

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

Basic Financial Statements
(Audited)

For The Year Ended
December 31, 2010

KIMBERLY K. WOOMER, CITY AUDITOR



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the City of East Liverpool, Columbiana County, prepared by Julian & Grube, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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Dave Yost
Auditor of State

December 3, 2012

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

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Accountants' Report

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

To the Mayor and Members of Council:

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, as of and for the year ended December 31, 2010, which collectively comprise the City of East Liverpool's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of East Liverpool's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the general fund and major special revenue funds: police, fire and CHIP fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2012, on our consideration of the City of East Liverpool'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Independent Accountants' Report
City of East Liverpool
Page Two

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
August 23, 2012

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

The management's discussion and analysis of the City of East Liverpool's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. 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 to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2010 are:

- In total, the City's net assets increased from 2009. The increase in net assets resulted mainly from an increase in grant monies as well as from the continued pay-down of long-term obligations. This increase was partially offset by a decrease in net capital assets resulting from annual depreciation.
- In 2010, the City purchased various machinery and equipment. The City is also currently in the process of making roadway and waterline improvements to Bradshaw Avenue.
- The general fund had a decrease in fund balance due mainly to a reduction in income tax revenues.
- Outstanding long-term obligations decreased during 2010 due annual debt and capital lease payments.

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 Assets* 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.

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Reporting the City of East Liverpool as a Whole

Statement of Net Assets 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 2010?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities 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 assets and the changes in those assets. The changes in net assets are important because it tells 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 Assets* and the *Statement of Activities* are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Revenue and Expenses
- General Revenues
- Net Assets 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 8. 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 our 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, CHIP, 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 Assets* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Proprietary Funds

The City's proprietary funds are enterprise funds which use the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the statements for the City as a whole.

The City as a Whole

The *Statement of Net Assets* looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2010 compared to 2009.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and Other Assets	\$4,510,751	\$4,066,825	\$4,453,229	\$4,792,944	\$8,963,980	\$8,859,769
Capital Assets, Net	7,520,850	7,819,541	8,861,228	9,111,373	16,382,078	16,930,914
<i>Total Assets</i>	<u>12,031,601</u>	<u>11,886,366</u>	<u>13,314,457</u>	<u>13,904,317</u>	<u>25,346,058</u>	<u>25,790,683</u>
Liabilities						
Current and Other Liabilities	1,532,503	1,446,356	381,523	488,200	1,914,026	1,934,556
Long-Term Liabilities:						
Due Within One Year	335,122	353,679	641,323	763,639	976,445	1,117,318
Due in More than One Year	3,374,670	3,716,366	4,055,671	4,628,229	7,430,341	8,344,595
<i>Total Liabilities</i>	<u>5,242,295</u>	<u>5,516,401</u>	<u>5,078,517</u>	<u>5,880,068</u>	<u>10,320,812</u>	<u>11,396,469</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	5,028,093	5,016,512	4,234,359	3,770,855	9,262,452	8,787,367
Restricted:						
Capital Projects	263,267	372,966	0	0	263,267	372,966
Debt Service	96,521	80,644	0	0	96,521	80,644
Street Maintenance and Repair	494,827	498,048	0	0	494,827	498,048
Community Development	1,035,008	685,367	0	0	1,035,008	685,367
Other Purposes	376,677	262,339	0	0	376,677	262,339
Unrestricted (Deficit)	(505,087)	(545,911)	4,001,581	4,253,394	3,496,494	3,707,483
<i>Total Net Assets</i>	<u>\$6,789,306</u>	<u>\$6,369,965</u>	<u>\$8,235,940</u>	<u>\$8,024,249</u>	<u>\$15,025,246</u>	<u>\$14,394,214</u>

Total net assets for governmental activities increased due to an increase in grant monies and the pay-down of long-term debt resulting from annual debt payments. The increase in net assets was partially offset by a decrease in net capital assets due to an additional year of depreciation.

Total net assets for business-type activities increased due to the continued pay-down of business-type long-term liabilities. The increase in business-type net assets was partially offset by a decrease in cash and cash equivalents as well as a decrease in net capital assets resulting from annual depreciation.

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Table 2 shows the changes in net assets for the years ended December 31, 2010 and December 31, 2009.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$821,672	\$866,094	\$4,496,609	\$4,500,073	\$5,318,281	\$5,366,167
Operating Grants and Contributions	1,830,666	1,120,500	69,695	43,548	1,900,361	1,164,048
Capital Grants and Contributions	58,351	410,460	15,340	13,492	73,691	423,952
<i>Total Program Revenues</i>	<u>2,710,689</u>	<u>2,397,054</u>	<u>4,581,644</u>	<u>4,557,113</u>	<u>7,292,333</u>	<u>6,954,167</u>
<i>General Revenues:</i>						
Property Taxes	979,891	929,741	31,847	67,338	1,011,738	997,079
Income Tax	2,739,956	2,883,598	0	0	2,739,956	2,883,598
Grants and Entitlements not Restricted to Specific Programs	475,789	364,256	0	0	475,789	364,256
Interest	4,811	14,080	4,086	5,644	8,897	19,724
Gain on Sale of Capital Asset	0	0	3,511	0	3,511	0
Other	113,081	124,649	109,861	55,921	222,942	180,570
<i>Total General Revenues</i>	<u>4,313,528</u>	<u>4,316,324</u>	<u>149,305</u>	<u>128,903</u>	<u>4,462,833</u>	<u>4,445,227</u>
<i>Total Revenues</i>	<u>7,024,217</u>	<u>6,713,378</u>	<u>4,730,949</u>	<u>4,686,016</u>	<u>11,755,166</u>	<u>11,399,394</u>
<i>Program Expenses:</i>						
General Government	1,472,126	1,534,067	0	0	1,472,126	1,534,067
Security of Persons and Property	3,133,822	3,316,629	0	0	3,133,822	3,316,629
Transportation	1,030,615	1,051,861	0	0	1,030,615	1,051,861
Public Health and Welfare	210,156	183,690	0	0	210,156	183,690
Leisure Time Activities	160,296	147,500	0	0	160,296	147,500
Community and Economic Development	515,140	396,059	0	0	515,140	396,059
Interest and Fiscal Charges	82,721	73,500	0	0	82,721	73,500
Business-Type Activities	0	0	4,519,258	4,706,866	4,519,258	4,706,866
<i>Total Program Expenses</i>	<u>6,604,876</u>	<u>6,703,306</u>	<u>4,519,258</u>	<u>4,706,866</u>	<u>11,124,134</u>	<u>11,410,172</u>
Increase (Decrease) in Net Assets	419,341	10,072	211,691	(20,850)	631,032	(10,778)
Net Assets Beginning of Year	6,369,965	6,359,893	8,024,249	8,045,099	14,394,214	14,404,992
Net Assets End of Year	<u>\$6,789,306</u>	<u>\$6,369,965</u>	<u>\$8,235,940</u>	<u>\$8,024,249</u>	<u>\$15,025,246</u>	<u>\$14,394,214</u>

Governmental Activities

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

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.

City of East Liverpool, Ohio
Management's Discussion and Analysis
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The City's operating grants and grants and entitlements increased in 2010. This was mainly due to an increase in CHIP grants and the addition of a new grant, the COPS grant.

Security of Persons and Property, which includes police and fire services, represents the largest expense of the governmental activities. There was a decrease from 2009 due to a reduction in staff and tighter spending controls to ensure that the City maintains healthy balances.

The police department is funded through the general fund. The department operates full time, 24 hours a day, 365 days a year with 17 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 2010 was transportation, or the street maintenance and repair department. 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
	2010	2009	2010	2009
General Government	\$1,472,126	\$1,534,067	(\$842,948)	(\$899,734)
Security of Persons and Property	3,133,822	3,316,629	(2,631,005)	(2,959,075)
Transportation	1,030,615	1,051,861	(364,037)	70,308
Public Health and Welfare	210,156	183,690	(107,017)	(99,052)
Leisure Time Activities	160,296	147,500	(99,309)	(101,511)
Community and Economic Development	515,140	396,059	232,850	(243,688)
Interest and Fiscal Charges	82,721	73,500	(82,721)	(73,500)
Total	\$6,604,876	\$6,703,306	(\$3,894,187)	(\$4,306,252)

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

The City's Funds

The City of East Liverpool uses fund accounting as mandated by governmental legal requirements. The intent of accounting and reporting using this method is to demonstrate compliance with these finance related requirements. Information about the City's governmental funds begins on page 14.

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, 2010. The information provided is useful to determine the City's available balances.

The City's major governmental funds are the general fund and the police, fire and CHIP special revenue funds. The general fund had a decrease in fund balance mainly due to a reduction in income tax revenue. The police and fire special revenue funds had increases in fund balance resulting from decreases in personal service expenditures due to staff reductions. The CHIP fund had a decrease in fund balance resulting from an increase in community development expenditures.

Business-Type Funds

As mentioned earlier, the City's major business-type funds are water, sewer and incinerator. The largest sources of revenue for these funds in 2010 were charges for services. In the water fund, operating revenues and transfers received for billing reimbursements exceeded expenses resulting in an increase in net assets. The sewer fund had a slight increase in net assets due to an increase in charges for services revenue which was partially offset by slightly higher materials and supplies expenditures. In the incinerator fund, charges for services revenue increased while operating expenditures decreased resulting in an increase in net assets.

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, the final budgeted revenues were slightly higher than the original budgeted estimate. This change was attributable to an increase in estimate for all revenue items. The final budget appropriations were slightly higher than original budgeted appropriations. This change was due mainly to an increase in the estimate for general government expenditures.

City of East Liverpool, Ohio
Management's Discussion and Analysis
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Capital Assets and Debt Administration

Capital Assets

Table 4 shows the 2010 balances of capital assets compared to 2009.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$1,820,262	\$1,820,262	\$25,771	\$25,771	\$1,846,033	\$1,846,033
Construction in Progress	85,088	65,142	26,184	13,224	111,272	78,366
Buildings and Improvements	184,664	193,311	1,212,505	1,285,155	1,397,169	1,478,466
Improvements other than Buildings	91,725	104,865	0	0	91,725	104,865
Machinery and Equipment	616,331	768,682	1,153,274	1,241,637	1,769,605	2,010,319
Infrastructure	4,722,780	4,867,279	5,949,516	6,029,480	10,672,296	10,896,759
Water Lines	0	0	185,467	191,647	185,467	191,647
Sewer Lines	0	0	308,511	324,459	308,511	324,459
Totals	\$7,520,850	\$7,819,541	\$8,861,228	\$9,111,373	\$16,382,078	\$16,930,914

Total governmental capital assets decreased due to annual depreciation. This decrease was partially offset by the machinery and equipment and infrastructure purchases in 2010. Total business-type capital assets also decreased due to annual depreciation. For additional information see Note 9 to the basic financial statements.

Debt

At December 31, 2010, outstanding debt is comprised of installment loans, Ohio Public Works Commission (OPWC) loans, Ohio Water Development Authority (OWDA) loans, an Ohio Department of Transportation (ODOT) loan, a State Infrastructure Bank (SIB) loan, a Land Property loan, capital leases and police and fire pension liability. Table 5 summarizes all long-term debt outstanding.

City of East Liverpool, Ohio
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Table 5
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activity		Total	
	2010	2009	2010	2009	2010	2009
Installment Loans	\$166,216	\$219,352	\$364,282	\$428,407	\$530,498	\$647,759
OPWC Loans	297,478	321,276	88,133	105,396	385,611	426,672
OWDA Loans	0	0	3,879,546	4,463,773	3,879,546	4,463,773
ODOT Loan	136,763	196,763	0	0	136,763	196,763
SIB Loan	587,952	724,319	0	0	587,952	724,319
Land Property Loan	1,244,510	1,268,000	0	0	1,244,510	1,268,000
Capital Leases	59,838	73,319	294,908	342,942	354,746	416,261
Police and Fire Pension	828,101	847,082	0	0	828,101	847,082
Totals	\$3,320,858	\$3,650,111	\$4,626,869	\$5,340,518	\$7,947,727	\$8,990,629

The loans in governmental activities are to finance various improvement projects and equipment purchases. The installment loans are being paid from the street capital improvement, capital improvement and fawcett project capital project funds. The OPWC loans, ODOT loan and the SIB loan are being paid from the debt service fund. The Land Property loan is being paid from the capital improvement capital projects fund. The loans in the business-type activities are for various water, sewer and off street parking improvement projects and equipment purchases and are being paid from those funds.

The capital leases are for the lease-purchase of a backhoe and wheel loader, two copiers, a printer, garbage trucks and a trash compactor. The police and fire pension liability is being paid from the police and fire special revenue funds.

For additional information see Notes 15 and 16 to the basic financial statements.

Current Financial Related Activities

In 2009, the City purchased 83 acres of land from Liverpool Township. This property was annexed to the City in 2010. As of December 31, 2010, the City has a loan liability of \$1,244,510 for the purchase of this land.

During 2010, the City completed engineering work on the Bradshaw Avenue roadway and waterline project. Construction work is expected to begin on the project in 2011.

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, Kim Woomer at 126 West 6th Street, East Liverpool, Ohio 43920, by telephone at (330) 385-4224.

City of East Liverpool, Ohio

Statement of Net Assets

December 31, 2010

	Governmental Activities	Business-Type Activity	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$697,570	\$2,054,044	\$2,751,614
Materials and Supplies Inventory	35,420	35,758	71,178
Accounts Receivable	178,868	2,333,824	2,512,692
Intergovernmental Receivable	1,660,983	0	1,660,983
Prepaid Items	70,647	29,603	100,250
Income Taxes Receivable	426,236	0	426,236
Property Taxes Receivable	1,326,610	0	1,326,610
Loans Receivable	80,207	0	80,207
Special Assessments Receivable	34,210	0	34,210
Nondepreciable Capital Assets	1,905,350	51,955	1,957,305
Depreciable Capital Assets, Net	5,615,500	8,809,273	14,424,773
<i>Total Assets</i>	<u>12,031,601</u>	<u>13,314,457</u>	<u>25,346,058</u>
Liabilities			
Accounts Payable	97,743	52,712	150,455
Accrued Wages	53,637	32,056	85,693
Intergovernmental Payable	264,993	88,086	353,079
Accrued Interest Payable	13,418	90,063	103,481
Vacation Benefits Payable	266,171	118,606	384,777
Deferred Revenue	836,541	0	836,541
Long-Term Liabilities:			
Due Within One Year	335,122	641,323	976,445
Due In More Than One Year	3,374,670	4,055,671	7,430,341
<i>Total Liabilities</i>	<u>5,242,295</u>	<u>5,078,517</u>	<u>10,320,812</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	5,028,093	4,234,359	9,262,452
Restricted for:			
Capital Projects	263,267	0	263,267
Debt Service	96,521	0	96,521
Street Maintenance and Repair	494,827	0	494,827
Community Development	1,035,008	0	1,035,008
Other Purposes	376,677	0	376,677
Unrestricted (Deficit)	<u>(505,087)</u>	<u>4,001,581</u>	<u>3,496,494</u>
<i>Total Net Assets</i>	<u>\$6,789,306</u>	<u>\$8,235,940</u>	<u>\$15,025,246</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Activities
For the Year Ended December 31, 2010

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants, Contributions and Assessments
Governmental Activities:				
General Government	\$1,472,126	\$601,206	\$27,972	\$0
Security of Persons and Property	3,133,822	50,438	452,379	0
Transportation	1,030,615	1,050	619,658	45,870
Public Health and Welfare	210,156	68,412	34,727	0
Leisure Time Activities	160,296	48,506	0	12,481
Community and Economic Development	515,140	52,060	695,930	0
Interest and Fiscal Charges	82,721	0	0	0
<i>Total Governmental Activities</i>	<u>6,604,876</u>	<u>821,672</u>	<u>1,830,666</u>	<u>58,351</u>
Business-Type Activities:				
Water	2,452,221	2,204,737	34,917	7,670
Sewer	1,120,736	1,284,460	0	7,670
Incinerator	889,576	965,004	31,976	0
Other Enterprise Funds	56,725	42,408	2,802	0
<i>Total Business-Type Activities</i>	<u>4,519,258</u>	<u>4,496,609</u>	<u>69,695</u>	<u>15,340</u>
<i>Total - Primary Government</i>	<u>\$11,124,134</u>	<u>\$5,318,281</u>	<u>\$1,900,361</u>	<u>\$73,691</u>

General Revenues

Property Taxes Levied for:

- General Purposes
- Fire Department
- Police Department
- General Obligation Bond Retirement
- Incinerator

Income Tax Levied for:

- General Purposes
- Tourism / Bed Tax
- Capital Improvements

Grants and Entitlements not Restricted to Specific Programs

- Interest
- Gain on Sale of Capital Assets
- Other

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activity	Total
(\$842,948)	\$0	(\$842,948)
(2,631,005)	0	(2,631,005)
(364,037)	0	(364,037)
(107,017)	0	(107,017)
(99,309)	0	(99,309)
232,850	0	232,850
(82,721)	0	(82,721)
<u>(3,894,187)</u>	<u>0</u>	<u>(3,894,187)</u>
0	(204,897)	(204,897)
0	171,394	171,394
0	107,404	107,404
<u>0</u>	<u>(11,515)</u>	<u>(11,515)</u>
<u>0</u>	<u>62,386</u>	<u>62,386</u>
<u>(3,894,187)</u>	<u>62,386</u>	<u>(3,831,801)</u>
188,630	0	188,630
645,379	0	645,379
61,144	0	61,144
84,738	0	84,738
0	31,847	31,847
2,530,408	0	2,530,408
5,623	0	5,623
203,925	0	203,925
475,789	0	475,789
4,811	4,086	8,897
0	3,511	3,511
<u>113,081</u>	<u>109,861</u>	<u>222,942</u>
<u>4,313,528</u>	<u>149,305</u>	<u>4,462,833</u>
419,341	211,691	631,032
<u>6,369,965</u>	<u>8,024,249</u>	<u>14,394,214</u>
<u>\$6,789,306</u>	<u>\$8,235,940</u>	<u>\$15,025,246</u>

City of East Liverpool, Ohio

Balance Sheet

Governmental Funds

December 31, 2010

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>CHIP</u>
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$0	\$28,786	\$11,102	\$97,471
Materials and Supplies Inventory	0	0	0	0
Accounts Receivable	171,560	0	0	0
Interfund Receivable	27,961	0	0	56,992
Intergovernmental Receivable	180,282	8,580	60,558	818,512
Prepaid Items	25,298	14,953	14,813	0
Income Taxes Receivable	392,753	0	0	0
Property Taxes Receivable	232,662	52,407	855,168	0
Loans Receivable	0	0	0	79,542
Special Assessments Receivable	0	0	0	0
<i>Total Assets</i>	<u>\$1,030,516</u>	<u>\$104,726</u>	<u>\$941,641</u>	<u>\$1,052,517</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$25,490	\$5,809	\$2,116	\$57,783
Accrued Wages	17,439	18,156	10,607	0
Intergovernmental Payable	63,184	99,395	66,323	0
Interfund Payable	56,992	0	0	0
Deferred Revenue	506,357	56,461	915,726	727,012
<i>Total Liabilities</i>	<u>669,462</u>	<u>179,821</u>	<u>994,772</u>	<u>784,795</u>
 Fund Balances				
Reserved for Encumbrances	50,350	1,411	1,521	26,850
Reserved for Loans Receivable	0	0	0	72,511
Unreserved, Undesignated, Reported in:				
General Fund	310,704	0	0	0
Special Revenue Funds (Deficit)	0	(76,506)	(54,652)	168,361
Debt Service Fund	0	0	0	0
Capital Projects Funds	0	0	0	0
<i>Total Fund Balances</i>	<u>361,054</u>	<u>(75,095)</u>	<u>(53,131)</u>	<u>267,722</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,030,516</u>	<u>\$104,726</u>	<u>\$941,641</u>	<u>\$1,052,517</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2010*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$1,161,012
		<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
		Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,520,850
\$560,211	\$697,570		
35,420	35,420		
7,308	178,868		
0	84,953		
593,051	1,660,983		
15,583	70,647		
33,483	426,236		
186,373	1,326,610		
665	80,207		
34,210	34,210		
\$1,466,304	\$4,595,704		
		Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
		Property Taxes	490,069
		Income Taxes	176,374
		Intergovernmental	1,396,172
		Special Assessments	34,210
		Total	2,096,825
		In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(13,418)
		Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(266,171)
\$6,545	\$97,743		
7,435	53,637		
36,091	264,993		
27,961	84,953		
727,810	2,933,366		
805,842	3,434,692		
		Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
		Installment Loans	(166,216)
		OPWC Loans	(297,478)
		ODOT Loans	(136,763)
		SIB Loans	(587,952)
		Land Property Loan	(1,244,510)
		Capital Leases	(59,838)
		Compensated Absences	(388,934)
		Police and Fire Pension	(828,101)
		Total	(3,709,792)
		<i>Net Assets of Governmental Activities</i>	\$6,789,306
28,211	108,343		
415	72,926		
0	310,704		
387,072	424,275		
58,313	58,313		
186,451	186,451		
660,462	1,161,012		
\$1,466,304	\$4,595,704		

City of East Liverpool, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Police	Fire	CHIP
Revenues				
Property Taxes	\$170,728	\$34,507	\$557,924	\$0
Income Taxes	2,531,678	0	0	0
Special Assessments	0	0	0	0
Intergovernmental	428,933	21,186	224,046	299,526
Interest	4,299	0	0	379
Licenses and Permits	536,502	0	120	0
Fines and Forfeitures	105,256	538	0	0
Charges for Services	0	39,320	0	0
Contributions and Donations	0	0	500	0
Other	395	16,885	1,916	3,491
<i>Total Revenues</i>	<u>3,777,791</u>	<u>112,436</u>	<u>784,506</u>	<u>303,396</u>
Expenditures				
Current:				
General Government	1,294,996	0	0	0
Security of Persons and Property	0	1,846,591	1,022,578	0
Transportation	0	0	0	0
Public Health and Welfare	142,960	0	0	0
Leisure Time Activities	126,566	0	0	0
Community and Economic Development	122,389	0	0	341,339
Capital Outlay	0	9,584	0	0
Debt Service:				
Principal Retirement	880	6,487	12,494	0
Interest and Fiscal Charges	259	12,237	23,564	0
<i>Total Expenditures</i>	<u>1,688,050</u>	<u>1,874,899</u>	<u>1,058,636</u>	<u>341,339</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,089,741</u>	<u>(1,762,463)</u>	<u>(274,130)</u>	<u>(37,943)</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	0	9,584	0	0
Transfers In	0	1,767,706	291,033	0
Transfers Out	(2,173,694)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,173,694)</u>	<u>1,777,290</u>	<u>291,033</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(83,953)	14,827	16,903	(37,943)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>445,007</u>	<u>(89,922)</u>	<u>(70,034)</u>	<u>305,665</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$361,054</u>	<u>(\$75,095)</u>	<u>(\$53,131)</u>	<u>\$267,722</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, 2010*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	(\$247,652)
		<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
		Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:	
\$121,138	\$884,297	Capital Asset Additions	177,432
209,650	2,741,328	Current Year Depreciation	<u>(476,123)</u>
12,688	12,688		
854,748	1,828,439		
133	4,811		
14,672	551,294		
120,109	225,903		
5,155	44,475		
10,868	11,368		
90,394	113,081		
<u>1,439,555</u>	<u>6,417,684</u>		
93,015	1,388,011	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
169,920	3,039,089	Property Taxes	95,594
784,991	784,991	Income Taxes	(1,372)
75,017	217,977	Intergovernmental	524,999
20	126,586	Special Assessments	<u>(12,688)</u>
48,558	512,286		
174,888	184,472		
318,976	338,837		
46,611	82,671		
<u>1,711,996</u>	<u>6,674,920</u>		
(272,441)	(257,236)	Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	338,837
0	9,584	In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(50)
258,955	2,317,694		
(144,000)	(2,317,694)	Other financing sources, such as the inception of a capital lease, in the governmental funds increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities.	(9,584)
114,955	9,584	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	(1,052)
		Compensated Absences	<u>31,000</u>
(157,486)	(247,652)		
817,948	1,408,664		
<u>\$660,462</u>	<u>\$1,161,012</u>	Change in Net Assets of Governmental Activities	<u>\$419,341</u>

City of East Liverpool, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$175,368	\$181,980	\$170,728	(\$11,252)
Income Taxes	2,513,256	2,615,860	2,582,392	(33,468)
Intergovernmental	358,693	372,217	424,364	52,147
Interest	4,818	5,000	4,299	(701)
Licenses and Permits	476,171	494,124	526,757	32,633
Fines and Forfeitures	104,462	108,400	105,580	(2,820)
Contributions and Donations	964	1,000	0	(1,000)
Other	28,832	29,900	445	(29,455)
<i>Total Revenues</i>	3,662,564	3,808,481	3,814,565	6,084
Expenditures				
Current:				
General Government	1,239,893	1,362,387	1,351,944	10,443
Public Health and Welfare	144,682	140,841	140,768	73
Leisure Time Activities	124,253	127,153	126,525	628
Community and Economic Development	131,861	124,431	123,864	567
Debt Service:				
Principal Retirement	880	880	880	0
Interest and Fiscal Charges	259	259	259	0
<i>Total Expenditures</i>	1,641,828	1,755,951	1,744,240	11,711
<i>Excess of Revenues Over Expenditures</i>	2,020,736	2,052,530	2,070,325	17,795
Other Financing Sources (Uses)				
Advances In	38,000	38,000	53,000	15,000
Advances Out	(15,000)	(58,450)	(42,961)	15,489
Transfers Out	(2,065,421)	(2,184,304)	(2,173,694)	10,610
<i>Total Other Financing Sources (Uses)</i>	(2,042,421)	(2,204,754)	(2,163,655)	41,099
<i>Net Change in Fund Balance</i>	(21,685)	(152,224)	(93,330)	58,894
<i>Fund Balance (Deficit) Beginning of Year</i>	(45,486)	(45,486)	(45,486)	0
Prior Year Encumbrances Appropriated	21,674	21,674	21,674	0
<i>Fund Balance (Deficit) End of Year</i>	(\$45,497)	(\$176,036)	(\$117,142)	\$58,894

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$63,771	\$31,620	\$34,507	\$2,887
Intergovernmental	46,207	22,911	21,127	(1,784)
Fines and Forfeitures	11,092	5,500	538	(4,962)
Charges for Services	90,755	45,000	47,520	2,520
Other	38,319	19,000	16,885	(2,115)
<i>Total Revenues</i>	<u>250,144</u>	<u>124,031</u>	<u>120,577</u>	<u>(3,454)</u>
Expenditures				
Current:				
Security of Persons and Property	1,919,768	1,919,768	1,861,280	58,488
Debt Service:				
Principal Retirement	6,487	6,487	6,487	0
Interest and Fiscal Charges	12,237	12,237	12,237	0
<i>Total Expenditures</i>	<u>1,938,492</u>	<u>1,938,492</u>	<u>1,880,004</u>	<u>58,488</u>
<i>Excess of Revenues Under Expenditures</i>	(1,688,348)	(1,814,461)	(1,759,427)	55,034
Other Financing Sources				
Transfers In	1,709,356	1,709,356	1,767,706	58,350
<i>Net Change in Fund Balance</i>	21,008	(105,105)	8,279	113,384
<i>Fund Balance Beginning of Year</i>	1,028	1,028	1,028	0
Prior Year Encumbrances Appropriated	12,259	12,259	12,259	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$34,295</u>	<u>(\$91,818)</u>	<u>\$21,566</u>	<u>\$113,384</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Fund
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$529,333	\$588,800	\$557,924	(\$30,876)
Intergovernmental	229,314	255,076	224,046	(31,030)
Licenses and Permits	1,393	1,550	120	(1,430)
Contributions and Donations	450	500	1,000	500
Other	0	0	1,916	1,916
<i>Total Revenues</i>	760,490	845,926	785,006	(60,920)
Expenditures				
Current:				
Security of Persons and Property	1,048,393	1,048,393	1,034,941	13,452
Debt Service:				
Principal Retirement	12,494	12,494	12,494	0
Interest and Fiscal Charges	23,564	23,564	23,564	0
<i>Total Expenditures</i>	1,084,451	1,084,451	1,070,999	13,452
<i>Excess of Revenues Under Expenditures</i>	(323,961)	(238,525)	(285,993)	(47,468)
Other Financing Sources				
Transfers In	320,000	320,000	291,033	(28,967)
<i>Net Change in Fund Balance</i>	(3,961)	81,475	5,040	(76,435)
<i>Fund Balance Beginning of Year</i>	1,148	1,148	1,148	0
Prior Year Encumbrances Appropriated	3,393	3,393	3,393	0
<i>Fund Balance End of Year</i>	\$580	\$86,016	\$9,581	(\$76,435)

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
CHIP Fund
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Intergovernmental	\$456,830	\$456,830	\$290,711	(\$166,119)
Interest	0	0	379	379
Other	0	0	12,400	12,400
<i>Total Revenues</i>	456,830	456,830	303,490	(153,340)
Expenditures				
Current:				
Community and Economic Development	631,834	547,821	310,406	237,415
<i>Net Change in Fund Balance</i>	(175,004)	(90,991)	(6,916)	84,075
<i>Fund Deficit Beginning of Year</i>	45,336	45,336	45,336	0
Prior Year Encumbrances Appropriated	89,193	89,193	89,193	0
<i>Fund Balance End of Year</i>	(\$40,475)	\$43,538	\$127,613	\$84,075

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio

Statement of Fund Net Assets

Proprietary Funds

December 31, 2010

	Water	Sewer	Incinerator	Other Enterprise Funds	Total
Assets					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$1,026,902	\$802,603	\$218,732	\$5,807	\$2,054,044
Accounts Receivable	1,948,947	234,513	150,364	0	2,333,824
Materials and Supplies Inventory	34,684	1,074	0	0	35,758
Prepaid Items	12,012	12,012	5,579	0	29,603
<i>Total Current Assets</i>	<u>3,022,545</u>	<u>1,050,202</u>	<u>374,675</u>	<u>5,807</u>	<u>4,453,229</u>
<i>Non-Current Assets:</i>					
Nondepreciable Capital Assets	45,807	6,148	0	0	51,955
Depreciable Capital Assets, Net	7,803,601	369,084	610,452	26,136	8,809,273
<i>Total Non-Current Assets</i>	<u>7,849,408</u>	<u>375,232</u>	<u>610,452</u>	<u>26,136</u>	<u>8,861,228</u>
<i>Total Assets</i>	<u>10,871,953</u>	<u>1,425,434</u>	<u>985,127</u>	<u>31,943</u>	<u>13,314,457</u>
Liabilities					
<i>Current Liabilities:</i>					
Accounts Payable	15,189	15,097	22,426	0	52,712
Accrued Wages	17,343	7,921	6,527	265	32,056
Intergovernmental Payable	46,354	24,682	15,753	1,297	88,086
Accrued Interest Payable	75,622	13,862	553	26	90,063
Vacation Benefits Payable	68,356	38,123	12,127	0	118,606
Loans Payable	16,451	6,502	0	7,290	30,243
OPWC Loans Payable	17,263	0	0	0	17,263
OWDA Loans Payable	382,826	103,020	0	0	485,846
Capital Leases Payable	0	0	107,971	0	107,971
<i>Total Current Liabilities</i>	<u>639,404</u>	<u>209,207</u>	<u>165,357</u>	<u>8,878</u>	<u>1,022,846</u>
<i>Long-Term Liabilities (net of current portion):</i>					
Loans Payable	283,717	43,326	0	6,996	334,039
OPWC Loans Payable	70,870	0	0	0	70,870
OWDA Loans Payable	3,161,522	232,178	0	0	3,393,700
Capital Leases Payable	0	0	186,937	0	186,937
Compensated Absences Payable	40,707	29,418	0	0	70,125
<i>Total Long-Term Liabilities</i>	<u>3,556,816</u>	<u>304,922</u>	<u>186,937</u>	<u>6,996</u>	<u>4,055,671</u>
<i>Total Liabilities</i>	<u>4,196,220</u>	<u>514,129</u>	<u>352,294</u>	<u>15,874</u>	<u>5,078,517</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	3,916,759	(9,794)	315,544	11,850	4,234,359
Unrestricted	2,758,974	921,099	317,289	4,219	4,001,581
<i>Total Net Assets</i>	<u>\$6,675,733</u>	<u>\$911,305</u>	<u>\$632,833</u>	<u>\$16,069</u>	<u>\$8,235,940</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2010*

	Water	Sewer	Incinerator	Other Enterprise Funds	Total
Operating Revenues					
Charges for Services	\$2,204,737	\$1,284,460	\$965,004	\$42,408	\$4,496,609
Other	98,027	1,565	3,276	6,993	109,861
<i>Total Operating Revenues</i>	<u>2,302,764</u>	<u>1,286,025</u>	<u>968,280</u>	<u>49,401</u>	<u>4,606,470</u>
Operating Expenses					
Personal Services	1,371,912	666,249	523,509	33,305	2,594,975
Contractual Services	293,996	137,826	159,779	11,821	603,422
Materials and Supplies	330,973	146,300	99,602	9,005	585,880
Depreciation	293,765	140,640	92,623	1,739	528,767
Other	531	151	782	0	1,464
<i>Total Operating Expenses</i>	<u>2,291,177</u>	<u>1,091,166</u>	<u>876,295</u>	<u>55,870</u>	<u>4,314,508</u>
<i>Operating Income (Loss)</i>	<u>11,587</u>	<u>194,859</u>	<u>91,985</u>	<u>(6,469)</u>	<u>291,962</u>
Non-Operating Revenues (Expenses)					
Operating Grants	34,917	0	31,976	2,802	69,695
Interest	4,086	0	0	0	4,086
Property Taxes	0	0	31,847	0	31,847
Gain on Sale of Capital Assets	0	1,511	2,000	0	3,511
Special Assessments	7,670	7,670	0	0	15,340
Interest and Fiscal Charges	(161,044)	(29,570)	(13,281)	(855)	(204,750)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(114,371)</u>	<u>(20,389)</u>	<u>52,542</u>	<u>1,947</u>	<u>(80,271)</u>
<i>Income (Loss) before Transfers</i>	<u>(102,784)</u>	<u>174,470</u>	<u>144,527</u>	<u>(4,522)</u>	<u>211,691</u>
Transfers In	181,917	0	0	0	181,917
Transfers Out	0	(171,617)	(10,300)	0	(181,917)
<i>Change in Net Assets</i>	<u>79,133</u>	<u>2,853</u>	<u>134,227</u>	<u>(4,522)</u>	<u>211,691</u>
<i>Net Assets Beginning of Year</i>	<u>6,596,600</u>	<u>908,452</u>	<u>498,606</u>	<u>20,591</u>	<u>8,024,249</u>
<i>Net Assets End of Year</i>	<u><u>\$6,675,733</u></u>	<u><u>\$911,305</u></u>	<u><u>\$632,833</u></u>	<u><u>\$16,069</u></u>	<u><u>\$8,235,940</u></u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

	Water	Sewer	Incinerator	Other Enterprise Funds	Total
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities					
Cash Received from Customers	\$2,250,102	\$1,281,581	\$969,410	\$43,076	\$4,544,169
Other Cash Receipts	98,027	1,565	3,276	6,993	109,861
Cash Payments to Employees for Services	(1,362,982)	(675,189)	(533,923)	(33,906)	(2,606,000)
Cash Payments for Goods and Services	(650,835)	(277,901)	(243,481)	(21,142)	(1,193,359)
Other Cash Payments	(531)	(151)	(782)	0	(1,464)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>333,781</u>	<u>329,905</u>	<u>194,500</u>	<u>(4,979)</u>	<u>853,207</u>
Cash Flows from Noncapital Financing Activities					
Operating Grants	34,917	0	40,142	2,802	77,861
Property Taxes	0	0	65,562	0	65,562
Advances In	17,459	0	17,459	0	34,918
Transfers In	181,917	0	0	0	181,917
Advances Out	(17,459)	(38,000)	(17,459)	0	(72,918)
Transfers Out	0	(171,617)	(10,300)	0	(181,917)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>216,834</u>	<u>(209,617)</u>	<u>95,404</u>	<u>2,802</u>	<u>105,423</u>
Cash Flows from Capital and Related Financing Activities					
Special Assessments	7,670	7,670	0	0	15,340
Principal Paid on Installment Loans	(51,073)	(6,103)	0	(6,949)	(64,125)
Interest Paid on Installment Loans	(19,360)	(3,369)	0	(868)	(23,597)
Principal Paid on OWDA Loans	(489,041)	(95,186)	0	0	(584,227)
Interest Paid on OWDA Loans	(158,244)	(30,127)	0	0	(188,371)
Principal Paid on OPWC Loan	(17,263)	0	0	0	(17,263)
Principal Paid on Capital Lease	(3,506)	0	(97,568)	0	(101,074)
Interest Paid on Capital Lease	(80)	0	(13,136)	0	(13,216)
Sale of Capital Assets	0	1,511	2,000	0	3,511
Payments for Capital Acquisitions	(101,314)	(22,552)	(96,962)	(4,754)	(225,582)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(832,211)</u>	<u>(148,156)</u>	<u>(205,666)</u>	<u>(12,571)</u>	<u>(1,198,604)</u>
Cash Flows from Investing Activities					
Interest on Investments	4,086	0	0	0	4,086
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(277,510)</u>	<u>(27,868)</u>	<u>84,238</u>	<u>(14,748)</u>	<u>(235,888)</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,304,412</u>	<u>830,471</u>	<u>134,494</u>	<u>20,555</u>	<u>2,289,932</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,026,902</u>	<u>\$802,603</u>	<u>\$218,732</u>	<u>\$5,807</u>	<u>\$2,054,044</u>

(continued)

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2010

	Water	Sewer	Incinerator	Other Enterprise Funds	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating Income (Loss)	\$11,587	\$194,859	\$91,985	(\$6,469)	\$291,962
Adjustments:					
Depreciation	293,765	140,640	92,623	1,739	528,767
<i>(Increase) Decrease in Assets:</i>					
Accounts Receivable	45,365	(2,879)	(6,578)	0	35,908
Prepaid Items	789	789	(136)	0	1,442
Materials and Supplies Inventory	1,364	1,500	0	0	2,864
<i>Increase (Decrease) in Liabilities:</i>					
Accounts Payable	(26,528)	3,936	16,036	(316)	(6,872)
Accrued Wages	4,273	956	2,063	53	7,345
Accrued Vacation Leave Payable	4,043	8,144	(447)	0	11,740
Matured Compensated Absences Payable	0	(27,060)	0	0	(27,060)
Compensated Absences Payable	6,181	12,594	0	0	18,775
Intergovernmental Payable	(7,058)	(3,574)	(1,046)	14	(11,664)
<i>Total Adjustments</i>	322,194	135,046	102,515	1,490	561,245
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$333,781</u>	<u>\$329,905</u>	<u>\$194,500</u>	<u>(\$4,979)</u>	<u>\$853,207</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2010

Assets

Equity in Pooled Cash and Cash Equivalents	\$1,336
Cash and Cash Equivalents in Segregated Accounts	<u>10,641</u>

<i>Total Assets</i>	<u><u>\$11,977</u></u>
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Liabilities

Undistributed Monies	<u><u>\$11,977</u></u>
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See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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 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 14 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 City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds unless these pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the City's accounting policies are described below.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Basis of Presentation

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

Government-wide Financial Statements The statement of net assets 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 activities.

The statement of net assets 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. 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 liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund The general fund accounts for all financial resources except those required to be accounted for 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 property taxes levied in the City for the operation of its police department.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Fire Fund The fire fund accounts for property taxes levied in the City for the operation of its fire department.

CHIP Fund The CHIP fund accounts for CHIP and CDBG monies used to provide emergency home repairs, home rehabilitation, down payment assistance and new construction for qualified applicants.

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. 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.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. 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 fund is an agency fund. The agency fund is used to account for insurance reimbursements for property owners that are held by the City until condemned properties have been demolished.

Measurement Focus

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

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 current liabilities 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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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, the recording of deferred revenue, 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 7) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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.

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including the proprietary fund, 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".

During fiscal year 2010, investments were limited to repurchase agreements which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2010 amounted to \$4,299, all of which was 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, 2010, 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.

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 assets 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 assets 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 fair market values as of the date received. The City maintains a capitalization threshold of \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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

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 assets 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.

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.

Fund Balance Reserve

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditures. Fund balance reserves have been established for encumbrances and loans receivable.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes includes funds for drug law enforcement, police law enforcement, enforcement and education programs, fire prevention and other grant funds the City receives.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets 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 and parking services. 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.

Internal 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.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence.

Estimates

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Budgetary Process

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

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

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

Note 3 – Change in Accounting Principles

For 2010, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, "Accounting and Reporting for Intangible Assets." GASB 51 Statement No. 51 establishes accounting and financial reporting of such assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the City's financial statements.

Note 4 – Accountability and Compliance

Accountability

At December 31, 2010, the following funds had deficit fund balances:

<i>Special Revenue Funds:</i>	
Police	\$75,095
Fire	53,131
Police Pension	1,848
Fire Pension	1,854
COPS Grant	14,511
Community Corrections	3,987

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The deficits in these funds are caused by the application of generally accepted accounting principles to these funds. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Compliance

The general fund had a negative cash balance of \$56,992 at December 31, 2010, indicating that revenues from other sources were used to pay obligations of this fund, contrary to Ohio Revised Code Section 5705.10(H).

The fire and ELMC probation position special revenue funds had negative cash balances at June 30, 2010 in the amounts of \$13 and \$7,572, respectively.

The following funds had final appropriations in excess of estimated resources plus carryover balances in violation of Sections 5705.39 and 5705.36, Ohio Revised Code:

	Estimated Resources Plus Carryover Balances	Appropriations	Excess
General Fund	\$3,800,995	\$3,977,031	(\$176,036)
Police Fund	1,834,415	1,926,233	(91,818)
<i>Nonmajor Funds:</i>			
Street Department Fund	609,811	670,170	(60,359)
Community Corrections Fund	32,910	46,361	(13,451)

Various funds had expenditures in excess of appropriations at the legal level of control at December 31, 2010, contrary to Ohio Revised Code Section 5705.41(B) and 5705.40.

At year end, the City had appropriations that were greater than actual resources, which consist of actual revenues and beginning unencumbered fund balance, in various funds, contrary to Ohio Revised Code Section 5705.36(A)(4).

Although these budgetary violations and cash deficit were not corrected by year end, management has indicated that appropriations and cash will be closely monitored to prevent future violations.

Note 5 - 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 fund and the police and fire 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).

City of East Liverpool, Ohio
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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 a reservation of fund balance (GAAP).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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	CHIP
GAAP Basis	(\$83,953)	\$14,827	\$16,903	(\$37,943)
Adjustment for Revenue Accruals	36,774	(1,443)	500	94
Advances In	53,000	0	0	0
Adjustment for Expenditure Accruals	3,960	2,115	(10,842)	57,783
Advances Out	(42,961)	0	0	0
Adjustment for Encumbrances	(60,150)	(7,220)	(1,521)	(26,850)
Budget Basis	(\$93,330)	\$8,279	\$5,040	(\$6,916)

Note 6 - Deposits and Investments

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

Active monies 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 the 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.

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;

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2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and banker's acceptances if training requirements have been met.

The City may also invest any 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; and,
3. Obligations of the City.

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.

Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$936,379 of the City's bank balance of \$1,236,454 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

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Investments

As of December 31, 2010, the City had a repurchase agreement in the amount of \$1,706,775 with an investment maturity of less than one year.

Interest Rate Risk. The City has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk. The repurchase agreements were backed by Federal Home Loan Mortgage Corporation Bonds, which carry a rating of Aaa by Moody's. The City has no investment policy dealing with investment credit risk beyond the requirement in State statute which limits investment choices.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Corporation Bonds are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. The City places no limit on the amount it may invest in any one issuer. 100 percent of the City's investments were placed in a repurchase agreement as of December 31, 2010.

Note 7 - Receivables

Receivables at December 31, 2010, consisted primarily of municipal income taxes, property taxes, accounts, special assessments, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables except for delinquent property taxes, loans receivable and special assessments 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. Payments on loans receivable are scheduled to be repaid over several years due to loan agreements for each of the individual loans. Special assessments expected to be collected in more than one year amount to \$21,522 in the Fawcett project capital projects fund.

Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2010 for real and public utility property taxes represents collections of the 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

2010 real property taxes are levied after October 1, 2010 on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

City of East Liverpool, Ohio
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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. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

Tangible personal property tax revenue received during 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The tax rate for all City operations for the year ended December 31, 2010, was \$14.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Estate	
Residential/Agricultural	\$61,746,230
Other Real Estate	22,561,700
Telephone Personal Property	463,753
Public Utility Personal Property	<u>6,288,040</u>
Total	<u><u>\$91,059,723</u></u>

The County Auditor collects property taxes on behalf of all taxing districts in the county, including the City of East Liverpool. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the general, police, fire, police pension, fire pension and general obligation bond retirement funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

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, is allocated, after expenditures for collections, 7.5 percent to the capital projects fund and the remainder to the general fund.

City of East Liverpool, Ohio
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Intergovernmental Receivable

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

Governmental Activities	Amount
CHIP Grants	\$818,512
Vehicle Registration	176,821
Local Government	137,935
COPS Grant	136,273
Gasoline Tax	124,894
Homestead and Rollback	72,183
Permissive Tax	65,231
Cents Per Gallon	60,573
Estate Tax	24,115
Personal Property Tax Reimbursement	22,677
Community Corrections Grant	15,815
St. Clair Township	3,750
State of Ohio	1,428
US Treasury	776
Total Intergovernmental Receivables	\$1,660,983

Note 8 - 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 2010, the City contracted with the Municipal Insurance Alliance of Ohio for its property and liability insurance. Cooper Insurance serves as the City's agent.

During 2010, the City purchased the following insurance coverage:

Coverage	Limit
Building and Contents	\$7,059,048
Inland Marine	1,152,616
Boiler and Machinery	100,000
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

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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 any of the past three years.

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.

Note 9 – Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2010, was as follows:

	Balance 12/31/2009	Additions	Deductions	Balance 12/31/2010
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$1,820,262	\$0	\$0	\$1,820,262
Construction in Progress	65,142	19,946	0	85,088
<i>Total Capital Assets, not being depreciated</i>	<u>1,885,404</u>	<u>19,946</u>	<u>0</u>	<u>1,905,350</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	439,315	0	0	439,315
Improvements other than Buildings	317,728	0	0	317,728
Machinery and Equipment	6,098,910	118,600	0	6,217,510
Infrastructure	5,628,630	38,886	0	5,667,516
<i>Total Capital Assets, being depreciated</i>	<u>12,484,583</u>	<u>157,486</u>	<u>0</u>	<u>12,642,069</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(246,004)	(8,647)	0	(254,651)
Improvements other than Buildings	(212,863)	(13,140)	0	(226,003)
Machinery and Equipment	(5,330,228)	(270,951)	0	(5,601,179)
Infrastructure	(761,351)	(183,385)	0	(944,736)
<i>Total Accumulated Depreciation</i>	<u>(6,550,446)</u>	<u>(476,123) *</u>	<u>0</u>	<u>(7,026,569)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>5,934,137</u>	<u>(318,637)</u>	<u>0</u>	<u>5,615,500</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$7,819,541</u>	<u>(\$298,691)</u>	<u>\$0</u>	<u>\$7,520,850</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$55,049
Security of Persons and Property	139,520
Public Health	1,169
Transportation	248,879
Community and Environment	2,854
Leisure Time Activities	<u>28,652</u>
Total Depreciation Expense	<u>\$476,123</u>

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Capital asset activity for business-type activities for the year ended December 31, 2010, was as follows:

	Balance 12/31/2009	Additions	Deductions	Balance 12/31/2010
Business-Type Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$25,771	\$0	\$0	\$25,771
Construction in Progress	13,224	12,960	0	26,184
<i>Total Capital Assets, not being depreciated</i>	<u>\$38,995</u>	<u>\$12,960</u>	<u>\$0</u>	<u>\$51,955</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	4,013,077	2,025	0	4,015,102
Machinery and Equipment	4,324,780	197,864	(81,550)	4,441,094
Infrastructure	9,705,055	65,773	0	9,770,828
Water Lines	1,159,926	0	0	1,159,926
Sewer Lines	2,505,379	0	0	2,505,379
<i>Total Capital Assets, being depreciated</i>	<u>21,708,217</u>	<u>265,662</u>	<u>(81,550)</u>	<u>21,892,329</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(2,727,922)	(74,675)	0	(2,802,597)
Machinery and Equipment	(3,083,143)	(286,227)	81,550	(3,287,820)
Infrastructure	(3,675,575)	(145,737)	0	(3,821,312)
Water Lines	(968,279)	(6,180)	0	(974,459)
Sewer Lines	(2,180,920)	(15,948)	0	(2,196,868)
<i>Total Accumulated Depreciation</i>	<u>(12,635,839)</u>	<u>(528,767)</u>	<u>81,550</u>	<u>(13,083,056)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>9,072,378</u>	<u>(263,105)</u>	<u>0</u>	<u>8,809,273</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$9,111,373</u>	<u>(\$250,145)</u>	<u>\$0</u>	<u>\$8,861,228</u>

Note 10 – 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, 2010.

City of East Liverpool, Ohio
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Note 11 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – The City participates 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy 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 statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

The City's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009 and 2008 were \$292,273, \$293,379 and \$241,560, respectively. For 2010, 90.62 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008. Contributions to the Member-Directed Plan for 2010 were \$6,478 made by the City and \$4,627 made by plan members.

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Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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 for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$125,480 and \$114,588 for the year ended December 31, 2010, \$145,727 and \$148,963 for the year ended December 31, 2009, and \$132,396 and \$161,326 for the year ended December 31, 2008, respectively. For 2010, 72.18 percent for police and 71.05 percent for firefighters has been contributed with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

Note 12 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – 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 plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009 and 2008 were \$166,623, \$212,135 and \$241,560, respectively. For 2010, 90.62 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Ohio Police and Firemen Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check 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 GASB Statement No. 45.

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

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For the Year Ended December 31, 2010

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 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 by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75 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 also is 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 contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$66,430 and \$44,839 for the year ended December 31, 2010, \$77,150 and \$58,290 for the year ended December 31, 2009, and \$70,092 and \$63,127 for the year ended December 31, 2008. For 2010, 72.18 percent has been contributed for police and 71.05 percent has been contributed for firefighters with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

Note 13 – 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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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 Anthem Blue Cross Blue Shield 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.

Note 14 - 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 City did not contribute any amounts to the Authority during 2010. The continued existence of the Authority is not dependent on the City's continued participation and no equity interest exists. The Authority has no outstanding debt for which City of East Liverpool is responsible.

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 currently pays a per capita membership fee based on the most recent United States census. During 2010, OMEGA received \$1,963 from the City of East Liverpool for an annual fee. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt. Information can be obtained from 326 Highland Avenue, PO Box 130, Cambridge, Ohio 43725.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 15 - Long-Term Obligations

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

	Balance 12/31/2009	Issued	Retired	Balance 12/31/2010	Amounts Due In One Year
Governmental Activities					
Installment Loans:					
1999 Fifth Street Loan - 5.32%	\$20,090	\$0	(\$6,335)	\$13,755	\$6,720
2005 SBC System Loan - 3.60%	9,280	0	(9,280)	0	0
2007 Cruisers Loan - 4.65%	9,129	0	(9,129)	0	0
2007 Aerial Fire Truck - 5.95%	60,477	0	(6,148)	54,329	6,529
2009 Snow Removal - 4.80%	50,127	0	(9,263)	40,864	9,717
2009 Cruisers - 4.80%	28,077	0	(5,188)	22,889	5,443
2009 Air Compressor - 4.80%	42,172	0	(7,793)	34,379	8,175
<i>Total Installment Loans</i>	<u>219,352</u>	<u>0</u>	<u>(53,136)</u>	<u>166,216</u>	<u>36,584</u>
Ohio Public Works Commission Loans:					
2003 State Route 39 Improvement Loan - 0.00%	321,276	0	(23,798)	297,478	23,799
Ohio Department of Transportation Loan:					
1990 Highway 30 Loan - 3.00%	196,763	0	(60,000)	136,763	60,000
State Infrastructure Bank Loan:					
2004 St. Clair Paving Loan - 3.00%	724,319	0	(136,367)	587,952	140,489
Land Property Loan:					
2009 Land Property Loan - 1.50%	1,268,000	0	(23,490)	1,244,510	17,452
Capital Leases:					
2007 Backhoe and Wheel Loader - 5.00%	61,642	0	(19,554)	42,088	20,531
2009 Copier - 6.46%	4,529	0	(880)	3,649	937
2009 Copier - 6.47%	7,148	0	(2,631)	4,517	2,801
2010 Printer - 6.27%	0	9,584	0	9,584	1,685
<i>Total Capital Leases</i>	<u>73,319</u>	<u>9,584</u>	<u>(23,065)</u>	<u>59,838</u>	<u>25,954</u>
Compensated Absences	419,934	9,835	(40,835)	388,934	11,048
Police and Fire Pension	847,082	0	(18,981)	828,101	19,796
Total Governmental Activities	<u><u>\$4,070,045</u></u>	<u><u>\$19,419</u></u>	<u><u>(\$379,672)</u></u>	<u><u>\$3,709,792</u></u>	<u><u>\$335,122</u></u>

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

	Balance 12/31/2009	Issued	Retired	Balance 12/31/2010	Amounts Due In One Year
Business-Type Activities					
Installment Loans:					
2007 Anderson Boulevard Water Loan - 6.25%	\$79,902	\$0	(\$8,719)	\$71,183	\$9,288
2007 Anderson Boulevard Sewer Loan - 6.25%	55,931	0	(6,103)	49,828	6,502
2009 Bradshaw Water Loan - 5.81%	235,739	0	(6,754)	228,985	7,163
2009 Motor Water Loan - 4.80%	35,600	0	(35,600)	0	0
2009 Parking Lot Improvement Loan - 4.80%	21,235	0	(6,949)	14,286	7,290
<i>Total Installment Loans</i>	<u>428,407</u>	<u>0</u>	<u>(64,125)</u>	<u>364,282</u>	<u>30,243</u>
Ohio Public Works Commission Loans:					
1993 Pope Street/Thompson Avenue Water Tank Water Loan - 0.00%	58,500	0	(13,000)	45,500	13,000
2001 Henry Avenue Waterline Water Loan - 0.00%	46,896	0	(4,263)	42,633	4,263
<i>Total Ohio Public Works Commission Loans</i>	<u>105,396</u>	<u>0</u>	<u>(17,263)</u>	<u>88,133</u>	<u>17,263</u>
Ohio Water Development Authority Loans:					
1985 Project #1340 Water Loan - 9.78%	372,291	0	(244,460)	127,831	127,831
1994 Project #3099 Water Loan - 5.94%	429,479	0	(86,453)	343,026	91,440
1996 Project #3100 Water Loan - 5.94%	16,577	0	(3,327)	13,250	3,525
2004 Project #4181 Water Loan - 3.35%	3,215,042	0	(154,801)	3,060,241	160,030
1996 Project #1548 Sewer Loan - 5.96%	430,384	0	(95,186)	335,198	103,020
<i>Total Ohio Water Development Authority Loans</i>	<u>4,463,773</u>	<u>0</u>	<u>(584,227)</u>	<u>3,879,546</u>	<u>485,846</u>
Capital Leases:					
2007 Computer Equipment Water Lease - 6.81%	3,506	0	(3,506)	0	0
2008 Garbage Trucks Incinerator Lease - 4.07%	339,436	0	(94,518)	244,918	98,437
2010 Trash Compactor Incinerator Lease - 6.19%	0	53,040	(3,050)	49,990	9,534
<i>Total Capital Leases</i>	<u>342,942</u>	<u>53,040</u>	<u>(101,074)</u>	<u>294,908</u>	<u>107,971</u>
Compensated Absences	51,350	21,200	(2,425)	70,125	0
Total Business-Type Activities	<u>\$5,391,868</u>	<u>\$74,240</u>	<u>(\$769,114)</u>	<u>\$4,696,994</u>	<u>\$641,323</u>

Within governmental activities, the City has installment loans, OPWC loans, an ODOT loan, a SIB loan and a Land Property loan. These loans are to finance various projects and equipment purchases. The installment loans are being paid from the street capital improvement, capital improvement and fawcett project capital project funds. The OPWC loans, ODOT loan and the SIB loan are being paid from the debt service fund. The Land Property loan is being paid from the capital improvement capital projects 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, sewer, and off street parking funds. The OPWC loans are being paid from the water fund. The OWDA loans are being paid from the water and sewer funds.

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 2025. Annual principal and interest payments on the debt issues are expected to require more than 65 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$4,551,261.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Principal and interest paid for the current year and total net revenues were \$664,548 and \$352,025, respectively.

The City has pledged future revenues, net of operating expenses, to repay an OWDA loan in the City of East Liverpool sewer fund. The debt is payable solely from net revenues and are payable through 2013. Annual principal and interest payments on the debt issues are expected to require less than 50 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$391,819. Principal and interest paid for the current year and total net revenues were \$125,313 and \$344,680, respectively.

The City also has six capital leases. The backhoe and wheel loader governmental activities' capital lease is paid from the street capital improvement fund. The copier capital leases are paid from the general fund and the maintenance fee capital projects fund. The computer equipment business-type activities' lease is paid from the water fund. The garbage trucks and the trash compactor business-type activities' capital leases are paid from the incinerator fund.

The compensated absences liability will be paid from the general, police, fire, street, water, and sewer funds.

As of December 31, 2010, the City's overall legal debt margin was \$7,186,665 and the unvoted legal debt margin was \$2,633,679. Principal and interest requirements to retire the outstanding debt at December 31, 2010, are as follows:

	Governmental Activities							
	Installment Loans		OPWC Loans	ODOT Loan	SIB Loan		Land Property Loan	
	Principal	Interest	Principal	Principal	Principal	Interest	Principal	Interest
2011	\$36,584	\$7,838	\$23,799	\$60,000	\$140,489	\$16,593	\$17,452	\$18,548
2012	38,432	5,992	23,798	60,000	144,736	12,346	1,227,058	12,219
2013	33,045	4,119	23,798	16,763	149,110	7,972	0	0
2014	32,466	2,402	23,798	0	153,617	3,465	0	0
2015	8,306	1,322	23,798	0	0	0	0	0
2016-2020	17,383	1,070	118,991	0	0	0	0	0
2021-2023	0	0	59,496	0	0	0	0	0
Totals	\$166,216	\$22,743	\$297,478	\$136,763	\$587,952	\$40,376	\$1,244,510	\$30,767

	Business-Type Funds				
	Installment Loans		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Principal	Interest
2011	\$30,243	\$21,037	\$17,263	\$485,846	\$161,961
2012	31,356	19,272	17,264	377,385	129,985
2013	25,970	17,493	17,263	397,957	109,413
2014	27,627	15,837	10,763	231,409	87,583
2015	29,388	14,075	4,264	182,774	78,445
2016-2020	85,231	49,652	21,316	1,010,762	295,331
2021-2025	72,684	29,611	0	1,193,413	112,683
2026-2029	61,783	6,413	0	0	0
Totals	\$364,282	\$173,390	\$88,133	\$3,879,546	\$975,401

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 16 – Capital Leases

In prior years, the City entered into capital leases for a backhoe and wheel loader and two copiers in the governmental activities and garbage trucks in the business-type activities. In 2010, the City entered into capital leases for a printer in the governmental activities and a trash compactor in the business-type activities. These lease obligations meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, “Accounting for Leases”, and have been recorded as capital assets on the government-wide statements. 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	\$150,660	\$534,492
Less: Accumulated Depreciation	(54,773)	(197,884)
Current Book Value	\$95,887	\$336,608

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

	Governmental Activities	Business-Type Activities
2011	\$29,018	\$118,944
2012	27,766	118,945
2013	3,377	56,770
2014	2,901	12,361
2015	2,238	8,241
Total Minimum Lease Payments	65,300	315,261
Less: Amount Representing Interest	(5,462)	(20,353)
Totals	\$59,838	\$294,908

Note 17 – Interfund Transactions

Interfund Balances

Interfund Payable	Interfund Receivable		
	General Fund	CHIP Fund	Total
General Fund	\$0	\$56,992	\$56,992
Nonmajor Funds	27,961	0	27,961
Grand Total	\$27,961	\$56,992	\$84,953

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

The interfund receivables and payables were the result of deficit cash balances and due to the timing of the receipt of grant monies at year end. All interfund balances are expected to be repaid within one year.

Interfund Transfers

Interfund transfers for the year ended December 31, 2010, consisted of the following:

Transfer To	Transfer From				Total
	General Fund	Nonmajor Funds	Sewer Fund	Incinerator Fund	
Police Fund	\$1,767,706	\$0	\$0	\$0	\$1,767,706
Fire Fund	291,033	0	0	0	291,033
Nonmajor Funds	114,955	144,000	0	0	258,955
Water Fund	0	0	171,617	10,300	181,917
Grand Total	\$2,173,694	\$144,000	\$171,617	\$10,300	\$2,499,611

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, fire and street operations of the City. The transfers between various nonmajor funds and the debt service fund were to account for the various funds' portion of debt obligations. The transfers from the sewer and incinerator enterprise funds to the water fund were for billing reimbursements.

Note 18 – 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 19 – Subsequent Events

On July 12, 2011, the City entered into a loan agreement with the Ohio Department of Transportation for local roadways and SR 39 Improvement Projects in the amount of \$445,136.

On July 1, 2011, the City entered into a loan agreement with the Ohio Public Works Commission for the St. Clair Avenue, McKinnon Avenue, Maine Boulevard and Ambrose Avenue Project in the amount of \$256,832.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

In 2012, the City commenced a lease purchase agreement with Ford Credit Municipal Finance for a Ford F-550 truck in the amount of \$59,412.

In 2012, the City financed a Ford F-250 truck and equipment in the amount of \$48,307 with Ford Credit Municipal Finance.

In 2012, the City financed two 2013 Ford police interceptor utility vehicles and equipment in the amount of \$65,235 with Ford Credit Municipal Finance.

In January 2012, Kim Woomer became the East Liverpool City Auditor.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' 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 Sixth Street
East Liverpool, Ohio 43920

To the Mayor and Members of Council:

We have audited 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, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the City of East Liverpool's basic financial statements and have issued our report thereon dated August 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of East Liverpool's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City of East Liverpool's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City of East Liverpool's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-COE-001, 2010-COE-002, and 2010-COE-009 described in the accompanying schedule of findings and responses to be material weaknesses.

Mayor and Members of Council
City of East Liverpool

Compliance and Other Matters

As part of reasonably assuring whether the City of East Liverpool'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, providing an opinion 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 six instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2010-COE-003 through 2010-COE-008.

We also noted certain matters not requiring inclusion in this report that we reported to the City of East Liverpool's management in a separate letter date August 23, 2012.

The City of East Liverpool's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of East Liverpool's responses, and accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management, the Council of the City of East Liverpool and others within the City of East Liverpool. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
August 23, 2012

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

**SCHEDULE OF FINDINGS & RESPONSES
DECEMBER 31, 2010**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2010-COE-001

Material Weakness – Capital Assets

This City was unable to provide a comprehensive detailed listing of individual capital assets and related depreciation by asset tag acquired prior to 2007. This format includes, but is not limited to, the following: description of the asset, location of the asset, asset tag number, cost, voucher number and vendor name, date placed in service, estimated useful life, depreciation method, depreciation expense and accumulated depreciation for the fiscal year by asset and the date asset retired and selling price if applicable.

While, alternative and various methods of testing were able to be performed for purposes of the audit, the City lacks internal controls over their reporting of capital assets.

We recommend the City consider consulting with an appraisal company or take a physical inventory of City assets with their own sources. We further suggest the City consider a “tagging” method of asset inventory and prepare a detailed schedule that supports the cost, book value, and depreciation schedule for each item. This schedule should then be maintained on a current basis. We further recommend the City re-evaluate its policies, procedures and controls regarding additions and disposals of capital assets.

Complete information such as described above on each capital asset may help provide additional controls for the safeguarding of these assets. Better assessment and evaluation could also be made regarding the reliability of certain capital assets and the City’s future needs for improvements and replacements.

Client’s Response: The City will consider doing a physical inventory in the future.

Finding Number	2010-COE-002
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Material Weakness – Bank Reconciliation

The City Treasurer is required to maintain monthly bank reconciliations that reconcile to the City’s fund balances for all the City’s bank accounts with a zero unidentified amount.

The City Treasurer does reconcile certain individual bank accounts monthly, however the general and payroll bank reconciliations are performed quarterly. In addition, those reconciliations do not reconcile to a zero unidentified amount.

Without monthly comprehensive reconciliations that reconcile to a zero unidentified amount, the City risks the potential of having transactions posted improperly and/or misrepresenting actual cash balances to City Council for use with budgeting decisions.

We recommend that the City Treasurer reconcile all fund activity to the City’s bank accounts with a zero unidentified amount and present these to Council for approval in the month immediately following the month being reconciled. Council should evidence review and approval by signatures on the face of the reconciliation. Should the City come across difficulty performing the reconciliations, we recommend they consult an accounting firm to assist in the process. This will help ensure that all bank activity is recorded in the City records.

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

**SCHEDULE OF FINDINGS & RESPONSES
DECEMBER 31, 2010**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)	
Finding Number	2010-COE-002- (continued)

Client Response: The City is aware of the importance of posting City activity in a timely manner and is making an effort to maintain accurate City records including proper bank reconciliations in the future.

Finding Number	2010-COE-003
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Ohio Revised Code Section 5705.36 (A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

At fiscal year end, the City had appropriations that were greater than actual resources, which consist of actual revenues and beginning unencumbered fund balance, in the following funds:

<u>Major Fund</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General	\$ 3,822,079	\$ 3,977,031	\$ 154,952
Police	1,889,311	1,926,233	36,922
Fire	1,077,187	1,081,058	3,871
CHIP	348,826	458,628	109,802

The City is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed actual resources.

We recommend the City monitor appropriations in comparison to actual resources and obtain decreased amended appropriations as needed. Further guidance may be found in Auditor of State bulletin 97-010.

Client Response: The City will monitor the budget on a continual basis and make modifications as necessary to ensure appropriations do not exceed actual resources.

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

**SCHEDULE OF FINDINGS & RESPONSES
DECEMBER 31, 2010**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)	
Finding Number	2010-COE-004

Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the City Auditor that revenue to be collected will be greater or less than the amount in the last certified amended certificate.

The City did not request timely amended certificates throughout the year upon notice of increased or decreased resources.

The City is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources, throughout the year and at fiscal year end.

We recommend that the City review its available resources versus its appropriations throughout the year and file amended certificates when necessary. This will facilitate the City’s appropriation process.

Client Response: The City will monitor the budget on a continual basis and make modifications as necessary to ensure appropriations do not exceed estimated resources.

Finding Number	2010-COE-005
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Ohio Revised Code Section 5705.39 requires that subdivision’s total appropriations from each fund should not exceed total estimated resources.

At fiscal year end, the City had appropriations exceeding total estimated resources in the following funds:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Major Funds</u>			
General	\$ 3,800,995	\$ 3,977,031	\$ 176,036
Police	1,834,415	1,926,233	91,818
 <u>NonMajor Funds</u>			
Street Department	609,811	670,170	60,359
Community Corrections	32,910	46,361	13,451

With appropriations exceeding estimated resources the City may spend more funds than in the Treasury or in process of collection and cause fund deficits.

We recommend that the City comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated revenues will be greater than initially anticipated, the City should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the City should monitor its budgetary process on a regular basis.

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

**SCHEDULE OF FINDINGS & RESPONSES
DECEMBER 31, 2010**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)	
Finding Number	2010-COE-005- (continued)

Client Response: The City will monitor the budget on a continual basis and make modifications as necessary to ensure appropriations do not exceed estimated resources.

Finding Number	2010-COE-006
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by resolution and comply with the same provisions of the law as used in making the original appropriations.

It was noted during the audit that the City did not timely modify its appropriations throughout the year or by year end.

By not timely and properly modifying the City’s appropriations, the City is not adequately monitoring its expenditures versus appropriations. This may result in appropriating monies in excess of estimated resources, and having expenditures exceed appropriations, and possibly, fund deficits.

We recommend that the City comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring its budgetary process on a regular basis and approving amendments as necessary. We recommend that City adopt accounting policies for amending appropriations, consider reviewing estimated resources and appropriations and expenditures versus appropriations on a monthly basis, and certify amendments to the City Council as necessary. We recommend the City utilize its accounting software or a spreadsheet to help monitor the budget.

Client Response: The City will monitor the budget on a continual basis and make modifications as necessary to ensure expenditures do not exceed appropriations.

Finding Number	2010-COE-007
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Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

The City had expenditures exceeding appropriations at the legal level of control. The following schedule shows the instances in which expenditures exceeded appropriations at the legal level of control.

<u>December 31, 2010</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Major funds:</u>			
General Fund – Health – Personal Services	\$ 98,790	\$ 102,429	3,639
General Fund – Council – Department Expenses	3,598	3,827	229
Incinerator – Department Expenses	430,852	477,414	46,562

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

**SCHEDULE OF FINDINGS & RESPONSES
DECEMBER 31, 2010**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)	
Finding Number	2010-COE-007 - (continued)

With expenditures exceeding appropriations, the City is unlawfully expending monies that have not been appropriated. This could result in unnecessary purchases or fund deficits.

We recommend that the City comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget as needed. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: The City will monitor the budget on a continual basis and make modifications as necessary to ensure expenditures do not exceed appropriations.

Finding Number	2010-COE-008
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Ohio Revised Code Sections 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover the expenditures.

It was noted during the audit that the City maintained a negative cash fund balance in the following funds:

	<u>Amount</u>
<u>At June 30, 2010</u>	
<u>Major Fund</u>	
Fire	\$ (13)
 <u>Non Major Fund</u>	
ELMC Probation Position	(7,572)
 <u>At December 31, 2010</u>	
<u>Major Fund</u>	
General	(56,992)

By having negative fund balances, these funds have spent other funds' balances. This could indicate insufficient monitoring of appropriations and related expenditures and continual review of cash management. No fund should have a negative cash fund balance throughout the year or at year end.

We recommend that the City properly expend monies only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the City should advance or transfer funds from the General Fund with proper Council approval. We recommend the City utilize its accounting software program to its fullest and continually review relevant reports to assist in preventing negative fund balances.

Client Response: The City Auditor will attempt to monitor cash balances throughout the year and advance or transfer funds as necessary.

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

**SCHEDULE OF FINDINGS & RESPONSES
DECEMBER 31, 2010**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)	
Finding Number	2010-COE-009

Material Weakness – Audit Adjustments

A critical part of financial reporting is to maintain internal controls to help ensure the proper reporting of financial statement amounts.

We identified misstatements in the financial statements that were not initially identified by the City’s internal control. The City had the following audit adjustments necessary to properly record activity in 2010:

Police Fund:

1. Increase inception of capital lease and capital outlay expenditures by \$9,584 to properly record a new capital lease.

CHIP Fund:

1. Increase intergovernmental receivable and deferred revenue in the amount of \$527,000 to properly reflect grants receivable.
2. Increase accounts payable and community and economic development expense in the amount of \$57,783 to properly account for an expenditure incurred in 2010 and not paid until 2011.

Aggregate Remaining Fund Information:

1. Increase intergovernmental receivable and deferred revenue in the COPS fund in the amount of \$121,762 to properly reflect grants receivable.

The adjustments have been recorded by the City.

Proper posting of City activities is a crucial part of the City’s financial statements as potential users may rely on the statements to make decisions that could have an impact on the City.

We recommend the City review its current controls over financial reporting and develop additional policies, procedures and controls to help ensure more accurate posting and reporting.

Clients Response: The City is reviewing its procedures to reach a conclusion that will better facilitate more accurate financial reporting.

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

STATUS OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2009-COE-001	Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover the expenditures.	No	Repeated as Finding 2010-COE-008
2009- COE-002	Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by resolution and comply with the same provisions of the law as used in making the original appropriations.	No	Repeated as Finding 2010-COE-006
2009- COE-003	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	No	Repeated as Finding 2010-COE-007
2009- COE-004	This City was unable to provide a comprehensive detailed listing of individual capital assets and related depreciation by asset tag acquired prior to 2007. This format includes, but is not limited to, the following: description of the asset, location of the asset, asset tag number, cost, voucher number and vendor name, date placed in service, estimated useful life, depreciation method, depreciation expense and accumulated depreciation for the fiscal year by asset and the date asset retired and selling price if applicable.	No	Repeated as Finding 2010-COE-001
2009- COE-005	During the calendar year 2009, the City Treasurer did prepare reconciliations between the City depository balances and the cash fund balances per the City's accounting records. However, reconciliations between the records of the City Auditor and of the City Treasurer were not reconciled to a zero balance on a monthly basis in a timely manner. As a result, there was an immaterial unidentified variance as of December 31, 2009.	No	Repeated as Finding 2010-COE-002

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Dave Yost • Auditor of State

CITY OF EAST LIVERPOOL

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 13, 2012**