

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

Basic Financial Statements
(Audited)

For The Year Ended
December 31, 2011

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, 2011 through December 31, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

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, 2011**

TABLE OF CONTENTS

Independent Accountants' Report	1 - 2
Management's Discussion and Analysis	3 - 10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12 - 13
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14 - 15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	16 - 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - Police Fund.....	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - Fire Fund.....	20
Statement of Fund Net Assets - Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds.....	23 - 24
Statement of Fiduciary Assets and Liabilities - Agency Fund	25
Notes to the Basic Financial Statements.....	26 - 56
Supplementary Data:	
Schedule of Expenditures of Federal Awards.....	57 - 58
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	59 - 60
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	61 - 62
Schedule of Findings and Responses <i>OMB Circular A-133 § .505</i>	63 - 71
Status of Prior Audit Findings <i>OMB Circular A-133 § .505</i>	72 - 73

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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

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, 2011, 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, 2011, 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 and fire for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2011, the City of East Liverpool adopted the provisions of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 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.

We conducted our audit to opine on the financial statements that collectively comprise the City of East Liverpool's basic financial statements taken as a whole. The schedule of expenditures of federal awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
October 3, 2012

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
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, 2011. 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 2011 are:

- In total, the City's net assets increased from 2010. The increase resulted mainly from the continued pay-down of long-term obligations, as well as an increase in capital assets due to infrastructure improvements.
- In 2011, the City purchased various machinery and equipment. The City also completed the roadway and waterline improvements to Bradshaw Avenue and various East end streets, as well as completing the resurfacing project for 3rd Street. The City also started engineering work for improvements relating to St. Claire Avenue.
- The general fund had an increase in fund balance due mainly to an overall reduction in expenditures and transfers out to other funds to finance operations.

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, 2011
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 2011?" 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, Bradshaw/Elysian, 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, 2011
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 2011 compared to 2010.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and Other Assets	\$3,789,236	\$4,510,751	\$4,299,297	\$4,453,229	\$8,088,533	\$8,963,980
Capital Assets, Net	8,863,055	7,520,850	8,739,979	8,861,228	17,603,034	16,382,078
<i>Total Assets</i>	<u>12,652,291</u>	<u>12,031,601</u>	<u>13,039,276</u>	<u>13,314,457</u>	<u>25,691,567</u>	<u>25,346,058</u>
Liabilities						
Current and Other Liabilities	1,699,497	1,532,503	338,635	381,523	2,038,132	1,914,026
Long-Term Liabilities:						
Due Within One Year	1,563,329	335,122	555,867	641,323	2,119,196	976,445
Due in More than One Year	1,961,785	3,374,670	3,634,302	4,055,671	5,596,087	7,430,341
<i>Total Liabilities</i>	<u>5,224,611</u>	<u>5,242,295</u>	<u>4,528,804</u>	<u>5,078,517</u>	<u>9,753,415</u>	<u>10,320,812</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	6,482,197	5,028,093	4,637,729	4,234,359	11,119,926	9,262,452
Restricted:						
Capital Projects	245,223	263,267	0	0	245,223	263,267
Debt Service	89,225	96,521	0	0	89,225	96,521
Street Maintenance and Repair	326,775	494,827	0	0	326,775	494,827
Community Development	580,657	1,035,008	0	0	580,657	1,035,008
Other Purposes	141,114	121,762	0	0	141,114	121,762
Unclaimed Monies	1,617	4,613	0	0	1,617	4,613
Unrestricted (Deficit)	(439,128)	(254,785)	3,872,743	4,001,581	3,433,615	3,746,796
<i>Total Net Assets</i>	<u>\$7,427,680</u>	<u>\$6,789,306</u>	<u>\$8,510,472</u>	<u>\$8,235,940</u>	<u>\$15,938,152</u>	<u>\$15,025,246</u>

Total net assets for governmental activities showed an increase resulting from the continued pay-down of long-term obligations, as well as an increase in capital assets due to spending on various infrastructure improvements.

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, 2011
Unaudited

Table 2 shows the changes in net assets for the years ended December 31, 2011 and December 31, 2010.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$844,116	\$821,672	\$4,679,608	\$4,496,609	\$5,523,724	\$5,318,281
Operating Grants and Contributions	1,070,942	1,830,666	16,040	69,695	1,086,982	1,900,361
Capital Grants, Contributions and Assessments	1,091,292	58,351	18,744	15,340	1,110,036	73,691
<i>Total Program Revenues</i>	<u>3,006,350</u>	<u>2,710,689</u>	<u>4,714,392</u>	<u>4,581,644</u>	<u>7,720,742</u>	<u>7,292,333</u>
<i>General Revenues:</i>						
Property Taxes	835,324	979,891	16	31,847	835,340	1,011,738
Income Tax	2,790,133	2,739,956	0	0	2,790,133	2,739,956
Grants and Entitlements not Restricted to Specific Programs	211,525	475,789	0	0	211,525	475,789
Interest	1,492	4,811	974	4,086	2,466	8,897
Gain on Sale of Capital Asset	0	0	0	3,511	0	3,511
Other	48,693	113,081	58,107	109,861	106,800	222,942
<i>Total General Revenues</i>	<u>3,887,167</u>	<u>4,313,528</u>	<u>59,097</u>	<u>149,305</u>	<u>3,946,264</u>	<u>4,462,833</u>
<i>Total Revenues</i>	<u>6,893,517</u>	<u>7,024,217</u>	<u>4,773,489</u>	<u>4,730,949</u>	<u>11,667,006</u>	<u>11,755,166</u>
<i>Program Expenses:</i>						
General Government	1,316,651	1,472,126	0	0	1,316,651	1,472,126
Security of Persons and Property	3,234,851	3,133,822	0	0	3,234,851	3,133,822
Transportation	534,003	1,030,615	0	0	534,003	1,030,615
Public Health and Welfare	168,594	210,156	0	0	168,594	210,156
Leisure Time Activities Community and Economic Development	153,846	160,296	0	0	153,846	160,296
Interest and Fiscal Charges	767,682	515,140	0	0	767,682	515,140
Business-Type Activities	79,516	82,721	0	0	79,516	82,721
	0	0	4,498,957	4,519,258	4,498,957	4,519,258
<i>Total Program Expenses</i>	<u>6,255,143</u>	<u>6,604,876</u>	<u>4,498,957</u>	<u>4,519,258</u>	<u>10,754,100</u>	<u>11,124,134</u>
Increase (Decrease) in Net Assets	638,374	419,341	274,532	211,691	912,906	631,032
Net Assets Beginning of Year	6,789,306	6,369,965	8,235,940	8,024,249	15,025,246	14,394,214
Net Assets End of Year	<u>\$7,427,680</u>	<u>\$6,789,306</u>	<u>\$8,510,472</u>	<u>\$8,235,940</u>	<u>\$15,938,152</u>	<u>\$15,025,246</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
For the Year Ended December 31, 2011
Unaudited

The City's capital grants increased in 2011. This was mainly due to an increase in CHIP grants, an Ohio Mid-Eastern Governments Association (OMEGA) Appalachian Regional Commission (ARC) grant, and an Ohio Department of Transportation (ODOT) grant related to the Bradshaw Avenue and Elysian Way road improvements.

Security of Persons and Property, which includes police and fire services, represents the largest expense of the governmental activities. There was an increase from 2010 due to higher personnel costs for each division.

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 2011 was transportation, or the street maintenance and repair department. Expenses in 2011 actually decreased significantly from 2010 due to a large portion of the expenses being capitalized for various infrastructure improvements. 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.

Community and Economic Development expenses increased significantly from the prior year. This increase was mainly due to city improvements made possible from the OMEGA ARC grant, which was \$250,000.

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
	2011	2010	2011	2010
General Government	\$1,316,651	\$1,472,126	(\$707,939)	(\$842,948)
Security of Persons and Property	3,234,851	3,133,822	(2,946,224)	(2,631,005)
Transportation	534,003	1,030,615	1,142,175	(364,037)
Public Health and Welfare	168,594	210,156	(91,717)	(107,017)
Leisure Time Activities	153,846	160,296	(105,290)	(99,309)
Community and Economic Development	767,682	515,140	(460,282)	232,850
Interest and Fiscal Charges	79,516	82,721	(79,516)	(82,721)
Total	\$6,255,143	\$6,604,876	(\$3,248,793)	(\$3,894,187)

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
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, 2011. The information provided is useful to determine the City's available balances.

The City's major governmental funds are the general fund, the police and fire special revenue funds, and the Bradshaw/Elysian capital projects fund. The general fund had an increase in fund balance mainly due to a reduction in various departments' expenditures. The police and fire special revenue funds had decreases in fund balance resulting from decreases in charges for services and intergovernmental revenues, respectively, as well as increases in expenditures in both funds. The Bradshaw/Elysian capital projects fund showed a slight increase in fund balance due to not all capital improvement proceeds being spent by year end.

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 2011 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 an increase in net assets due to a slight increase in charges for services revenue, which was compounded by lower materials and supplies expenses. In the incinerator fund, charges for services revenue outpaced increasing operating expenses from the prior year, 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 lower than the original budgeted estimate. This change was attributable to a decrease in estimate for all revenue items. The final budget appropriations were slightly lower than original budgeted appropriations. This change was due mainly to a decrease in the estimate for general government expenditures.

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4 shows the 2011 balances of capital assets compared to 2010.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$1,820,262	\$1,820,262	\$25,771	\$25,771	\$1,846,033	\$1,846,033
Construction in Progress	35,267	85,088	116,704	26,184	151,971	111,272
Buildings and Improvements	176,017	184,664	1,220,386	1,212,505	1,396,403	1,397,169
Improvements other than Buildings	78,585	91,725	0	0	78,585	91,725
Machinery and Equipment	382,220	616,331	915,920	1,153,274	1,298,140	1,769,605
Infrastructure	6,370,704	4,722,780	5,803,779	5,949,516	12,174,483	10,672,296
Water Lines	0	0	364,856	185,467	364,856	185,467
Sewer Lines	0	0	292,563	308,511	292,563	308,511
Totals	<u>\$8,863,055</u>	<u>\$7,520,850</u>	<u>\$8,739,979</u>	<u>\$8,861,228</u>	<u>\$17,603,034</u>	<u>\$16,382,078</u>

Total governmental capital assets increased due to various improvements made to the City's infrastructure. The project making up the most of the infrastructure improvements related to Bradshaw Avenue and Elysian Way. Total business-type capital assets decreased due to annual depreciation outpacing capital outlay. For additional information see Note 10 to the basic financial statements.

Debt

At December 31, 2011, 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, State Infrastructure Bank (SIB) loans, 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
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Table 5
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activity		Total	
	2011	2010	2011	2010	2011	2010
Installment Loans	\$122,597	\$166,216	\$334,039	\$364,282	\$456,636	\$530,498
OPWC Loans	273,679	297,478	70,870	88,133	344,549	385,611
OWDA Loans	0	0	3,393,700	3,879,546	3,393,700	3,879,546
ODOT Loan	76,763	136,763	0	0	76,763	136,763
SIB Loans	633,341	587,952	116,704	0	750,045	587,952
Land Property Loan	1,227,058	1,244,510	0	0	1,227,058	1,244,510
Capital Leases	47,420	59,838	186,937	294,908	234,357	354,746
Police and Fire Pension	808,305	828,101	0	0	808,305	828,101
Totals	\$3,189,163	\$3,320,858	\$4,102,250	\$4,626,869	\$7,291,413	\$7,947,727

The loans in governmental activities are to finance various improvement projects and equipment purchases and are paid from property tax money in the debt service fund and the street capital improvement, capital improvement, and Fawcett project capital projects funds. The loans in the business-type activities are for various water, sewer, incinerator, and off street parking improvement projects and equipment purchases, which are being paid from those funds.

The capital leases are for the lease-purchase of a backhoe and wheel loader, four copiers, 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

During 2010, the City completed engineering work on the Bradshaw/Elysian Avenue roadway and waterline project. In 2011, construction on this project began and was completed by year end. Also, during 2011, the City began engineering work for various improvements relating to St. Claire Avenue.

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, or by email at kimwoomer2@comcast.net.

City of East Liverpool, Ohio

Statement of Net Assets

December 31, 2011

	Governmental Activities	Business-Type Activity	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$715,837	\$1,894,030	\$2,609,867
Materials and Supplies Inventory	18,265	31,379	49,644
Accounts Receivable	172,355	2,344,717	2,517,072
Internal Balances	255	(255)	0
Intergovernmental Receivable	959,387	0	959,387
Prepaid Items	68,736	29,426	98,162
Income Taxes Receivable	364,536	0	364,536
Property Taxes Receivable	1,394,649	0	1,394,649
Loans Receivable	72,417	0	72,417
Special Assessments Receivable	22,799	0	22,799
Nondepreciable Capital Assets	1,855,529	142,475	1,998,004
Depreciable Capital Assets, Net	7,007,526	8,597,504	15,605,030
<i>Total Assets</i>	<u>12,652,291</u>	<u>13,039,276</u>	<u>25,691,567</u>
Liabilities			
Accounts Payable	24,986	29,264	54,250
Accrued Wages	66,719	32,642	99,361
Intergovernmental Payable	265,363	88,850	354,213
Matured Compensated Absences Payable	115,026	0	115,026
Accrued Interest Payable	11,895	67,670	79,565
Vacation Benefits Payable	248,931	120,209	369,140
Deferred Revenue	966,577	0	966,577
Long-Term Liabilities:			
Due Within One Year	1,563,329	555,867	2,119,196
Due In More Than One Year	1,961,785	3,634,302	5,596,087
<i>Total Liabilities</i>	<u>5,224,611</u>	<u>4,528,804</u>	<u>9,753,415</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	6,482,197	4,637,729	11,119,926
Restricted for:			
Capital Projects	245,223	0	245,223
Debt Service	89,225	0	89,225
Street Maintenance and Repair	326,775	0	326,775
Community Development	580,657	0	580,657
Other Purposes	141,114	0	141,114
Unclaimed Monies	1,617	0	1,617
Unrestricted (Deficit)	(439,128)	3,872,743	3,433,615
<i>Total Net Assets</i>	<u>\$7,427,680</u>	<u>\$8,510,472</u>	<u>\$15,938,152</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Activities
For the Year Ended December 31, 2011

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants, Contributions and Assessments
Governmental Activities:				
General Government	\$1,316,651	\$599,073	\$4,173	\$5,466
Security of Persons and Property	3,234,851	71,402	217,225	0
Transportation	534,003	8,225	583,291	1,084,662
Public Health and Welfare	168,594	71,659	5,218	0
Leisure Time Activities	153,846	47,392	0	1,164
Community and Economic Development	767,682	46,365	261,035	0
Interest and Fiscal Charges	79,516	0	0	0
<i>Total Governmental Activities</i>	<u>6,255,143</u>	<u>844,116</u>	<u>1,070,942</u>	<u>1,091,292</u>
Business-Type Activities:				
Water	2,361,309	2,368,987	0	9,372
Sewer	1,109,690	1,290,627	0	9,372
Incinerator	977,584	972,778	16,040	0
Other Enterprise Funds	50,374	47,216	0	0
<i>Total Business-Type Activities</i>	<u>4,498,957</u>	<u>4,679,608</u>	<u>16,040</u>	<u>18,744</u>
<i>Total - Primary Government</i>	<u><u>\$10,754,100</u></u>	<u><u>\$5,523,724</u></u>	<u><u>\$1,086,982</u></u>	<u><u>\$1,110,036</u></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

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
(\$707,939)	\$0	(\$707,939)
(2,946,224)	0	(2,946,224)
1,142,175	0	1,142,175
(91,717)	0	(91,717)
(105,290)	0	(105,290)
(460,282)	0	(460,282)
(79,516)	0	(79,516)
<u>(3,248,793)</u>	<u>0</u>	<u>(3,248,793)</u>
0	17,050	17,050
0	190,309	190,309
0	11,234	11,234
0	(3,158)	(3,158)
<u>0</u>	<u>215,435</u>	<u>215,435</u>
<u>(3,248,793)</u>	<u>215,435</u>	<u>(3,033,358)</u>
221,131	0	221,131
489,465	0	489,465
64,405	0	64,405
60,323	0	60,323
0	16	16
2,575,682	0	2,575,682
6,611	0	6,611
207,840	0	207,840
211,525	0	211,525
1,492	974	2,466
48,693	58,107	106,800
<u>3,887,167</u>	<u>59,097</u>	<u>3,946,264</u>
638,374	274,532	912,906
<u>6,789,306</u>	<u>8,235,940</u>	<u>15,025,246</u>
<u>\$7,427,680</u>	<u>\$8,510,472</u>	<u>\$15,938,152</u>

City of East Liverpool, Ohio

Balance Sheet

Governmental Funds

December 31, 2011

	General	Police	Fire	Bradshaw/ Elysian	Other Governmental Funds
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$0	\$0	\$0	\$5,197	\$709,023
Materials and Supplies Inventory	0	0	0	0	18,265
Accounts Receivable	171,855	0	500	0	0
Interfund Receivable	90,696	0	0	0	57,431
Intergovernmental Receivable	129,792	16,393	57,557	0	755,645
Prepaid Items	24,540	14,749	14,496	0	14,951
Income Taxes Receivable	335,920	0	0	0	28,616
Property Taxes Receivable	282,351	75,299	857,494	0	179,505
Loans Receivable	0	0	0	0	72,417
Special Assessments Receivable	0	0	0	0	22,799
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	1,617	0	0	0	0
<i>Total Assets</i>	<u>\$1,036,771</u>	<u>\$106,441</u>	<u>\$930,047</u>	<u>\$5,197</u>	<u>\$1,858,652</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$4,962	\$4,178	\$3,526	\$0	\$12,320
Accrued Wages	17,504	24,689	17,819	0	6,707
Intergovernmental Payable	59,726	101,576	69,967	0	34,094
Matured Compensated Absences	13,447	72,138	0	0	29,441
Interfund Payable	0	19,501	37,053	0	91,318
Deferred Revenue	513,452	78,959	915,051	0	824,331
<i>Total Liabilities</i>	<u>609,091</u>	<u>301,041</u>	<u>1,043,416</u>	<u>0</u>	<u>998,211</u>
Fund Balances					
Nonspendable	26,157	14,749	14,496	0	33,216
Restricted	0	0	0	5,197	764,443
Committed	0	0	0	0	32,571
Assigned	13,598	0	0	0	98,842
Unassigned (Deficit)	387,925	(209,349)	(127,865)	0	(68,631)
<i>Total Fund Balances (Deficit)</i>	<u>427,680</u>	<u>(194,600)</u>	<u>(113,369)</u>	<u>5,197</u>	<u>860,441</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,036,771</u>	<u>\$106,441</u>	<u>\$930,047</u>	<u>\$5,197</u>	<u>\$1,858,652</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, 2011*

	Total Governmental Fund Balances	\$985,349
Total Governmental Funds	<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.	8,863,055
\$714,220	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
18,265	Property Taxes	428,072
172,355	Income Taxes	164,380
148,127	Intergovernmental	749,965
959,387	Special Assessments	22,799
68,736	Total	1,365,216
364,536		
1,394,649	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(11,895)
72,417		
22,799		
1,617	Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(248,931)
\$3,937,108	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
\$24,986	Installment Loans	(122,597)
66,719	OPWC Loans	(273,679)
265,363	ODOT Loans	(76,763)
115,026	SIB Loans	(633,341)
147,872	Land Property Loan	(1,227,058)
2,331,793	Capital Leases	(47,420)
2,951,759	Compensated Absences	(335,951)
	Police and Fire Pension	(808,305)
88,618	Total	(3,525,114)
769,640		
32,571	<i>Net Assets of Governmental Activities</i>	\$7,427,680
112,440		
(17,920)		
985,349		
\$3,937,108		

City of East Liverpool, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General	Police	Fire	Bradshaw/ Elysian	Other Governmental Funds
Revenues					
Property Taxes	\$191,236	\$34,275	\$552,614	\$0	\$119,196
Income Taxes	2,586,777	0	0	0	215,350
Special Assessments	0	0	0	0	11,411
Intergovernmental	303,344	24,914	159,500	1,002,834	1,522,656
Interest	1,305	0	0	0	187
Licenses and Permits	474,796	0	590	0	22,297
Fines and Forfeitures	125,279	823	0	0	177,859
Charges for Services	6,980	30,000	0	0	5,492
Contributions and Donations	0	0	500	0	6,218
Other	6,842	12,232	3,926	0	25,693
<i>Total Revenues</i>	<u>3,696,559</u>	<u>102,244</u>	<u>717,130</u>	<u>1,002,834</u>	<u>2,106,359</u>
Expenditures					
Current:					
General Government	1,214,189	0	0	0	55,100
Security of Persons and Property	0	1,899,324	1,054,320	0	189,267
Transportation	0	0	0	0	811,304
Public Health and Welfare	138,570	0	0	0	29,218
Leisure Time Activities	125,194	0	0	0	0
Community and Economic Development	122,480	0	0	0	642,467
Capital Outlay	0	0	0	997,637	308,985
Debt Service:					
Principal Retirement	937	8,451	13,030	0	308,691
Interest and Fiscal Charges	202	12,511	23,028	0	45,298
<i>Total Expenditures</i>	<u>1,601,572</u>	<u>1,920,286</u>	<u>1,090,378</u>	<u>997,637</u>	<u>2,390,330</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,094,987</u>	<u>(1,818,042)</u>	<u>(373,248)</u>	<u>5,197</u>	<u>(283,971)</u>
Other Financing Sources (Uses)					
Inception of Capital Lease	0	13,536	0	0	0
Proceeds of Loans	0	0	0	0	185,878
Transfers In	0	1,685,001	313,010	0	257,785
Transfers Out	(2,028,796)	0	0	0	(227,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,028,796)</u>	<u>1,698,537</u>	<u>313,010</u>	<u>0</u>	<u>216,663</u>
<i>Net Change in Fund Balances</i>	66,191	(119,505)	(60,238)	5,197	(67,308)
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>361,489</u>	<u>(75,095)</u>	<u>(53,131)</u>	<u>0</u>	<u>927,749</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>\$427,680</u></u>	<u><u>(\$194,600)</u></u>	<u><u>(\$113,369)</u></u>	<u><u>\$5,197</u></u>	<u><u>\$860,441</u></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, 2011*

	Net Change in Fund Balances - Total Governmental Funds	(\$175,663)
Total Governmental Funds	Amounts reported for governmental activities in the statement of activities are different because:	
\$897,321	Governmental funds report capital outlays as expenditures.	
2,802,127	However, in the statement of activities, the cost of those	
11,411	assets is allocated over their estimated useful lives as	
3,013,248	depreciation expense. This is the amount by which	
1,492	capital outlays exceeded depreciation in the current period:	
497,683	Capital Asset Additions	1,918,806
303,961	Current Year Depreciation	(576,601)
42,472		
6,718	Total	1,342,205
48,693		
7,625,126	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
	Property Taxes	(61,997)
	Income Taxes	(11,994)
1,269,289	Intergovernmental	(646,207)
3,142,911	Special Assessments	(11,411)
811,304		
167,788	Total	(731,609)
125,194		
764,947	Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	331,109
1,306,622		
331,109	In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	1,523
81,039		
8,000,203	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:	
(375,077)	Vacation Benefits Payable	17,240
	Compensated Absences	52,983
13,536		
185,878	Total	70,223
2,255,796		
(2,255,796)	Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.	
199,414	Inception of Capital Lease	(13,536)
(175,663)	Proceeds of Loans	(185,878)
1,161,012	Total	(199,414)
\$985,349	<i>Change in Net Assets of Governmental Activities</i>	\$638,374

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$169,923	\$167,371	\$191,236	\$23,865
Income Taxes	2,596,373	2,554,184	2,632,515	78,331
Intergovernmental	339,090	333,997	322,335	(11,662)
Interest	4,061	4,000	1,305	(2,695)
Licenses and Permits	493,706	486,290	466,834	(19,456)
Fines and Forfeitures	118,428	116,649	132,946	16,297
Charges for Services	7,107	7,000	6,980	(20)
Other	5,381	5,300	6,842	1,542
<i>Total Revenues</i>	<u>3,734,069</u>	<u>3,674,791</u>	<u>3,760,993</u>	<u>86,202</u>
Expenditures				
Current:				
General Government	1,333,378	1,288,371	1,240,738	47,633
Public Health and Welfare	155,950	145,698	145,378	320
Leisure Time Activities	123,766	128,545	126,752	1,793
Community and Economic Development	127,352	120,267	119,393	874
Debt Service:				
Principal Retirement	17,937	17,937	937	17,000
Interest and Fiscal Charges	203	203	202	1
<i>Total Expenditures</i>	<u>1,758,586</u>	<u>1,701,021</u>	<u>1,633,400</u>	<u>67,621</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,975,483</u>	<u>1,973,770</u>	<u>2,127,593</u>	<u>153,823</u>
Other Financing Sources (Uses)				
Advances In	28,416	28,416	13,450	(14,966)
Transfers Out	(2,023,220)	(2,023,220)	(2,029,296)	(6,076)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,994,804)</u>	<u>(1,994,804)</u>	<u>(2,015,846)</u>	<u>(21,042)</u>
<i>Net Change in Fund Balance</i>	(19,321)	(21,034)	111,747	132,781
<i>Fund Deficit Beginning of Year</i>	(117,142)	(117,142)	(117,142)	0
Prior Year Encumbrances Appropriated	60,150	60,150	60,150	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$76,313)</u>	<u>(\$78,026)</u>	<u>\$54,755</u>	<u>\$132,781</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$77,326	\$33,998	\$34,275	\$277
Intergovernmental	23,056	10,137	12,957	2,820
Fines and Forfeitures	910	400	823	423
Charges for Services	102,350	45,000	33,750	(11,250)
Other	22,585	9,930	12,232	2,302
<i>Total Revenues</i>	226,227	99,465	94,037	(5,428)
Expenditures				
Current:				
Security of Persons and Property	1,782,338	1,782,338	1,810,049	(27,711)
Debt Service:				
Principal Retirement	6,500	8,451	8,451	0
Interest and Fiscal Charges	12,500	12,511	12,511	0
<i>Total Expenditures</i>	1,801,338	1,803,300	1,831,011	(27,711)
<i>Excess of Revenues Under Expenditures</i>	(1,575,111)	(1,703,835)	(1,736,974)	(33,139)
Other Financing Sources				
Transfers In	1,685,001	1,685,001	1,685,001	0
<i>Net Change in Fund Balance</i>	109,890	(18,834)	(51,973)	(33,139)
<i>Fund Balance Beginning of Year</i>	21,566	21,566	21,566	0
Prior Year Encumbrances Appropriated	7,220	7,220	7,220	0
<i>Fund Balance (Deficit) End of Year</i>	\$138,676	\$9,952	(\$23,187)	(\$33,139)

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$684,808	\$548,024	\$552,614	\$4,590
Intergovernmental	176,894	141,561	159,500	17,939
Licenses and Permits	125	100	590	490
Contributions and Donations	625	500	0	(500)
Other	5,374	4,301	3,926	(375)
<i>Total Revenues</i>	867,826	694,486	716,630	22,144
Expenditures				
Current:				
Security of Persons and Property	1,183,593	1,187,444	1,048,348	139,096
Debt Service:				
Principal Retirement	11,900	13,030	13,030	0
Interest and Fiscal Charges	24,573	23,443	23,028	415
<i>Total Expenditures</i>	1,220,066	1,223,917	1,084,406	139,511
<i>Excess of Revenues Under Expenditures</i>	(352,240)	(529,431)	(367,776)	161,655
Other Financing Sources				
Transfers In	313,010	313,010	313,010	0
<i>Net Change in Fund Balance</i>	(39,230)	(216,421)	(54,766)	161,655
<i>Fund Balance Beginning of Year</i>	9,581	9,581	9,581	0
Prior Year Encumbrances Appropriated	1,521	1,521	1,521	0
<i>Fund Balance (Deficit) End of Year</i>	(\$28,128)	(\$205,319)	(\$43,664)	\$161,655

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio

Statement of Fund Net Assets

Proprietary Funds

December 31, 2011

	Water	Sewer	Incinerator	Other Enterprise Funds	Total
Assets					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$943,844	\$765,605	\$180,499	\$4,082	\$1,894,030
Accounts Receivable	1,969,388	226,072	149,257	0	2,344,717
Materials and Supplies Inventory	29,246	2,133	0	0	31,379
Prepaid Items	11,688	11,688	5,579	471	29,426
<i>Total Current Assets</i>	<u>2,954,166</u>	<u>1,005,498</u>	<u>335,335</u>	<u>4,553</u>	<u>4,299,552</u>
<i>Non-Current Assets:</i>					
Nondepreciable Capital Assets	19,623	6,148	116,704	0	142,475
Depreciable Capital Assets, Net	7,713,678	312,724	545,530	25,572	8,597,504
<i>Total Non-Current Assets</i>	<u>7,733,301</u>	<u>318,872</u>	<u>662,234</u>	<u>25,572</u>	<u>8,739,979</u>
<i>Total Assets</i>	<u>10,687,467</u>	<u>1,324,370</u>	<u>997,569</u>	<u>30,125</u>	<u>13,039,531</u>
Liabilities					
<i>Current Liabilities:</i>					
Accounts Payable	9,459	3,246	16,559	0	29,264
Accrued Wages	17,672	8,519	6,239	212	32,642
Intergovernmental Payable	46,526	24,199	16,928	1,197	88,850
Interfund Payable	0	0	0	255	255
Accrued Interest Payable	57,658	9,614	385	13	67,670
Vacation Benefits Payable	71,684	34,339	14,186	0	120,209
Installment Loans Payable	17,442	6,918	0	6,996	31,356
OPWC Loans Payable	17,263	0	0	0	17,263
OWDA Loans Payable	265,887	111,498	0	0	377,385
Capital Leases Payable	0	0	112,661	0	112,661
Compensated Absences Payable	0	17,202	0	0	17,202
<i>Total Current Liabilities</i>	<u>503,591</u>	<u>215,535</u>	<u>166,958</u>	<u>8,673</u>	<u>894,757</u>
<i>Long-Term Liabilities (net of current portion):</i>					
Installment Loans Payable	266,275	36,408	0	0	302,683
OPWC Loans Payable	53,607	0	0	0	53,607
OWDA Loans Payable	2,895,635	120,680	0	0	3,016,315
SIB Loans Payable	0	0	116,704	0	116,704
Capital Leases Payable	0	0	74,276	0	74,276
Compensated Absences Payable	49,890	20,827	0	0	70,717
<i>Total Long-Term Liabilities</i>	<u>3,265,407</u>	<u>177,915</u>	<u>190,980</u>	<u>0</u>	<u>3,634,302</u>
<i>Total Liabilities</i>	<u>3,768,998</u>	<u>393,450</u>	<u>357,938</u>	<u>8,673</u>	<u>4,529,059</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	4,217,192	43,368	358,593	18,576	4,637,729
Unrestricted	2,701,277	887,552	281,038	2,876	3,872,743
<i>Total Net Assets</i>	<u>\$6,918,469</u>	<u>\$930,920</u>	<u>\$639,631</u>	<u>\$21,452</u>	<u>\$8,510,472</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, 2011*

	Water	Sewer	Incinerator	Other Enterprise Funds	Total
Operating Revenues					
Charges for Services	\$2,368,987	\$1,290,627	\$972,778	\$47,216	\$4,679,608
Other	42,795	923	5,848	8,541	58,107
<i>Total Operating Revenues</i>	<u>2,411,782</u>	<u>1,291,550</u>	<u>978,626</u>	<u>55,757</u>	<u>4,737,715</u>
Operating Expenses					
Personal Services	1,349,417	670,284	573,272	29,854	2,622,827
Contractual Services	419,158	160,450	223,046	8,101	810,755
Materials and Supplies	147,441	109,574	74,135	10,034	341,184
Depreciation	305,292	146,658	94,489	1,871	548,310
Other	9,607	538	1,838	0	11,983
<i>Total Operating Expenses</i>	<u>2,230,915</u>	<u>1,087,504</u>	<u>966,780</u>	<u>49,860</u>	<u>4,335,059</u>
<i>Operating Income</i>	<u>180,867</u>	<u>204,046</u>	<u>11,846</u>	<u>5,897</u>	<u>402,656</u>
Non-Operating Revenues (Expenses)					
Operating Grants	0	0	16,040	0	16,040
Interest	974	0	0	0	974
Property Taxes	0	0	16	0	16
Special Assessments	9,372	9,372	0	0	18,744
Interest and Fiscal Charges	(130,394)	(22,186)	(10,804)	(514)	(163,898)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(120,048)</u>	<u>(12,814)</u>	<u>5,252</u>	<u>(514)</u>	<u>(128,124)</u>
<i>Income before Transfers</i>	60,819	191,232	17,098	5,383	274,532
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>	242,736	19,615	6,798	5,383	274,532
<i>Net Assets Beginning of Year</i>	<u>6,675,733</u>	<u>911,305</u>	<u>632,833</u>	<u>16,069</u>	<u>8,235,940</u>
<i>Net Assets End of Year</i>	<u><u>\$6,918,469</u></u>	<u><u>\$930,920</u></u>	<u><u>\$639,631</u></u>	<u><u>\$21,452</u></u>	<u><u>\$8,510,472</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, 2011

	Water	Sewer	Incinerator	Other Enterprise Funds	Total
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities					
Cash Received from Customers	\$2,348,546	\$1,299,068	\$973,885	\$47,216	\$4,668,715
Other Cash Receipts	42,795	923	5,848	8,796	58,362
Cash Payments to Employees for Services	(1,336,405)	(665,342)	(570,326)	(30,007)	(2,602,080)
Cash Payments for Goods and Services	(566,567)	(282,610)	(303,048)	(18,606)	(1,170,831)
Other Cash Payments	(9,607)	(538)	(1,838)	0	(11,983)
<i>Net Cash Provided by Operating Activities</i>	<u>478,762</u>	<u>351,501</u>	<u>104,521</u>	<u>7,399</u>	<u>942,183</u>
Cash Flows from Noncapital Financing Activities					
Operating Grants	0	0	16,040	0	16,040
Property Taxes	0	0	16	0	16
Transfers In	181,917	0	0	0	181,917
Transfers Out	0	(171,617)	(10,300)	0	(181,917)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>181,917</u>	<u>(171,617)</u>	<u>5,756</u>	<u>0</u>	<u>16,056</u>
Cash Flows from Capital and Related Financing Activities					
Special Assessments	9,372	9,372	0	0	18,744
Proceeds from SIB Loans	0	0	116,704	0	116,704
Principal Paid on Installment Loans	(16,451)	(6,502)	0	(7,290)	(30,243)
Interest Paid on Installment Loans	(17,540)	(2,970)	0	(527)	(21,037)
Principal Paid on OWDA Loans	(382,826)	(103,020)	0	0	(485,846)
Interest Paid on OWDA Loans	(130,818)	(23,464)	0	0	(154,282)
Principal Paid on OPWC Loan	(17,263)	0	0	0	(17,263)
Principal Paid on Capital Lease	0	0	(107,971)	0	(107,971)
Interest Paid on Capital Lease	0	0	(10,972)	0	(10,972)
Payments for Capital Acquisitions	(189,185)	(90,298)	(146,271)	(1,307)	(427,061)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(744,711)</u>	<u>(216,882)</u>	<u>(148,510)</u>	<u>(9,124)</u>	<u>(1,119,227)</u>
Cash Flows from Investing Activities					
Interest on Investments	974	0	0	0	974
<i>Net Decrease in Cash and Cash Equivalents</i>	<u>(83,058)</u>	<u>(36,998)</u>	<u>(38,233)</u>	<u>(1,725)</u>	<u>(160,014)</u>
<i>Cash and Cash Equivalents Beginning 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>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$943,844</u>	<u>\$765,605</u>	<u>\$180,499</u>	<u>\$4,082</u>	<u>\$1,894,030</u>

(continued)

City of East Liverpool, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2011

	Water	Sewer	Incinerator	Other Enterprise Funds	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income	\$180,867	\$204,046	\$11,846	\$5,897	\$402,656
Adjustments:					
Depreciation	305,292	146,658	94,489	1,871	548,310
<i>(Increase) Decrease in Assets:</i>					
Accounts Receivable	(20,441)	8,441	1,107	0	(10,893)
Prepaid Items	324	324	0	(471)	177
Materials and Supplies Inventory	5,438	(1,059)	0	0	4,379
<i>Increase (Decrease) in Liabilities:</i>					
Accounts Payable	(5,730)	(11,851)	(5,867)	0	(23,448)
Accrued Wages	329	598	(288)	(53)	586
Accrued Vacation Leave Payable	3,328	(3,784)	2,059	0	1,603
Compensated Absences Payable	9,183	8,611	0	0	17,794
Interfund Payable	0	0	0	255	255
Intergovernmental Payable	172	(483)	1,175	(100)	764
<i>Total Adjustments</i>	<u>297,895</u>	<u>147,455</u>	<u>92,675</u>	<u>1,502</u>	<u>539,527</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$478,762</u>	<u>\$351,501</u>	<u>\$104,521</u>	<u>\$7,399</u>	<u>\$942,183</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2011

Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,499
Cash and Cash Equivalents in Segregated Accounts	<u>13,150</u>
<i>Total Assets</i>	<u><u>\$18,649</u></u>
 Liabilities	
Undistributed Monies	<u><u>\$18,649</u></u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 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, 2011

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.

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

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

Bradshaw/Elysian Fund The Bradshaw/Elysian fund accounts for and reports grant monies from State sources restricted for capital outlay relating to Bradshaw Avenue and Elysian Way projects.

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

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

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

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

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

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

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, 2011

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, 2011, but which were levied to finance year 2012 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, 2011

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 2011, 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 2011 amounted to \$1,305, 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, 2011, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

Restricted Assets

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

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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:

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

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

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund balance amounts are eliminated in the statement of net assets.

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.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have resigned or retired will be paid.

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

Accrued Liabilities and Long-term Obligations

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

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

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by ordinance, or by State Statute.

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

Net 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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from grants restricted to capital acquisition and construction.

Estimates

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

Budgetary Process

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

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 2011, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the City's financial statements.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments and external investment pools. The implementation of this statement did not result in any change in the City's financial statements.

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as previously reported:

	General	Police	Fire	Bradshaw/ Elysian	Other Governmental Funds	Total Governmental Funds
Fund Balance (Deficit) at December 31, 2010	\$361,054	(\$75,095)	(\$53,131)	\$0	\$928,184	\$1,161,012
GASB 54 Change in Fund Structure	435	0	0	0	(435)	0
Adjusted Fund Balance (Deficit) at December 31, 2010	<u>\$361,489</u>	<u>(\$75,095)</u>	<u>(\$53,131)</u>	<u>\$0</u>	<u>\$927,749</u>	<u>\$1,161,012</u>

Note 4 – Accountability and Compliance

Accountability

At December 31, 2011, the following funds had deficit fund balances:

Fund	Deficit
<i>Special Revenue Funds:</i>	
Police	(\$194,600)
Fire	(113,369)
Police Pension	(203)
Fire Pension	(209)
COPS Grant	(15,054)
Street Department	(22,355)

The deficits in the police pension and fire pension 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

Ohio Revised Code Section 5705.10(H) provides that money paid into a fund must be used only for the purposes for which such fund has been established. A fund with a negative cash balance signifies that monies from other funds were used to meet their obligations.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

As of June 30, 2011, the fire and COPS grant special revenue funds had negative cash balances of (\$179,757) and (\$21,521), respectively.

As of December 31, 2011, the following funds had negative cash balances:

Fund	Deficit
<i>Special Revenue Funds:</i>	
Police	(\$19,501)
Fire	(37,053)
COPS Grant	(15,053)
Street Department	(61,754)
 <i>Enterprise Fund:</i>	
Off Street Parking	(255)

For 2011, the general fund and fire special revenue fund had final appropriations in excess of estimated resources in violation of Ohio Revised Code Sections 5705.39 and 5705.36, in the amounts of (\$78,026) and (\$205,319), respectively.

Ohio Revised Code Section 5705.36, in part, requires fiscal officers to certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. The City certified its cash balances instead of its unencumbered cash balances at January 1, 2011.

At December 31, 2011, various funds had expenditures plus encumbrances in excess of appropriations at the legal level of control, contrary to Ohio Revised Code Sections 5705.41(B) and 5705.40. The funds in excess were the general fund and the police special revenue fund in the amounts of (\$6,076) and (\$27,711), respectively.

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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed, or assigned of fund balance (GAAP).
4. Advances-In are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Budgetary revenues and expenditures of the playground fund are reclassified to the general fund for GAAP reporting.

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

	Net Change in Fund Balance		
	General	Police	Fire
GAAP Basis	\$66,191	(\$119,505)	(\$60,238)
Adjustment for Revenue Accruals	63,934	(21,743)	(500)
Advances In	13,450	0	0
Adjustment for Expenditure Accruals	(10,216)	92,961	12,583
Excess of Revenue and Other Financing Sources and Over (Under) Expenditures and Other Financing Sources (Uses):			
Playground Fund	500	0	0
Adjustment for Encumbrances	(22,112)	(3,686)	(6,611)
Budget Basis	\$111,747	(\$51,973)	(\$54,766)

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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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;
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 bankers' 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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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, \$747,993 of the City's bank balance of \$1,053,297 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.

Investments

As of December 31, 2011, the City had a repurchase agreement in the amount of \$1,688,071 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, 2011.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 7 - Receivables

Receivables at December 31, 2011, 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 \$11,388 in the Fawcett project capital projects fund.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes were levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The tax rate for all City operations for the year ended December 31, 2011, was \$12.6 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2011 property tax receipts were based are as follows:

	Assessed Value
Real Estate:	
Residential/Agricultural	\$58,989,270
Commercial/Industrial	22,369,470
Public Utility Personal Property	<u>6,697,160</u>
Total	<u><u>\$88,055,900</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2011, and for which there was an enforceable legal claim. In the governmental funds, the entire receivable has been deferred since current taxes were not levied to finance 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while on the modified accrual basis the revenue has been deferred.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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.

Intergovernmental Receivable

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

<u>Governmental Activities</u>	<u>Amount</u>
CHIP Grants	\$328,548
Vehicle Registration	156,988
Gasoline Tax	109,253
Local Government	96,129
Homestead and Rollback	72,000
Permissive Tax	65,445
Cents Per Gallon	54,725
Municipal Court	19,691
Personal Property Tax Reimbursement	17,574
COPS Grant	14,510
St. Clair Township	11,250
Estate Tax	7,344
Drug Enforcement Agency	1,995
Victim Witness Assistance Grant	1,752
US Treasury	1,483
State of Ohio	644
Columbiana County	56
Total Intergovernmental Receivables	<u><u>\$959,387</u></u>

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 2011, the City contracted with the Municipal Insurance Alliance of Ohio for its property and liability insurance. Cooper Insurance serves as the City's agent.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

During 2011, the City purchased the following insurance coverage:

<u>Coverage</u>	<u>Limit</u>
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

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 – 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, 2011.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 10 – Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2011, was as follows:

	Balance 12/31/2010	Additions	Deductions	Balance 12/31/2011
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$1,820,262	\$0	\$0	\$1,820,262
Construction in Progress	85,088	1,691,994	(1,741,815)	35,267
<i>Total Capital Assets, not being depreciated</i>	<u>1,905,350</u>	<u>1,691,994</u>	<u>(1,741,815)</u>	<u>1,855,529</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	6,217,510	40,934	0	6,258,444
Infrastructure	5,667,516	1,927,693	0	7,595,209
<i>Total Capital Assets, being depreciated</i>	<u>12,642,069</u>	<u>1,968,627</u>	<u>0</u>	<u>14,610,696</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(254,651)	(8,647)	0	(263,298)
Improvements other than Buildings	(226,003)	(13,140)	0	(239,143)
Machinery and Equipment	(5,601,179)	(275,045)	0	(5,876,224)
Infrastructure	(944,736)	(279,769)	0	(1,224,505)
<i>Total Accumulated Depreciation</i>	<u>(7,026,569)</u>	<u>(576,601) *</u>	<u>0</u>	<u>(7,603,170)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>5,615,500</u>	<u>1,392,026</u>	<u>0</u>	<u>7,007,526</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$7,520,850</u>	<u>\$3,084,020</u>	<u>(\$1,741,815)</u>	<u>\$8,863,055</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$56,167
Security of Persons and Property	141,612
Transportation	345,733
Public Health	1,480
Leisure Time Activities	28,652
Community and Environment	<u>2,957</u>
Total Depreciation Expense	<u>\$576,601</u>

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Capital asset activity for business-type activities for the year ended December 31, 2011, was as follows:

	Balance 12/31/2010	Additions	Deductions	Balance 12/31/2011
Business-Type Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$25,771	\$0	\$0	\$25,771
Construction in Progress	26,184	285,856	(195,336)	116,704
<i>Total Capital Assets, not being depreciated</i>	<u>51,955</u>	<u>285,856</u>	<u>(195,336)</u>	<u>142,475</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	4,015,102	86,901	0	4,102,003
Machinery and Equipment	4,441,094	54,304	0	4,495,398
Infrastructure	9,770,828	0	0	9,770,828
Water Lines	1,159,926	195,336	0	1,355,262
Sewer Lines	2,505,379	0	0	2,505,379
<i>Total Capital Assets, being depreciated</i>	<u>21,892,329</u>	<u>336,541</u>	<u>0</u>	<u>22,228,870</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(2,802,597)	(79,020)	0	(2,881,617)
Machinery and Equipment	(3,287,820)	(291,658)	0	(3,579,478)
Infrastructure	(3,821,312)	(145,737)	0	(3,967,049)
Water Lines	(974,459)	(15,947)	0	(990,406)
Sewer Lines	(2,196,868)	(15,948)	0	(2,212,816)
<i>Total Accumulated Depreciation</i>	<u>(13,083,056)</u>	<u>(548,310)</u>	<u>0</u>	<u>(13,631,366)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>8,809,273</u>	<u>(211,769)</u>	<u>0</u>	<u>8,597,504</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$8,861,228</u>	<u>\$74,087</u>	<u>(\$195,336)</u>	<u>\$8,739,979</u>

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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 visiting <https://www.opers.org/investments/cafr.shtml>, 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. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. For the year ended December 31, 2011, members in State and local divisions contributed 10 percent of covered payroll. For 2011, member and employer contribution rates were consistent across all three plans.

The City's 2011 contribution rate was 14 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 4 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011. 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, 2011, 2010, and 2009 were \$318,442, \$292,273 and \$293,379, respectively. For 2011, 90.6 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$8,503 made by the City and \$6,074 made by plan members.

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 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24 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 \$123,270 and \$116,863 for the year ended December 31, 2011, \$125,480 and \$114,588 for the year ended December 31, 2010, and \$145,727 and \$148,963 for the year ended December 31, 2009, respectively. For 2011, 70.67 percent for police and 70.1 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 2010 and 2009.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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 2011, State and local employers contributed at a rate of 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

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 4 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011.

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, 2011, 2010, and 2009 were \$127,377, \$166,623, and \$212,135, respectively. For 2011, 90.6 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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.

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, 2011, 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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$65,261 and \$45,729 for the year ended December 31, 2011, \$66,430 and \$44,839 for the year ended December 31, 2010, and \$77,150 and \$58,290 for the year ended December 31, 2009. For 2011, 70.67 percent has been contributed for police and 70.1 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 2010 and 2009.

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.

Insurance

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

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

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 2011. 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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 2011, 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.

Note 15 - Long-Term Obligations

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

	Balance 12/31/2010	Issued	Retired	Balance 12/31/2011	Amounts Due In One Year
Governmental Activities					
Installment Loans:					
1999 Fifth Street Loan - 5.32%	\$13,755	\$0	(\$13,755)	\$0	\$0
2007 Aerial Fire Truck - 5.95%	54,329	0	(6,529)	47,800	6,926
2009 Snow Removal - 4.80%	40,864	0	(9,717)	31,147	10,190
2009 Cruisers - 4.80%	22,889	0	(5,443)	17,446	5,708
2009 Air Compressor - 4.80%	34,379	0	(8,175)	26,204	8,573
<i>Total Installment Loans</i>	<u>166,216</u>	<u>0</u>	<u>(43,619)</u>	<u>122,597</u>	<u>31,397</u>
Ohio Public Works Commission Loans:					
2003 State Route 39 Improvement Loan - 0.00%	297,478	0	(23,799)	273,679	23,798
Ohio Department of Transportation Loan:					
1990 Highway 30 Loan - 3.00%	136,763	0	(60,000)	76,763	60,000
State Infrastructure Bank Loans:					
2004 St. Clair Paving Loan - 3.00%	587,952	0	(140,489)	447,463	144,736
2011 Road Improvements Loan - 3.00%	0	185,878	0	185,878	0
<i>Total State Infrastructure Bank Loan</i>	<u>587,952</u>	<u>185,878</u>	<u>(140,489)</u>	<u>633,341</u>	<u>144,736</u>
Land Property Loan:					
2009 Land Property Loan - 1.50%	1,244,510	0	(17,452)	1,227,058	1,227,058
Capital Leases:					
2007 Backhoe and Wheel Loader - 5.00%	42,088	0	(20,531)	21,557	21,557
2009 Copier - 6.46%	3,649	0	(937)	2,712	998
2009 Copier - 6.47%	4,517	0	(2,801)	1,716	1,716
2010 Copier - 6.27%	9,584	0	(1,685)	7,899	1,794
2011 Copier - 6.10%	0	13,536	0	13,536	2,388
<i>Total Capital Leases</i>	<u>59,838</u>	<u>13,536</u>	<u>(25,954)</u>	<u>47,420</u>	<u>28,453</u>
Compensated Absences	388,934	0	(52,983)	335,951	27,240
Police and Fire Pension	828,101	0	(19,796)	808,305	20,647
Total Governmental Activities	<u><u>\$3,709,792</u></u>	<u><u>\$199,414</u></u>	<u><u>(\$384,092)</u></u>	<u><u>\$3,525,114</u></u>	<u><u>\$1,563,329</u></u>

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

	Balance 12/31/2010	Issued	Retired	Balance 12/31/2011	Amounts Due In One Year
Business-Type Activities					
Installment Loans:					
2007 Anderson Boulevard Water Loan - 6.25%	\$71,183	\$0	(\$9,288)	\$61,895	\$9,883
2007 Anderson Boulevard Sewer Loan - 6.25%	49,828	0	(6,502)	43,326	6,918
2009 Bradshaw Water Loan - 5.81%	228,985	0	(7,163)	221,822	7,559
2009 Parking Lot Improvement Loan - 4.80%	14,286	0	(7,290)	6,996	6,996
<i>Total Installment Loans</i>	<u>364,282</u>	<u>0</u>	<u>(30,243)</u>	<u>334,039</u>	<u>31,356</u>
Ohio Public Works Commission Loans:					
1993 Pope Street/Thompson Avenue					
Water Tank Water Loan - 0.00%	45,500	0	(13,000)	32,500	13,000
2001 Henry Avenue Waterline Water Loan - 0.00%	42,633	0	(4,263)	38,370	4,263
<i>Total Ohio Public Works Commission Loans</i>	<u>88,133</u>	<u>0</u>	<u>(17,263)</u>	<u>70,870</u>	<u>17,263</u>
Ohio Water Development Authority Loans:					
1985 Project #1340 Water Loan - 9.78%	127,831	0	(127,831)	0	0
1994 Project #3099 Water Loan - 5.94%	343,026	0	(91,440)	251,586	96,717
1996 Project #3100 Water Loan - 5.94%	13,250	0	(3,525)	9,725	3,734
2004 Project #4181 Water Loan - 3.35%	3,060,241	0	(160,030)	2,900,211	165,436
1996 Project #1548 Sewer Loan - 5.96%	335,198	0	(103,020)	232,178	111,498
<i>Total Ohio Water Development Authority Loans</i>	<u>3,879,546</u>	<u>0</u>	<u>(485,846)</u>	<u>3,393,700</u>	<u>377,385</u>
State Infrastructure Bank Loan:					
2011 Road Improvements - 3.00%	0	116,704	0	116,704	0
Capital Leases:					
2008 Garbage Trucks Incinerator Lease - 4.07%	244,918	0	(98,437)	146,481	102,519
2010 Trash Compactor Incinerator Lease - 6.19%	49,990	0	(9,534)	40,456	10,142
<i>Total Capital Leases</i>	<u>294,908</u>	<u>0</u>	<u>(107,971)</u>	<u>186,937</u>	<u>112,661</u>
Compensated Absences	70,125	17,794	0	87,919	17,202
Total Business-Type Activities	<u><u>\$4,696,994</u></u>	<u><u>\$134,498</u></u>	<u><u>(\$641,323)</u></u>	<u><u>\$4,190,169</u></u>	<u><u>\$555,867</u></u>

Within governmental activities, the City has installment loans, OPWC loans, an ODOT loan, SIB loans 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, ODOT, and SIB loans are being paid from the debt service fund and the Land Property loan is being paid from the capital improvement capital projects fund.

For governmental activities, a line of credit has been established with the Ohio State Infrastructure Bank (SIB) for a total amount of \$445,136 for various road improvements within the City. As of December 31, 2011, only \$185,878 of governmental proceeds has been received and a loan payment schedule has not been finalized; therefore, the repayment schedule is not included in the schedule of debt service requirements.

Within business-type activities, the City has installment loans, OPWC loans, OWDA loans, and a SIB loan. 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, and the SIB loan is being paid from the incinerator fund.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

For business-type activities, a line of credit has been established with the Ohio State Infrastructure Bank (SIB) for a total amount of \$445,136 for various road improvements within the City. As of December 31, 2011, only \$116,704 of business-type activity proceeds has been received and a loan payment schedule has not been finalized; therefore, the repayment schedule is not included in the schedule of debt service requirements.

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 less than 100 percent of net revenues in future years; however, in 2011, principal and interest payments on the bonds exceeded net revenues. The total principal and interest remaining to be paid on the debt is \$4,016,798. Principal and interest paid for the current year and total net revenues were \$530,907 and \$496,505, 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 36 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$261,212. Principal and interest paid for the current year and total net revenues were \$126,484 and \$360,076, respectively.

The City also has seven 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, police special revenue fund, and the maintenance fee capital projects 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, 2011, the City's overall legal debt margin was \$6,976,940 and the unvoted legal debt margin was \$2,574,145. Principal and interest requirements to retire the outstanding debt at December 31, 2011, are as follows:

	Governmental Activities							
	Installment Loans		OPWC Loans	ODOT Loan	SIB Loan		Land Property Loan	
	Principal	Interest	Principal	Principal	Principal	Interest	Principal	Interest
2012	\$31,397	\$5,767	\$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	8,818	810	23,799	0	0	0	0	0
2017-2021	8,565	260	118,991	0	0	0	0	0
2022-2023	0	0	35,697	0	0	0	0	0
Totals	\$122,597	\$14,680	\$273,679	\$76,763	\$447,463	\$23,783	\$1,227,058	\$12,219

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

	Business-Type Funds				
	Installment Loans		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Principal	Interest
2012	\$31,356	\$19,272	\$17,263	\$377,385	\$129,985
2013	25,970	17,493	17,264	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	31,225	12,237	4,263	188,948	72,270
2017-2021	66,889	44,991	17,053	1,044,906	261,188
2022-2026	77,083	25,212	0	970,321	74,556
2027-2029	44,501	3,236	0	0	0
Totals	<u>\$334,039</u>	<u>\$152,353</u>	<u>\$70,870</u>	<u>\$3,393,700</u>	<u>\$813,440</u>

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 and a trash compactor in the business-type activities. In 2011, the City entered into capital leases for two additional copiers in the governmental 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	\$164,196	\$534,492
Less: Accumulated Depreciation	(70,235)	(251,333)
Current Book Value	<u>\$93,961</u>	<u>\$283,159</u>

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

	Governmental Activities	Business-Type Activities
2012	\$30,912	\$118,945
2013	6,524	56,770
2014	6,049	12,361
2015	5,385	8,241
2016	3,147	0
Total Minimum Lease Payments	52,017	196,317
Less: Amount Representing Interest	(4,597)	(9,380)
Totals	<u>\$47,420</u>	<u>\$186,937</u>

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 17 – Interfund Transactions

Interfund Balances

At December 31, 2011, the general fund and the CHIP fund had interfund receivables of \$90,696 and \$57,431, respectively for advances made to cover cash deficits disclosed in Note 4, and an advance made in the prior year to cover expenditures in the COPS grant fund. All interfund balances are expected to be repaid within one year.

Interfund Transfers

Interfund transfers for the year ended December 31, 2011, consisted of the following:

Transfer To	Transfer From				Total
	General Fund	Nonmajor Funds	Sewer Fund	Incinerator Fund	
Police Fund	\$1,685,001	\$0	\$0	\$0	\$1,685,001
Fire Fund	313,010	0	0	0	313,010
Nonmajor Funds	30,785	227,000	0	0	257,785
Water Fund	0	0	171,617	10,300	181,917
Grand Total	\$2,028,796	\$227,000	\$171,617	\$10,300	\$2,437,713

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, as well as the victims witness assistance program and Broadway Wharf. The transfers between various nonmajor funds and the debt service fund were to account for the various funds' portion of debt obligations and capital projects. 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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 19 – Fund Balances

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

Fund Balances	General	Police	Fire	Bradshaw/ Elysian	Other Governmental Funds	Total
<u>Nonspendable:</u>						
Inventory	\$0	\$0	\$0	\$0	\$18,265	\$18,265
Prepays	24,540	14,749	14,496	0	14,951	68,736
Unclaimed Monies	1,617	0	0	0	0	1,617
<i>Total Nonspendable</i>	<u>26,157</u>	<u>14,749</u>	<u>14,496</u>	<u>0</u>	<u>33,216</u>	<u>88,618</u>
<u>Restricted:</u>						
Transportation	0	0	0	0	91,369	91,369
Public Safety	0	0	0	0	112,136	112,136
Public Health	0	0	0	0	26,964	26,964
Economic Development	0	0	0	0	283,555	283,555
Debt Service	0	0	0	0	64,194	64,194
Capital Improvements	0	0	0	5,197	186,225	191,422
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,197</u>	<u>764,443</u>	<u>769,640</u>
<u>Committed:</u>						
Economic Development	0	0	0	0	32,571	32,571
<u>Assigned:</u>						
Recreation	935	0	0	0	0	935
Capital Improvements	0	0	0	0	98,842	98,842
Other Purposes	12,663	0	0	0	0	12,663
<i>Total Assigned</i>	<u>13,598</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>98,842</u>	<u>112,440</u>
Unassigned (Deficit)	387,925	(209,349)	(127,865)	0	(68,631)	(17,920)
Total Fund Balances (Deficit)	<u>\$427,680</u>	<u>(\$194,600)</u>	<u>(\$113,369)</u>	<u>\$5,197</u>	<u>\$860,441</u>	<u>\$985,349</u>

Note 20 – Subsequent Events

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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

On July 31, 2012, the City issued notes to assist in the satisfaction of the vendor's lien against certain real estate identified as the Riverview Florist Property, also known as the Bosco Property. The notes were issued in the sum of \$95,000, \$54,600, and \$455,000, due on or before July 31, 2014, with an interest rate of 0.25 percent.

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, 2011

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SUPPLEMENTARY DATA

CITY OF EAST LIVERPOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	CASH (A) FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through the Ohio Department of Development:</i>			
(B) Community Development Block Grants/State's Program	14.228	A-F-07-2BH-1	\$ 57,783
(B) Community Development Block Grants/State's Program	14.228	A-F-08-2BH-1	72,900
(B) Community Development Block Grants/State's Program	14.228	A-F-09-2BH-1	79,000
(B) Community Development Block Grants/State's Program	14.228	A-F-10-2BH-1	84,892
(B) Community Development Block Grants/State's Program	14.228	A-C-10-2BH-1	15,994
(B) Community Development Block Grants/State's Program	14.228	2BH	4,359
Total Community Development Block Grants/State's Program			314,928
(C) Home Investment Partnerships Program	14.239	A-C-08-115-2	25,128
(C) Home Investment Partnerships Program	14.239	A-C-10-2BH-2	94,080
(C) Home Investment Partnerships Program	14.239	2BH	7,757
Total Home Investment Partnerships Program			126,965
Total U.S. Department of Housing and Urban Development			441,893
U.S. DEPARTMENT OF JUSTICE			
<i>Direct Programs:</i>			
ARRA - Public Safety Partnership and Community Policing Grants	16.710	N/A	58,584
Edward Byrne Memorial Justice Assistance Grant Cluster:			
<i>Passed through the Village of Wellsville:</i>			
ARRA - Edward Byrne Memorial Justice Assistance Grant(JAG) Program / Grants to Units of Local Government	16.804	2009-SB-B9-3278	11,330
<i>Passed through the Ohio Department of Public Safety:</i>			
ARRA - Edward Byrne Memorial Justice Assistance Grant(JAG) Program/ Grants to States and Territories	16.803	2009-RA-C01-2098	13,450
Total Edward Byrne Memorial Justice Assistance Grant Cluster			24,780
<i>Passed through Ohio Attorney General's Office:</i>			
Crime Victim Assistance	16.575	2011VAGENE468	11,704
Crime Victim Assistance	16.575	2012VAGENE468	3,938
Crime Victim Assistance	16.575	2011SAGENE468	1,218
Crime Victim Assistance	16.575	2012SAGENE468	247
Total Crime Victim Assistance			17,107
Total U.S. Department of Justice			100,471
U. S. DEPARTMENT OF TRANSPORTATION			
<i>Passed through Ohio Department of Transportation:</i>			
Highway Planning and Construction: COL-Bradshaw Avenue	20.205	81826	920,533
Total U.S. Department of Transportation			920,533
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through Columbiana County EMA:</i>			
(D) Homeland Security Grant Program	97.067	N/A	11,282
Total U.S. Department of Homeland Security			11,282
Total Federal Financial Assistance			\$ 1,474,179

-Continued

**CITY OF EAST LIVERPOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Continued from Page 1

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- (A) The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the City's federal award programs. This schedule has been prepared on the cash basis of accounting.
 - (B) The City has established revolving loan programs to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the "Schedule"). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. These loans are collateralized by mortgages on the property. There was no revolving loan activity during 2011.
 - (C) The City has established revolving loan programs to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the "Schedule"). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. These loans are collateralized by mortgages on the property. There was no revolving loan activity during 2011. Cash balance on hand at December 31, 2011 is \$28,205.
 - (D) Pass-through grant number unavailable.
- Note: Certain Federal Programs require that the City contribute non-Federal funds to support the Federally-funded programs. The City has complied with the matching requirements. The expenditures of non-Federal matching funds is not included on the Schedule.



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, 2011, which collectively comprise the City of East Liverpool's basic financial statements and have issued our report thereon dated October 3, 2012. We noted the City of East Liverpool adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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 City of East Liverpool's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-COE-001, 2011-COE-002, and 2011-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 seven 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 2011-COE-003 through 2011-COE-008 and 2011-COE-010.

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 October 3, 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, federal awarding agencies and pass-through entities, 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.".

Julian & Grube, Inc.
October 3, 2012



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**Independent Accountants' Report on Compliance with Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

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

To the Mayor and Members of Council:

Compliance

We have audited the compliance of the City of East Liverpool with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the City of East Liverpool's major federal programs for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings and responses identifies the City of East Liverpool's major federal programs. The City of East Liverpool's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the City of East Liverpool's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City of East Liverpool's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of East Liverpool's compliance with these requirements.

In our opinion, the City of East Liverpool complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and responses lists these instances as Findings 2011-COE-011 and 2011-COE-012.

Mayor and Members of Council
City of East Liverpool

Internal Control Over Compliance

The City of East Liverpool's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of East Liverpool's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City of East Liverpool's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and responses as item 2011-COE-011 to be a material weakness.

The City of East Liverpool's responses to the findings we identified 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 management, City Council, others within the City of East Liverpool, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Julian & Grube, Inc.
October 3, 2012

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	Yes
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Community Development Block Grants/ State's Program (CFDA #14.228); Highway Planning and Construction (CFDA #20.205)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2011-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 Response: The City will consider doing a physical inventory in the future.

Finding Number	2011-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 AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)	
Finding Number	2011-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	2011-COE-003
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Ohio Rev. Code Sections 4115.04 and 4115.05 pertain to prevailing wage rates in public works contracts. The Sections in part require every public authority authorized to contract for or construct with its own forces a public improvement, before advertising for bids or undertaking such construction with its own forces, shall have the State director of Commerce determine the prevailing rates of wages of mechanics and laborers in accordance with section 4115.05 of the Rev. Code for the class of work called for by the public improvement, in the locality where the work is to be performed. Such schedule of wages shall be attached to and made part of the specifications for the work, and shall be printed on the bidding blanks where the work is done by contract. [4115.04(A)] This applies to any new construction of any public improvement, the total overall project cost of which is fairly estimated to be more than \$78,258 in 2011 and any reconstruction, enlargement, alteration, repair, remodeling, renovation, or painting of any public improvement, the total overall project cost of which is fairly estimated to be more than \$23,447 in 2011.

The City entered into a contract for \$35,400 for the WWTP Digester Building Roof replacement. Prevailing wages were not determined and included as part of the contract.

Without determining and including prevailing wage as part of the contract, the City may not be paying prevailing wages as required by the Ohio Revised Code.

We recommend that the City comply with the Ohio Revised Code by determining prevailing wages and including them as part of all applicable contracts.

Client Response: The City will determine prevailing wages and include them as part of all applicable contracts in the future.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)	
Finding Number	2011-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	2011-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 year end, the City had appropriations exceeding total estimated resources in the following funds:

<u>Major Funds</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General	\$ 3,586,065	\$ 3,664,091	\$ 78,026
Fire	1,017,077	1,222,396	205,319

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.

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.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)	
Finding Number	2011-COE-006

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	2011-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, 2011</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Major funds:</u>			
General – Transfers	\$ 2,023,220	\$ 2,029,296	\$ 6,076
Police – Personal Services	1,638,309	1,667,813	29,504
Police – Department Expenses	141,790	142,236	446

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

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)	
Finding Number	2011-COE-007 - (continued)

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	2011-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, 2011</u>	
<u>Major Fund</u>	
Fire	\$ (179,757)
 <u>Non Major Fund</u>	
COPS Grant	(21,521)
 <u>At December 31, 2011</u>	
<u>Major Fund</u>	
Police	(19,501)
Fire	(37,053)
 <u>Non Major Fund</u>	
COPS Grant	(15,053)
Street Department	(61,754)
Off Street Parking	(255)

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.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)	
Finding Number	2011-COE-008 - (continued)

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

Finding Number	2011-COE-009
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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 2011:

Police Fund:

Decrease matured compensated absences payable and decrease security of persons and property expenditures in the amount of \$9,608 to properly account for severance payments made in 2011.

Incinerator Fund:

Increase capital outlay and increase due in more than one year in the amount of \$116,704 to properly account for a capital outlay expenditure that was posted during the compilation as a reduction in the SIB loan balance.

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.

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

Finding Number	2011-COE-010
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Ohio Revised Code Section 5705.36, in part, requires fiscal officers to certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The City certified its cash balances instead of its unencumbered cash balances at January 1, 2011.

The City is not accurately reflecting its various fund balances to the County Auditor for proper certification of available resources to be appropriated.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)	
Finding Number	2011-COE-010 - (continued)

We recommend that the City consult with the Ohio Compliance Supplement and its auditors to ensure that City fund balances are properly reported. This will enable the County Auditor to perform the proper certification with accurate information. This will in turn allow the City to properly appropriate funds within its available resources.

Client Response: The City will properly report balances to the County Auditor in the future.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2011-COE-011
CFDA Title and Number	Community Development Block Grants/State's Program (CFDA # 14.228)
Federal Award Number/Year	2010, 2009, 2008, and 2007
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Material Weakness/Non-compliance Finding – Cash Management – Community Development Block Grant/State’s Program

24 CFR 85.21 requires that methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee.

The Ohio Department of Development Office of Housing and Community Partnerships’ Financial Management Rules and Regulations section (A)(3)(f) furthermore provides that the grantee must develop a cash management system to ensure compliance with the 15-day rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within 15 days of receipt of any funds. Lump sum drawdowns are not permitted.

During the year, the City held funds in varying amounts above \$5,000 in excess of 15 days after the drawdown of funds, the longest period being 353 days. The City maintains these funds in a segregated non-interest bearing cash account.

The City is not using effective cash management practices which could result in reduction of grant funding and/or return of grant funding to the United States Department of Housing and Urban Development.

We recommend that the City review the Office of Management and Budget Circular A-133 regarding cash management requirements. We also recommend the City consult with the Ohio Department of Development Office of Housing and Community Partnerships regarding financial management rules and regulations. This will help to ensure compliance with cash management of Federal award programs and that proper action is taken.

Client Response: Compliance with all regulations and grant agreements is highly important to the City. The City will work diligently to ensure federal funds are timely spent in the future.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS – (continued)

Finding Number	2011-COE-012
CFDA Title and Number	N/A
Federal Award Number/Year	2011
Federal Agency	All
Pass-Through Agency	All

Non-compliance Finding

31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program-Specific audit conducted for that year and filed with the Federal Audit Clearing House within nine months after year end.

The City expended \$1,474,179 in federal awards in 2011, but did not file their reporting packet with the Federal Audit Clearinghouse until after the nine month deadline.

We recommend that upon completion of the annual audit, that the City ensure timely filing of all required reports to the Federal Audit Clearinghouse.

Client Response: The City will strive to file the reporting packet timely.

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2010-COE-001	<u>Material Weakness – Capital Assets</u> 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 2011-COE-001
2010-COE-002	<u>Material Weakness – Bank Reconciliation</u> 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.	No	Repeated as Finding 2011-COE-002
2010-COE-003	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.	Yes	N/A

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
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.	No	Repeated as Finding 2011-COE-004
2010-COE-005	Ohio Revised Code Section 5705.39 requires that subdivision's total appropriations from each fund should not exceed total estimated resources.	No	Repeated as Finding 2011-COE-005
2010-COE-006	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 2011-COE-006
2010-COE-007	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	No	Repeated as Finding 2011-COE-007
2010-COE-008	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.	No	Repeated as Finding 2011-COE-008
2010-COE-009	<u>Material Weakness – Audit Adjustments</u> We identified misstatements in the financial statements that were not initially identified by the City's internal control.	No	Repeated as Finding 2011-COE-009



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