprietary	<u><u>\$707,748</u></u>
Other Governmental Funds	<u>411,801</u>		
Total Governmental	<u><u>\$714,968</u></u>		

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

For fiscal year 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For 2018, the City also implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the City’s 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the City’s fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the City’s 2018 financial statements; however, there was no effect on beginning net position.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:



**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2018

	Governmental Activities	Business - Type Activities
Net Position December 31, 2017	\$7,673,959	\$9,184,220
Adjustments:		
Net OPEB Liability	(4,806,413)	(1,282,057)
Deferred Outflow - Payments Subsequent to Measurement Date	24,734	17,757
Restated Net Position December 31, 2017	<u>\$2,892,280</u>	<u>\$7,919,920</u>

  

	Water	Sewer	Incinerator	Other Enterprise Funds	Total Enterprise
Net Position December 31, 2017	\$7,294,636	\$1,233,424	\$636,847	\$19,313	\$9,184,220
Adjustments:					
Net OPEB Liability	(764,303)	(345,169)	(172,585)	0	(1,282,057)
Deferred Outflow - Payments Subsequent to Measurement Date	10,586	4,781	2,390	0	17,757
Restated Net Position December 31, 2017	<u>\$6,540,919</u>	<u>\$893,036</u>	<u>\$466,652</u>	<u>\$19,313</u>	<u>\$7,919,920</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**Note 20 – Closure and Post-closure Care Cost**

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

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

**Note 21 – Subsequent Event**

Consistent with the provisions of Ohio Revised Code Section 3709.36, the City's health department was reorganized as a legally separate organization rather than continuing to operate as a department of the City. This change was effective January 2019 and will be reported as a transfer of operations in 2019. Among its various duties, the East Liverpool Board of Health (Board) provides for the prompt diagnosis and control of communicable diseases. The Board may also inspect businesses where food is manufactured, handled, stored, or offered for sale. The Board will be operated by a 5 member board with all members being appointed by the City. The rates charged by the Board are subject to the approval of City Council, in addition, the City provides funding to the Board, thus the City can impose will on the Board and the Board imposes a financial burden to the City. Therefore, beginning in 2019, the Board will be reported as a discretely presented component unit of the City.

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## Required Supplementary Information

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

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.024841%	0.025422%	0.025687%	0.026131%	0.026131%
City's Proportionate Share of the Net Pension Liability	\$3,897,071	\$5,772,904	\$4,449,312	\$3,151,688	\$3,080,502
City's Covered Payroll	\$3,282,754	\$3,291,092	\$3,192,129	\$3,203,675	\$3,104,947
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.71%	175.41%	139.38%	98.38%	99.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

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

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

See accompanying notes to the required supplementary information.

**City of East Liverpool, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the*  
*Net Pension Asset*  
*Ohio Public Employees Retirement System - Combined Plan*  
*2018 (1)*

	2018
City's Proportion of the Net Pension Asset	0.009835%
City's Proportionate Share of the Net Pension Asset	\$13,389
City's Covered Payroll	\$40,277
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	137.28%

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

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

See accompanying notes to the required supplementary information.

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

	2018	2017
City's Proportion of the Net OPEB Liability	0.023620%	0.024410%
City's Proportionate Share of the Net OPEB Liability	\$2,564,959	\$2,465,494
City's Covered Payroll	\$3,345,981	\$3,378,667
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.66%	72.97%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.075056%	0.076325%	0.083347%	0.083645%	0.083645%
City's Proportionate Share of the Net Pension Liability	\$4,606,525	\$4,834,350	\$5,361,771	\$4,333,165	\$4,073,779
City's Covered Payroll	\$1,668,585	\$1,636,526	\$1,684,876	\$1,679,505	\$1,630,431
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	276.07%	295.40%	318.23%	258.00%	249.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	71.71%	73.00%

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

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

See accompanying notes to the required supplementary information.

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

	2018	2017
City's Proportion of the Net OPEB Liability	0.075056%	0.076325%
City's Proportionate Share of the Net OPEB Liability	\$4,252,568	\$3,622,976
City's Covered Payroll	\$1,668,585	\$1,636,526
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	254.86%	221.38%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information.



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

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

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

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

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

See accompanying notes to the required supplementary information.

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$398,411	\$343,665	\$339,721	\$351,147
Contributions in Relation to the Contractually Required Contribution	<u>(398,411)</u>	<u>(343,665)</u>	<u>(339,721)</u>	<u>(351,147)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$1,933,886	\$1,668,585	\$1,636,526	\$1,684,876
Pension Contributions as a Percentage of Covered Payroll	<u>20.60%</u>	<u>20.60%</u>	<u>20.76%</u>	<u>20.84%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$9,669	\$8,343	\$8,183	\$8,425
Contributions in Relation to the Contractually Required Contribution	<u>(9,669)</u>	<u>(8,343)</u>	<u>(8,183)</u>	<u>(8,425)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.10%</u>	<u>21.10%</u>	<u>21.26%</u>	<u>21.34%</u>

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

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
\$350,049	\$289,044	\$240,727	\$240,133	\$240,068	\$294,690
<u>(350,049)</u>	<u>(289,044)</u>	<u>(240,727)</u>	<u>(240,133)</u>	<u>(240,068)</u>	<u>(294,690)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,679,505	\$1,630,431	\$1,647,502	\$1,644,290	\$1,648,435	\$2,006,510
<u>20.84%</u>	<u>17.73%</u>	<u>14.61%</u>	<u>14.60%</u>	<u>14.56%</u>	<u>14.69%</u>
\$8,397	\$58,967	\$111,207	\$110,990	\$111,270	\$135,440
<u>(8,397)</u>	<u>(58,967)</u>	<u>(111,207)</u>	<u>(110,990)</u>	<u>(111,270)</u>	<u>(135,440)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.50%</u>	<u>3.62%</u>	<u>6.75%</u>	<u>6.75%</u>	<u>6.75%</u>	<u>6.75%</u>
<u>21.34%</u>	<u>21.35%</u>	<u>21.36%</u>	<u>21.35%</u>	<u>21.31%</u>	<u>21.44%</u>

**City of East Liverpool**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2018*

**Changes in Assumptions – OPERS Pension**

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

	2017	2016 and prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

**City of East Liverpool**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2018*

**Changes in Assumptions – OP&F Pension**

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

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

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

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

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

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

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

**City of East Liverpool**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2018*

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**Changes in Assumptions – OPERS OPEB**

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

**Changes in Assumptions – OP&F OPEB**

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



# OHIO AUDITOR OF STATE KEITH FABER



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EastRegion@ohioauditor.gov

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

City of East Liverpool  
Columbiana County  
126 West 6<sup>th</sup> Street  
East Liverpool, Ohio 43920

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 22, 2019, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board Statement (GASB) 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2018-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

October 22, 2019

**CITY OF EAST LIVERPOOL  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2018-001**

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

In addition, 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 paid into the treasury of the public office with which he is connected 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.

A review of the December 2018 bank reconciliation identified the following:

- The City is including an unclaimed monies error in the amount of \$5,794 due to voiding out stale-dated checks in the system but also expensed them in the accounting system. This led to the variance increasing;
- The City wrote a manual check which was dated January of 2019, however, was mailed and subsequently cashed in December of 2018;
- The City is using NSF checks to reconcile which totaled \$1,146 and were dated in 2016, 2015 and 2014, respectively;
- The City is carrying forward unknown adjustments for the regular, water R&I and CDBG revolving loan accounts in the amounts of \$62, \$14, and \$10; respectively;
- The City is carrying forward unknown payroll errors in the amount of \$404 monthly;
- The City has a petty cash account of \$925, however, has never included it on the books or the monthly reconciliation;
- The City does not perform a reconciliation over all City bank accounts; and
- The City's payroll outstanding checklist included three checks totaling \$172 outstanding longer than one year.

The Auditor and management have agreed to and posted the adjustments netting \$64 which are reflected in the accompanying financial statements.

**FINDING NUMBER 2018-001**  
(Continued)

The City's cash reconciliation variances commenced in 2006.

Failure to reconcile monthly increases the possibility that the City 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.

The Auditor 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 Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews. Finally, the City should implement policies and procedures which include reviewing the outstanding checks 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:** We did not receive a response from Officials to this finding.

**MARILYN BOSCO  
CITY AUDITOR**



Melissa Faulkner, Deputy Auditor

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

Phone: (330) 385-4224  
Fax: (330) 386-7402

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2018**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	Material Weakness-Cash Reconciliations	Not Corrected	The unreconciled variance will be Taken care of in 2019
2017-002	Material Weakness-Internal Controls over Financial Reporting	corrected	
2017-003	Significant Deficiency-Segregation of Duties	Not corrected	The City takes every step possible but due to limited staff segregating duties is not always possible
2017-004	Significant Deficiency-Vendor Verification	corrected	A W9 is required from all vendors

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# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF EAST LIVERPOOL**

**COLUMBIANA COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 12, 2019**