



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

June 23, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Reports completed prior to that date contain the signature of my predecessor.

A handwritten signature in cursive script that reads "Dave Yost".

DAVE YOST
Auditor of State

This Page is Intentionally Left Blank.

**CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets	11
Statement of Activities.....	12
Balance Sheet – Governmental Funds	14
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
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 and Actual (Non-GAAP Budgetary Basis) – General Fund.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – Police Fund.....	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – Fire Fund.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – CHIP Fund	21
Statement of Fund Net Assets – Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	23
Statement of Cash Flows – Proprietary Funds	24
Statement of Fiduciary Assets and Liabilities – Agency Fund.....	26
Notes to the Basic Financial Statements	27
Schedule of Federal Awards Expenditures.....	53
Notes to the Schedule of Federal Awards Expenditures	54
Independent Accountants' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Required By <i>Government Auditing Standards</i>	55
Independent Accountants' Report on Compliance with Requirements Applicable To Each Major Federal Program And On Internal Control Over Compliance in Accordance with OMB Circular A-133	57

CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Schedule of Findings.....	59
Schedule of Prior Audit Findings.....	63



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City 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 (the City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio, as of December 31, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Police, Fire and CHIP for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293

Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949

www.auditor.state.oh.us

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying Federal Awards Expenditure Schedule replaces the Schedule for the City of East Liverpool fiscal year ended December 31, 2008, previously issued with our report dated December 29, 2010. The schedule was revised, as the incorrect schedule was erroneously included.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 29, 2010, except for paragraph seven which is June 10, 2011.

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
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, 2008. 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 2008 are:

- City income tax revenue totaled \$3,041,112 in governmental activities, an increase of 6.1 percent from the prior year.
- Total assets increased by \$812,549 over 2007, or 3.3 percent.
- Total net assets increased by \$1,200,934 over 2007, or 9.1 percent.
- Total capital assets increased by \$412,805 over 2007, or 2.7 percent.
- Total outstanding debt decreased by \$91,614 from 2007, or 1.1 percent.

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.

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 2008?" 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.

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Revenue and Expenses
- General Revenues
- Net Assets Beginning of Year and Year's End

Reporting the City of East Liverpool's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 8. Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds which account for the multitude of services, facilities and infrastructure provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of East Liverpool, the major funds are the general, police, fire, CHIP, water, sewer and incinerator funds.

Governmental Funds

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

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.

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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 2008 compared to 2007.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and Other Assets	\$4,792,135	\$4,753,204	\$4,835,452	\$4,474,639	\$9,627,587	\$9,227,843
Capital Assets, Net	6,455,587	6,116,350	9,448,666	9,375,098	15,904,253	15,491,448
<i>Total Assets</i>	11,247,722	10,869,554	14,284,118	13,849,737	25,531,840	24,719,291
Liabilities						
Current and Other Liabilities	1,739,847	1,893,458	399,970	506,383	2,139,817	2,399,841
Long-Term Liabilities:						
Due Within One Year	414,176	317,678	719,355	625,824	1,133,531	943,502
Due in More than One Year	2,733,806	3,056,994	5,119,694	5,114,896	7,853,500	8,171,890
<i>Total Liabilities</i>	4,887,829	5,268,130	6,239,019	6,247,103	11,126,848	11,515,233
Net Assets						
Invested in Capital Assets, Net of Related Debt	4,656,675	4,141,638	3,694,644	3,722,711	8,351,319	7,864,349
Restricted:						
Capital Projects	487,462	786,344	0	0	487,462	786,344
Debt Service	55,694	104,411	0	0	55,694	104,411
Street Maintenance and Repair	503,190	434,809	0	0	503,190	434,809
Community Development	839,397	561,230	0	0	839,397	561,230
Other Purposes	0	232,335	0	0	0	232,335
Unrestricted (Deficit)	(182,525)	(659,343)	4,350,455	3,879,923	4,167,930	3,220,580
<i>Total Net Assets</i>	\$6,359,893	\$5,601,424	\$8,045,099	\$7,602,634	\$14,404,992	\$13,204,058

Total assets increased by \$812,549 from 2007 to 2008 due mainly to increases in intergovernmental receivables and capital assets.

Total liabilities had a net decrease of \$388,385. This decrease is primarily due to principal payments the City made, which reduced the City's long-term liabilities.

Total net assets increased \$1,200,934 with governmental net assets comprising \$758,469 and business-type activities comprising \$442,465 of that amount.

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Table 2 shows the changes in net assets for the years ended December 31, 2008 and December 31, 2007.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$905,362	\$953,783	\$4,478,710	\$4,354,261	\$5,384,072	\$5,308,044
Operating Grants and Contributions	1,331,053	1,402,481	58,840	15,187	1,389,893	1,417,668
Capital Grants and Contributions	910,416	440,093	27,266	12,478	937,682	452,571
<i>Total Program Revenues</i>	<u>3,146,831</u>	<u>2,796,357</u>	<u>4,564,816</u>	<u>4,381,926</u>	<u>7,711,647</u>	<u>7,178,283</u>
<i>General Revenues:</i>						
Property Taxes	1,128,022	1,267,238	95,826	19,370	1,223,848	1,286,608
Income Tax	3,041,112	2,866,132	0	0	3,041,112	2,866,132
Grants and Entitlements not Restricted to Specific Programs	309,853	17,532	0	8,530	309,853	26,062
Interest	39,676	83,004	14,167	16,379	53,843	99,383
Other	141,405	160,540	20,451	5,901	161,856	166,441
<i>Total General Revenues</i>	<u>4,660,068</u>	<u>4,394,446</u>	<u>130,444</u>	<u>50,180</u>	<u>4,790,512</u>	<u>4,444,626</u>
<i>Total Revenues</i>	<u>7,806,899</u>	<u>7,190,803</u>	<u>4,695,260</u>	<u>4,432,106</u>	<u>12,502,159</u>	<u>11,622,909</u>
<i>Program Expenses:</i>						
General Government	(1,464,891)	(1,520,127)	0	0	(1,464,891)	(1,520,127)
Security of Persons and Property	(3,345,467)	(3,182,976)	0	0	(3,345,467)	(3,182,976)
Transportation	(1,466,056)	(688,044)	0	0	(1,466,056)	(688,044)
Public Health and Welfare	(172,481)	(172,677)	0	0	(172,481)	(172,677)
Leisure Time Activities Community and	(141,402)	(155,035)	0	0	(141,402)	(155,035)
Economic Development	(371,640)	(590,867)	0	0	(371,640)	(590,867)
Interest and Fiscal Charges	(86,493)	(89,976)	0	0	(86,493)	(89,976)
Business-Type Activities	0	0	(4,252,795)	(3,842,071)	(4,252,795)	(3,842,071)
<i>Total Program Expenses</i>	<u>(7,048,430)</u>	<u>(6,399,702)</u>	<u>(4,252,795)</u>	<u>(3,842,071)</u>	<u>(11,301,225)</u>	<u>(10,241,773)</u>
Excess Revenues over Expenses	758,469	791,101	442,465	590,035	1,200,934	1,381,136
Transfers	0	49,858	0	(49,858)	0	0
Increase in Net Assets	758,469	840,959	442,465	540,177	1,200,934	1,381,136
Net Assets Beginning of Year	5,601,424	4,760,565	7,602,634	7,062,457	13,204,058	11,823,022
Net Assets End of Year	<u>\$6,359,893</u>	<u>\$5,601,524</u>	<u>\$8,045,099</u>	<u>\$7,602,634</u>	<u>\$14,404,992</u>	<u>\$13,204,158</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.

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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.

Capital grants and contributions had an increase of \$485,111 mainly due to State grant monies received for infrastructure related projects.

Security of Persons and Property, which includes police and fire services, represents the largest expense of the governmental activities. This expense of \$3,345,467 for 2008 represents 29.6 percent of total governmental expenses for the year.

The police department is funded through the general fund. The department operates full time, 24 hour a day, 365 days a year with 18 officers and a full time Police Chief.

The fire department employs 16 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 for 2008 was Transportation, or the street maintenance and repair department. Transportation expenses account for 13.0 percent of the governmental expenses for 2008. The street department employs 11 full time employees who provide the City and its citizens many services which include road salting, leaf and debris pickup, paint striping and alley profiling.

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

Table 3
Cost of Services

	Governmental Activities			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2008	2007	2008	2007
General Government	\$1,464,891	\$1,520,127	(\$777,014)	(\$389,199)
Security of Persons and Property	3,345,467	3,182,976	(3,182,279)	(2,950,713)
Transportation	1,466,056	688,044	124,698	362,439
Public Health and Welfare	172,481	172,677	(83,671)	(46,649)
Leisure Time Activities	141,402	155,035	(91,433)	(68,352)
Community and Economic Development	371,640	590,867	194,593	(420,995)
Interest and Fiscal Charges	86,493	89,976	(86,493)	(89,976)
Total	\$7,048,430	\$6,399,702	(\$3,901,599)	(\$3,603,445)

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
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.

Governmental Funds

Information about the City's governmental funds begins on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,671,898 and expenditures of \$7,967,975. 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, 2008. The information provided is useful to determine the City's available balances. The most significant fund is the general fund with a year-end balance of \$597,243, which included an unreserved fund balance of \$589,569, compared to annual expenditures of \$1,809,881. There was an overall increase in the general fund's fund balance of \$153,793 between 2007 and 2008. The increase in the general fund was mainly due to an increase in income taxes receivable.

The other major governmental funds are police, fire and CHIP. The police and fire special revenue funds had deficit fund balances at December 31, 2008, in the amounts of \$65,156 and \$68,643, respectively. These deficits are due to liabilities in these funds. There was an overall increase in the police and fire special revenue funds' fund balances of \$95,334 and \$63,849, respectively, between 2007 and 2008. The increases in the police and fire special revenue funds were due to transfers in. The CHIP special revenue fund had a year-end balance of \$256,535, which represents a decrease of \$65,922 from 2007. The decrease in the CHIP special revenue fund was due to a decrease in intergovernmental revenues.

Business-Type Funds

As mentioned earlier, the City's major business-type funds are water, sewer and incinerator. The water and incinerator funds had an increase in net assets, in the amounts of \$322,696 and \$167,332, respectively, due to revenues exceeding expenditures in these funds. The sewer fund had a decrease in net assets of \$66,138. This decrease was due to transfers out of the sewer fund.

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 original budgeted revenues were \$4,036,084 and the final budgeted amount was \$4,213,790. The majority of this \$177,706 difference is due to an increase in estimated income tax revenue. Actual revenues were \$4,328,914. The original budgeted expenditures were \$1,503,347 and the final budgeted expenditures were \$1,921,022. Actual expenditures were \$1,881,641 and below the final estimate. This was primarily a result of lower than anticipated general government expenditures.

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$520,262	\$520,262	\$25,771	\$25,771	\$546,033	\$546,033
Construction in Progress	0	528,759	0	0	0	528,759
Buildings and Improvements	201,222	109,942	1,359,729	1,434,303	1,560,951	1,544,245
Improvements other than Buildings	111,978	125,185	0	0	111,978	125,185
Machinery and Equipment	840,974	924,717	1,383,660	1,112,027	2,224,634	2,036,744
Infrastructure	4,781,151	3,907,485	6,141,272	6,242,635	10,922,423	10,150,120
Water Lines	0	0	197,827	204,007	197,827	204,007
Sewer Lines	0	0	340,407	356,355	340,407	356,355
Totals	\$6,455,587	\$6,116,350	\$9,448,666	\$9,375,098	\$15,904,253	\$15,491,448

Total governmental capital assets for the City of East Liverpool as of December 31, 2008 were \$6,455,587. The most significant decrease in capital assets came from the depreciation of existing equipment. Additions made to capital assets during the year included improvements to Anderson Boulevard. Total business-type capital assets as of December 31, 2008 were \$9,448,666. The increase over the prior year is due mainly to the purchase of garbage trucks. This increase was partially offset by depreciation expense. For additional information see Note 9 to the basic financial statements.

Debt

At December 31, 2008, the City of East Liverpool had \$8,418,216 in outstanding debt from installment loans, Ohio Public Works Commission (OPWC) loans, Ohio Water Development Authority (OWDA) loans, an Ohio Department of Transportation (ODOT) loan, a State Infrastructure Bank (SIB) loan, capital leases and police and fire pension liability. Table 5 summarizes all debt outstanding as of December 31, 2008.

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Table 5
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activity		Total	
	2008	2007	2008	2007	2008	2007
Installment Loans	\$253,585	\$199,184	\$182,950	\$236,500	\$436,535	\$435,684
OPWC Loans	345,074	371,973	122,660	131,291	467,734	503,264
OWDA Loans	0	0	5,009,021	5,270,074	5,009,021	5,270,074
ODOT Loan	256,763	316,763	0	0	256,763	316,763
SIB Loan	856,686	988,792	0	0	856,686	988,792
Capital Leases	86,804	98,000	439,391	14,522	526,195	112,522
Police and Fire Pension	865,282	882,731	0	0	865,282	882,731
Totals	\$2,664,194	\$2,857,443	\$5,754,022	\$5,652,387	\$8,418,216	\$8,509,830

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. The loans in the business-type activities are for various water, sewer and incinerator improvement projects and equipment purchases and are being paid from those funds.

The capital leases are for the lease-purchase of a backhoe and wheel loader, a Ford Fusion, computer equipment and garbage trucks. The police and fire pension liability is being paid from the police and fire special revenue funds.

For additional information see Note 14 to the basic financial statements.

Current Financial Related Activities

The Anderson Boulevard roadway rebuild project was completed during 2008. This project began in the spring of 2007. The rebuild included new curbs and gutters, new alignment of the roadway, removal of the old roadway base and application of seven and a half inches of new asphalt surface.

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, Terry Sprague at 126 West 6th Street, East Liverpool, Ohio 43920, by telephone at (330) 385-4224, or by email at auditorterry@gmail.com.

City of East Liverpool, Ohio

Statement of Net Assets

December 31, 2008

	Governmental Activities	Business-Type Activity	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,268,303	\$2,456,827	\$3,725,130
Materials and Supplies Inventory	24,310	28,544	52,854
Accounts Receivable	177,977	2,194,130	2,372,107
Intergovernmental Receivable	1,233,585	4,262	1,237,847
Prepaid Items	74,227	31,777	106,004
Income Taxes Receivable	472,172	0	472,172
Property Taxes Receivable	1,375,477	119,912	1,495,389
Loans Receivable	106,758	0	106,758
Special Assessments Receivable	59,326	0	59,326
Nondepreciable Capital Assets	520,262	25,771	546,033
Depreciable Capital Assets, Net	5,935,325	9,422,895	15,358,220
<i>Total Assets</i>	<u>11,247,722</u>	<u>14,284,118</u>	<u>25,531,840</u>
Liabilities			
Accounts Payable	92,017	62,897	154,914
Accrued Wages	34,876	17,483	52,359
Intergovernmental Payable	320,366	106,116	426,482
Accrued Interest Payable	14,633	869	15,502
Accrued Vacation Payable	273,284	125,157	398,441
Deferred Revenue	1,004,671	87,448	1,092,119
Long-Term Liabilities:			
Due Within One Year	414,176	719,355	1,133,531
Due In More Than One Year	2,733,806	5,119,694	7,853,500
<i>Total Liabilities</i>	<u>4,887,829</u>	<u>6,239,019</u>	<u>11,126,848</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	4,656,675	3,694,644	8,351,319
Restricted for:			
Capital Projects	487,462	0	487,462
Debt Service	55,694	0	55,694
Street Maintenance and Repair	503,190	0	503,190
Community Development	839,397	0	839,397
Unrestricted (Deficit)	(182,525)	4,350,455	4,167,930
<i>Total Net Assets</i>	<u>\$6,359,893</u>	<u>\$8,045,099</u>	<u>\$14,404,992</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Activities
For the Year Ended December 31, 2008

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$1,464,891	\$686,275	\$1,602	\$0
Security of Persons and Property	3,345,467	58,745	104,443	0
Transportation	1,466,056	335	682,332	908,087
Public Health and Welfare	172,481	72,440	16,370	0
Leisure Time Activities	141,402	47,640	0	2,329
Community and Economic Development	371,640	39,927	526,306	0
Interest and Fiscal Charges	86,493	0	0	0
<i>Total Governmental Activities</i>	<u>7,048,430</u>	<u>905,362</u>	<u>1,331,053</u>	<u>910,416</u>
Business-Type Activities:				
Water	2,334,081	2,443,709	0	13,633
Sewer	1,058,498	1,150,344	0	13,633
Incinerator	825,288	834,566	58,840	0
Other Enterprise Funds	34,928	50,091	0	0
<i>Total Business-Type Activities</i>	<u>4,252,795</u>	<u>4,478,710</u>	<u>58,840</u>	<u>27,266</u>
<i>Total - Primary Government</i>	<u>\$11,301,225</u>	<u>\$5,384,072</u>	<u>\$1,389,893</u>	<u>\$937,682</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 (Restated - See Note 3)

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
(\$777,014)	\$0	(\$777,014)
(3,182,279)	0	(3,182,279)
124,698	0	124,698
(83,671)	0	(83,671)
(91,433)	0	(91,433)
194,593	0	194,593
(86,493)	0	(86,493)
<u>(3,901,599)</u>	<u>0</u>	<u>(3,901,599)</u>
0	123,261	123,261
0	105,479	105,479
0	68,118	68,118
0	15,163	15,163
<u>0</u>	<u>312,021</u>	<u>312,021</u>
<u>(3,901,599)</u>	<u>312,021</u>	<u>(3,589,578)</u>
220,368	0	220,368
734,192	0	734,192
78,826	0	78,826
94,636	0	94,636
0	95,826	95,826
2,807,062	0	2,807,062
8,639	0	8,639
225,411	0	225,411
309,853	0	309,853
39,676	14,167	53,843
141,405	20,451	161,856
4,660,068	130,444	4,790,512
758,469	442,465	1,200,934
<u>5,601,424</u>	<u>7,602,634</u>	<u>13,204,058</u>
<u>\$6,359,893</u>	<u>\$8,045,099</u>	<u>\$14,404,992</u>

City of East Liverpool, Ohio

Balance Sheet

Governmental Funds

December 31, 2008

	General	Police	Fire	CHIP
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$186,748	\$36,523	\$24,914	\$159,067
Materials and Supplies Inventory	0	0	0	0
Accounts Receivable	166,595	0	500	0
Interfund Receivable	8,995	0	0	0
Intergovernmental Receivable	178,979	14,293	45,939	558,000
Prepaid Items	21,581	22,098	15,465	0
Income Taxes Receivable	435,271	0	0	0
Property Taxes Receivable	237,371	63,224	885,169	0
Loans Receivable	0	0	0	97,468
Special Assessments Receivable	0	0	0	0
<i>Total Assets</i>	<u>\$1,235,540</u>	<u>\$136,138</u>	<u>\$971,987</u>	<u>\$814,535</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$20,735	\$8,865	\$2,662	\$0
Accrued Wages	7,925	12,062	9,986	0
Intergovernmental Payable	70,422	114,900	96,874	0
Interfund Payable	0	0	0	0
Deferred Revenue	539,215	65,467	931,108	558,000
<i>Total Liabilities</i>	<u>638,297</u>	<u>201,294</u>	<u>1,040,630</u>	<u>558,000</u>
Fund Balances				
Reserved for Encumbrances	7,674	5,118	908	157,510
Reserved for Loans Receivable	0	0	0	97,468
Unreserved, Undesignated, Reported in:				
General Fund	589,569	0	0	0
Special Revenue Funds (Deficit)	0	(70,274)	(69,551)	1,557
Debt Service Fund	0	0	0	0
Capital Projects Funds	0	0	0	0
<i>Total Fund Balances</i>	<u>597,243</u>	<u>(65,156)</u>	<u>(68,643)</u>	<u>256,535</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,235,540</u>	<u>\$136,138</u>	<u>\$971,987</u>	<u>\$814,535</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, 2008*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$1,643,794
		<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.	6,455,587
		Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
\$861,051	\$1,268,303	Property Taxes	370,806
24,310	24,310	Income Taxes	207,248
10,882	177,977	Intergovernmental	1,059,031
0	8,995	Special Assessments	59,326
436,374	1,233,585	Total	1,696,411
15,083	74,227		
36,901	472,172		
189,713	1,375,477		
9,290	106,758		
59,326	59,326		
\$1,642,930	\$4,801,130	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(14,633)
		Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(273,284)
\$59,755	\$92,017	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
4,903	34,876	Installment Loans	(253,585)
38,170	320,366	OPWC Loans	(345,074)
8,995	8,995	ODOT Loans	(256,763)
607,292	2,701,082	SIB Loans	(856,686)
		Capital Leases	(86,804)
719,115	3,157,336	Police and Fire Pension	(865,282)
		Compensated Absences	(483,788)
127,970	299,180	Total	(3,147,982)
9,290	106,758		
		<i>Net Assets of Governmental Activities</i>	\$6,359,893
0	589,569		
438,949	300,681		
31,770	31,770		
315,836	315,836		
923,815	1,643,794		
\$1,642,930	\$4,801,130		

City of East Liverpool, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Police	Fire	CHIP
Revenues				
Property Taxes	\$212,570	\$48,843	\$677,321	\$0
Income Taxes	2,826,735	0	0	0
Special Assessments	0	0	0	0
Intergovernmental	318,694	6,814	108,746	158,108
Interest	37,305	0	0	1,746
Licenses and Permits	696,977	0	0	0
Fines and Forfeitures	127,300	934	0	0
Charges for Services	0	56,950	1,935	0
Contributions and Donations	1,602	0	1,500	0
Other	46,520	5,504	0	7,977
<i>Total Revenues</i>	<u>4,267,703</u>	<u>119,045</u>	<u>789,502</u>	<u>167,831</u>
Expenditures				
Current:				
General Government	1,274,919	0	0	0
Security of Persons and Property	0	1,779,979	1,339,594	0
Transportation	0	0	0	0
Public Health and Welfare	136,242	0	0	0
Leisure Time Activities	113,221	0	0	0
Community and Economic Development	95,962	0	0	233,753
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	182,859	5,964	11,485	0
Interest and Fiscal Charges	6,678	12,760	24,574	0
<i>Total Expenditures</i>	<u>1,809,881</u>	<u>1,798,703</u>	<u>1,375,653</u>	<u>233,753</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,457,822</u>	<u>(1,679,658)</u>	<u>(586,151)</u>	<u>(65,922)</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	0	0	0	0
Loan Proceeds	200,000	0	0	0
Transfers In	0	1,774,992	650,000	0
Transfers Out	(2,504,029)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,304,029)</u>	<u>1,774,992</u>	<u>650,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	153,793	95,334	63,849	(65,922)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>443,450</u>	<u>(160,490)</u>	<u>(132,492)</u>	<u>322,457</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$597,243</u>	<u>(\$65,156)</u>	<u>(\$68,643)</u>	<u>\$256,535</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, 2008*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	\$40,393
		<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
		Governmental funds report capital outlays as expenditures.	
		However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
\$145,171	\$1,083,905	Capital Asset Additions	853,441
235,821	3,062,556	Current Year Depreciation	(514,204)
14,095	14,095		
1,657,578	2,249,940	Total	339,237
625	39,676		
14,514	711,491		
153,473	281,707		
0	58,885		
25,136	28,238		
81,404	141,405		
2,327,817	7,671,898		
		Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
		Property Taxes	44,117
		Income Taxes	(21,444)
61,494	1,336,413	Intergovernmental	273,144
97,968	3,217,541	Licenses and Permits	(134,347)
791,742	791,742	Charges for Services	(12,374)
35,969	172,211	Special Assessments	(14,095)
0	113,221		
41,925	371,640	Total	135,001
1,350,169	1,350,169		
		Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
329,411	529,719		529,719
41,307	85,319		
2,749,985	7,967,975		
		In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	
(422,168)	(296,077)		(1,174)
		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.	
19,650	19,650	Accrued Vacation Leave Payable	18,322
116,820	316,820	Compensated Absences	33,441
197,886	2,622,878		
(118,849)	(2,622,878)	Total	51,763
215,507	336,470		
		Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.	
(206,661)	40,393	Proceeds of Loans	(316,820)
1,130,476	1,603,401	Inception of Capital Lease	(19,650)
\$923,815	\$1,643,794	Total	(336,470)
		<i>Change in Net Assets of Governmental Activities</i>	\$758,469

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$203,550	\$212,635	\$212,570	(\$65)
Income Taxes	2,695,483	2,820,014	2,879,617	59,603
Intergovernmental	414,717	431,938	428,940	(2,998)
Interest	36,984	38,558	37,305	(1,253)
Licenses and Permits	535,216	557,989	557,289	(700)
Fines and Forfeitures	122,326	127,531	127,624	93
Contributions and Donations	1,537	1,602	1,602	0
Other	26,271	23,523	83,967	60,444
<i>Total Revenues</i>	4,036,084	4,213,790	4,328,914	115,124
Expenditures				
Current:				
General Government	1,062,228	1,357,664	1,327,678	29,986
Public Health and Welfare	114,014	145,609	142,724	2,885
Leisure Time Activities	94,479	120,660	117,741	2,919
Community and Economic Development	84,215	107,552	103,961	3,591
Debt Service:				
Principal Retirement	143,182	182,859	182,859	0
Interest and Fiscal Charges	5,229	6,678	6,678	0
<i>Total Expenditures</i>	1,503,347	1,921,022	1,881,641	39,381
<i>Excess of Revenues Over Expenditures</i>	2,532,737	2,292,768	2,447,273	154,505
Other Financing Sources (Uses)				
Proceeds of Loans	200,000	200,000	200,000	0
Advances In	15,000	15,000	15,000	0
Transfers Out	(2,526,735)	(2,526,735)	(2,504,029)	22,706
<i>Total Other Financing Sources (Uses)</i>	(2,311,735)	(2,311,735)	(2,289,029)	22,706
<i>Net Change in Fund Balance</i>	221,002	(18,967)	158,244	177,211
<i>Fund Balance Beginning of Year</i>	55,030	55,030	55,030	0
Prior Year Encumbrances Appropriated	10,335	10,335	10,335	0
<i>Fund Balance End of Year</i>	\$286,367	\$46,398	\$223,609	\$177,211

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$43,369	\$48,843	\$48,843	\$0
Intergovernmental	6,334	6,814	6,814	0
Fines and Forfeitures	696	779	834	55
Charges for Services	40,186	45,000	45,000	0
Other	4,915	5,504	5,504	0
<i>Total Revenues</i>	95,500	106,940	106,995	55
Expenditures				
Current:				
Security of Persons and Property	1,729,596	1,859,049	1,846,398	12,651
Debt Service:				
Principal Retirement	5,964	5,964	5,964	0
Interest and Fiscal Charges	12,760	12,760	12,760	0
<i>Total Expenditures</i>	1,748,320	1,877,773	1,865,122	12,651
<i>Excess of Revenues Under Expenditures</i>	(1,652,820)	(1,770,833)	(1,758,127)	12,706
Other Financing Sources				
Transfers In	1,585,103	1,774,992	1,774,992	0
<i>Net Change in Fund Balance</i>	(67,717)	4,159	16,865	12,706
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	8,046	8,046	8,046	0
<i>Fund Balance (Deficit) End of Year</i>	(\$59,671)	\$12,205	\$24,911	\$12,706

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, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$751,142	\$677,321	\$677,321	\$0
Intergovernmental	118,516	108,746	108,746	0
Charges for Services	2,019	1,825	1,935	110
Contributions and Donations	1,106	1,000	1,000	0
<i>Total Revenues</i>	872,783	788,892	789,002	110
Expenditures				
Current:				
Security of Persons and Property	1,197,293	1,436,691	1,381,964	54,727
Debt Service:				
Principal Retirement	11,485	11,485	11,485	0
Interest and Fiscal Charges	24,574	24,574	24,574	0
<i>Total Expenditures</i>	1,233,352	1,472,750	1,418,023	54,727
<i>Excess of Revenues Under Expenditures</i>	(360,569)	(683,858)	(629,021)	54,837
Other Financing Sources				
Transfers In	650,652	650,652	650,000	(652)
<i>Net Change in Fund Balance</i>	290,083	(33,206)	20,979	54,185
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	3,027	3,027	3,027	0
<i>Fund Balance (Deficit) End of Year</i>	\$293,110	(\$30,179)	\$24,006	\$54,185

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
CHIP Fund
For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$843,428	\$735,847	\$177,514	(\$558,333)
Interest	1,586	1,500	1,746	246
Other	19,286	16,650	16,503	(147)
<i>Total Revenues</i>	864,300	753,997	195,763	(558,234)
Expenditures				
Current:				
Community and Economic Development	451,739	856,881	391,263	465,618
<i>Net Change in Fund Balance</i>	412,561	(102,884)	(195,500)	(92,616)
<i>Fund Deficit Beginning of Year</i>	(18,288)	(18,288)	(18,288)	0
Prior Year Encumbrances Appropriated	215,345	215,345	215,345	0
<i>Fund Balance End of Year</i>	<u>\$609,618</u>	<u>\$94,173</u>	<u>\$1,557</u>	<u>(\$92,616)</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio

Statement of Fund Net Assets

Proprietary Funds

December 31, 2008

	Water	Sewer	Incinerator	Other Enterprise Funds	Total
Assets					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$1,285,939	\$958,245	\$191,058	\$21,585	\$2,456,827
Accounts Receivable	1,905,510	171,323	117,277	20	2,194,130
Intergovernmental Receivable	0	0	4,262	0	4,262
Materials and Supplies Inventory	25,970	2,574	0	0	28,544
Prepaid Items	17,487	8,744	5,546	0	31,777
Property Taxes Receivable	0	0	119,912	0	119,912
<i>Total Current Assets</i>	<u>3,234,906</u>	<u>1,140,886</u>	<u>438,055</u>	<u>21,605</u>	<u>4,835,452</u>
<i>Non-Current Assets:</i>					
Nondepreciable Capital Assets	19,623	6,148	0	0	25,771
Depreciable Capital Assets, Net	8,247,901	580,910	594,084	0	9,422,895
<i>Total Non-Current Assets</i>	<u>8,267,524</u>	<u>587,058</u>	<u>594,084</u>	<u>0</u>	<u>9,448,666</u>
<i>Total Assets</i>	<u>11,502,430</u>	<u>1,727,944</u>	<u>1,032,139</u>	<u>21,605</u>	<u>14,284,118</u>
Liabilities					
<i>Current Liabilities:</i>					
Accounts Payable	48,616	11,370	2,898	13	62,897
Accrued Wages	9,202	4,913	3,238	130	17,483
Intergovernmental Payable	56,477	28,858	19,425	1,356	106,116
Accrued Interest Payable	210	86	573	0	869
Accrued Vacation Payable	69,751	41,346	14,060	0	125,157
Compensated Absences Payable	13,277	0	0	0	13,277
Deferred Revenue	0	0	87,448	0	87,448
Capital Leases Payable	5,695	0	90,754	0	96,449
Loans Payable	23,434	5,730	17,953	0	47,117
OPWC Loans Payable	17,264	0	0	0	17,264
OWDA Loans Payable	457,300	87,948	0	0	545,248
<i>Total Current Liabilities</i>	<u>701,226</u>	<u>180,251</u>	<u>236,349</u>	<u>1,499</u>	<u>1,119,325</u>
<i>Long-Term Liabilities (net of current portion):</i>					
Compensated Absences Payable	34,526	37,224	0	0	71,750
Capital Leases Payable	3,506	0	339,436	0	342,942
Loans Payable	79,902	55,931	0	0	135,833
OPWC Loans Payable	105,396	0	0	0	105,396
OWDA Loans Payable	4,033,389	430,384	0	0	4,463,773
<i>Total Long-Term Liabilities</i>	<u>4,256,719</u>	<u>523,539</u>	<u>339,436</u>	<u>0</u>	<u>5,119,694</u>
<i>Total Liabilities</i>	<u>4,957,945</u>	<u>703,790</u>	<u>575,785</u>	<u>1,499</u>	<u>6,239,019</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	3,541,638	7,065	145,941	0	3,694,644
Unrestricted	3,002,847	1,017,089	310,413	20,106	4,350,455
<i>Total Net Assets</i>	<u>\$6,544,485</u>	<u>\$1,024,154</u>	<u>\$456,354</u>	<u>\$20,106</u>	<u>\$8,045,099</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, 2008*

	Water	Sewer	Incinerator	Other Enterprise Funds	Total
Operating Revenues					
Charges for Services	\$2,443,709	\$1,150,344	\$834,566	\$50,091	\$4,478,710
Other	3,351	0	13,688	3,412	20,451
<i>Total Operating Revenues</i>	<u>2,447,060</u>	<u>1,150,344</u>	<u>848,254</u>	<u>53,503</u>	<u>4,499,161</u>
Operating Expenses					
Personal Services	1,349,208	661,910	538,544	28,604	2,578,266
Contractual Services	291,139	151,443	114,914	471	557,967
Materials and Supplies	294,334	63,381	70,067	5,853	433,635
Depreciation	292,673	156,347	88,156	0	537,176
Other	661	334	502	0	1,497
<i>Total Operating Expenses</i>	<u>2,228,015</u>	<u>1,033,415</u>	<u>812,183</u>	<u>34,928</u>	<u>4,108,541</u>
<i>Operating Income</i>	<u>219,045</u>	<u>116,929</u>	<u>36,071</u>	<u>18,575</u>	<u>390,620</u>
Non-Operating Revenues (Expenses)					
Operating Grants	0	0	58,840	0	58,840
Interest	14,167	0	0	0	14,167
Property Taxes	0	0	95,826	0	95,826
Special Assessments	13,633	13,633	0	0	27,266
Interest and Fiscal Charges	(106,066)	(25,083)	(13,105)	0	(144,254)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(78,266)</u>	<u>(11,450)</u>	<u>141,561</u>	<u>0</u>	<u>51,845</u>
<i>Income before Transfers</i>	140,779	105,479	177,632	18,575	442,465
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>	322,696	(66,138)	167,332	18,575	442,465
<i>Net Assets Beginning of Year</i>	<u>6,221,789</u>	<u>1,090,292</u>	<u>289,022</u>	<u>1,531</u>	<u>7,602,634</u>
<i>Net Assets End of Year</i>	<u><u>\$6,544,485</u></u>	<u><u>\$1,024,154</u></u>	<u><u>\$456,354</u></u>	<u><u>\$20,106</u></u>	<u><u>\$8,045,099</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, 2008

	Water	Sewer	Incinerator	Other Enterprise Funds	Total
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities					
Cash Received from Customers	\$2,369,552	\$1,088,445	\$803,561	\$50,091	\$4,311,649
Other Cash Receipts	5,742	0	14,238	3,392	23,372
Cash Payments to Employees for Services	(1,375,544)	(694,393)	(552,290)	(29,405)	(2,651,632)
Cash Payments for Goods and Services	(612,470)	(215,073)	(204,324)	(6,483)	(1,038,350)
Other Cash Payments	(2,377)	(334)	(502)	0	(3,213)
<i>Net Cash Provided by Operating Activities</i>	<u>384,903</u>	<u>178,645</u>	<u>60,683</u>	<u>17,595</u>	<u>641,826</u>
Cash Flows from Noncapital Financing Activities					
Operating Grants	0	0	62,947	0	62,947
Property Taxes	0	0	92,794	0	92,794
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 in) Noncapital Financing Activities</i>	<u>181,917</u>	<u>(171,617)</u>	<u>145,441</u>	<u>0</u>	<u>155,741</u>
Cash Flows from Capital and Related Financing Activities					
Special Assessments	13,633	13,633	0	0	27,266
Proceeds from Installment Loans	25,906	0	0	0	25,906
Principal Paid on Installment Loans	(39,282)	(5,368)	(34,806)	0	(79,456)
Interest Paid on Installment Loans	(6,534)	(4,104)	(1,621)	0	(12,259)
Principal Paid on OWDA Loans	(220,423)	(40,630)	0	0	(261,053)
Interest Paid on OWDA Loans	(98,648)	(20,986)	0	0	(119,634)
Principal Paid on OPWC Loan	(8,631)	0	0	0	(8,631)
Principal Paid on Capital Lease	(5,321)	0	(51,262)	0	(56,583)
Interest Paid on Capital Lease	(825)	0	(10,911)	0	(11,736)
Payments for Capital Acquisitions	(86,391)	(22,280)	(20,621)	0	(129,292)
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(426,516)</u>	<u>(79,735)</u>	<u>(119,221)</u>	<u>0</u>	<u>(625,472)</u>
Cash Flows from Investing Activities					
Interest on Investments	14,167	0	0	0	14,167
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	154,471	(72,707)	86,903	17,595	186,262
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,131,468</u>	<u>1,030,952</u>	<u>104,155</u>	<u>3,990</u>	<u>2,270,565</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,285,939</u>	<u>\$958,245</u>	<u>\$191,058</u>	<u>\$21,585</u>	<u>\$2,456,827</u>

(continued)

City of East Liverpool, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2008

	Water	Sewer	Incinerator	Other Enterprise Funds	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income	\$219,045	\$116,929	\$36,071	\$18,575	\$390,620
Adjustments:					
Depreciation	292,673	156,347	88,156	0	537,176
(Increase) Decrease in Assets:					
Accounts Receivable	(74,157)	(61,899)	(30,455)	(20)	(166,531)
Prepaid Items	(2,525)	6,219	642	0	4,336
Materials and Supplies Inventory	(9,479)	(353)	0	0	(9,832)
Increase (Decrease) in Liabilities:					
Accounts Payable	(14,007)	(6,115)	(19,985)	(159)	(40,266)
Contracts Payable	0	0	0	0	0
Accrued Wages	(27,332)	(14,541)	(10,204)	(556)	(52,633)
Accrued Vacation Leave Payable	466	(2,645)	(533)	0	(2,712)
Compensated Absences Payable	4,585	(7,891)	0	0	(3,306)
Intergovernmental Payable	(4,366)	(7,406)	(3,009)	(245)	(15,026)
<i>Net Cash Provided by Operating Activities</i>	<u>\$384,903</u>	<u>\$178,645</u>	<u>\$60,683</u>	<u>\$17,595</u>	<u>\$641,826</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2008

Assets

Equity in Pooled Cash and Cash Equivalents	\$59,057
Cash and Cash Equivalents in Segregated Accounts	<u>12,916</u>

<i>Total Assets</i>	<u><u>\$71,973</u></u>
---------------------	------------------------

Liabilities

Undistributed Monies	<u><u>\$71,973</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, 2008

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 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds unless these pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the City's accounting policies are described below.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

Police Special Revenue Fund The police special revenue fund accounts for property taxes levied in the City for the operation of its police department.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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

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

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

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

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

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

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

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

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

C. 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, 2008

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.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; 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, 2008, but which were levied to finance year 2009 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, 2008

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

E. 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 2008, 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 2008 amounted to \$37,305, which includes \$33,913 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.

F. 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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, 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.

H. 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, 2008

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.

I. 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.

J. Accrued Liabilities and Long-term Obligations

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

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

K. Fund Balance Reserve

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

L. 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. The government-wide statement of net assets reports \$1,885,743 of restricted net assets, of which none is restricted by enabling legislation. 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.

M. 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.

N. Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. 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.

P. Estimates

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Q. 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 Finance Director. 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 Principle and Restatement of Prior Year Net Assets

A. Change in Accounting Principle

For 2008, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations". GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of this Statement did not result in any change to the City's financial statements.

B. Restatement of Prior Year Net Assets

During 2008, it was determined that governmental non-depreciable capital assets were overstated by \$110,115. This restatement decreased total governmental net assets from \$5,711,539 to \$5,601,424.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 4 – Accountability and Compliance

A. Accountability

At December 31, 2008, the following funds had deficit fund balances:

<i>Special Revenue Funds:</i>	
Police	\$65,156
Fire	68,643
Police Pension	1,100
Fire Pension	1,100

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

B. Compliance

The following funds had original appropriations in excess of estimated resources plus carryover balances contrary to Section 5705.39, Ohio Revised Code.

	Estimated Resources Plus Carryover Balances (Deficits)	Appropriations	Excess
<i>Special Revenue Funds:</i>			
Police	\$1,701,566	\$1,761,237	\$59,671
Victim Witness Assistance	21,740	23,072	1,332
<i>Capital Project Fund:</i>			
Dresden/Anderson Paving	145,858	1,534,899	1,389,041

The fire special revenue fund had final appropriations in excess of estimated resources plus carryover balances in the amount of \$30,179, in violation of Section 5705.39, Ohio Revised Code. This budgetary violation was corrected by year end.

Note 5 - Budgetary Basis of Accounting

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

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

2. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances-In are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

Net Change in Fund Balance

	General	Police	Fire	CHIP
GAAP Basis	\$153,793	\$95,334	\$63,849	(\$65,922)
Adjustment for Revenue Accruals	61,211	(12,050)	(500)	27,932
Advances In	15,000	0	0	0
Adjustment for Expenditure Accruals	(58,330)	(54,807)	(41,462)	0
Adjustment for Encumbrances	(13,430)	(11,612)	(908)	(157,510)
Budget Basis	<u>\$158,244</u>	<u>\$16,865</u>	<u>\$20,979</u>	<u>(\$195,500)</u>

Note 6 - Deposits and Investments

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

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

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

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

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

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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

The City may also invest any monies not required to be used for a period of six months or more in the following:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,169,555 of the City's bank balance of \$1,419,555 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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Investments

As of December 31, 2008, the City had a repurchase agreement in the amount of \$2,011,593 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, 2008.

Note 7 - Receivables

Receivables at December 31, 2008, consisted primarily of municipal income taxes, property taxes, accounts, interest, 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 year due to loan agreement for each of the individual loans. Special assessments expected to be collected in more than one year amount to \$14,095 in the Fawcett project capital projects fund.

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes are levied after October 1, 2008 on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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. 2008 public utility property taxes which became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007 on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may be annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable September 20.

The tax rate for all City operations for the year ended December 31, 2008, was \$14.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Estate	
Residential/Agricultural	\$61,838,210
Other Real Estate	22,811,300
Tangible Personal Property	
Public Utility	6,356,700
General	7,478,230
Total	<u><u>\$98,484,440</u></u>

The County Auditor collects property taxes on behalf of all taxing districts in the county, including the City of East Liverpool. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 and for which there is an enforceable legal claim. In the general, police, fire, police pension, fire pension and general obligation bond retirement funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Municipal Income Taxes

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

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

C. Intergovernmental Receivable

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

Governmental Activities	Amount
CHIP Grants	\$558,000
Vehicle Registration	182,379
Local Government	143,017
Gasoline Tax	120,142
Homestead and Rollback	71,910
Permissive Tax	64,317
Cents per Gallon	56,831
Estate Tax	18,462
St. Clair Township	11,950
Bureau of Workers' Compensation	2,865
State of Ohio	2,160
County Auditor	1,552
Total	\$1,233,585

The intergovernmental receivable of \$4,262 in business-type activities is homestead and rollback monies.

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 2008, the City contracted with the Municipal Insurance Alliance of Ohio for its property and liability insurance. Cooper Insurance serves as the City's agent.

During 2008, the City purchased the following insurance coverage:

Coverage	Limit
Building and Contents	\$5,323,500
Inland Marine	906,616
Boiler and Machinery	100,000
Automobile Liability	1,000,000
Crime Insurance	30,000
Employee Dishonesty	50,000
Excess Liability	1,000,000
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
Public Officials Liability	1,000,000
Umbrella	1,000,000

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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

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

Note 9 – Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2008, was as follows:

	Restated Balance 12/31/2007	Additions	Deductions	Balance 12/31/2008
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$520,262	\$0	\$0	\$520,262
Construction in Progress	528,759	471,551	(1,000,310)	0
<i>Total Capital Assets, not being depreciated</i>	<u>1,049,021</u>	<u>471,551</u>	<u>(1,000,310)</u>	<u>520,262</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	338,579	100,000	0	438,579
Improvements other than Buildings	311,701	0	0	311,701
Machinery and Equipment	5,676,692	237,930	(2,511)	5,912,111
Infrastructure	4,316,792	1,044,270	0	5,361,062
<i>Total Capital Assets, being depreciated</i>	<u>10,643,764</u>	<u>1,382,200</u>	<u>(2,511)</u>	<u>12,023,453</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(228,637)	(8,720)	0	(237,357)
Improvements other than Buildings	(186,516)	(13,207)	0	(199,723)
Machinery and Equipment	(4,751,975)	(321,673)	2,511	(5,071,137)
Infrastructure	(409,307)	(170,604)	0	(579,911)
<i>Total Accumulated Depreciation</i>	<u>(5,576,435)</u>	<u>(514,204) *</u>	<u>2,511</u>	<u>(6,088,128)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>5,067,329</u>	<u>867,996</u>	<u>0</u>	<u>5,935,325</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$6,116,350</u>	<u>\$1,339,547</u>	<u>(\$1,000,310)</u>	<u>\$6,455,587</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$52,153
Security of Persons and Property	190,915
Public Health	270
Transportation	242,685
Leisure Time Activities	28,181
Total Depreciation Expense	<u><u>\$514,204</u></u>

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Capital asset activity for business-type activities for the year ended December 31, 2008, was as follows:

	Balance 12/31/2007	Additions	Deductions	Balance 12/31/2008
Business-Type Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$25,771	\$0	\$0	\$25,771
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	4,013,077	0	0	4,013,077
Machinery and Equipment	3,629,368	570,994	0	4,200,362
Infrastructure	9,634,649	39,750	0	9,674,399
Water Lines	1,159,926	0	0	1,159,926
Sewer Lines	2,505,379	0	0	2,505,379
<i>Total Capital Assets, being depreciated</i>	20,942,399	610,744	0	21,553,143
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(2,578,774)	(74,574)	0	(2,653,348)
Machinery and Equipment	(2,517,341)	(299,361)	0	(2,816,702)
Infrastructure	(3,392,014)	(141,113)	0	(3,533,127)
Water Lines	(955,919)	(6,180)	0	(962,099)
Sewer Lines	(2,149,024)	(15,948)	0	(2,164,972)
<i>Total Accumulated Depreciation</i>	(11,593,072)	(537,176)	0	(12,130,248)
<i>Total Capital Assets being depreciated, Net</i>	9,349,327	73,568	0	9,422,895
<i>Business-Type Activities Capital Assets, Net</i>	\$9,375,098	\$73,568	\$0	\$9,448,666

Note 10 – Defined Benefit Pension Plans

A. 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 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, 2008

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.4 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$241,560, \$269,802, and \$437,925, respectively; 91.47 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$5,733 made by the City and \$4,095 made by plan members.

B. 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 – Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contribution rates are established by State statute. For 2008, a portion of the City's contributions equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's contributions to OP&F for police and firefighters were \$132,396 and \$161,326 for the year ended December 31, 2008, \$129,648 and \$166,397 for the year ended December 31, 2007, and \$182,018 and \$211,100 for the year ended December 31, 2006. 72.35 percent for police and 75.13 percent for firefighters has been contributed for 2008. The full amount has been contributed for 2007 and 2006.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 11 – Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age-and-service retirees under the traditional and combined plans must have ten 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 require, 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 OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State Statute requires that public employers fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to the traditional and combined plans 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 2008, state and local employers contributed at a rate of 14.0 percent of covered payroll (17.40 percent for public safety and law enforcement). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$241,560, \$206,218, and \$143,858, respectively; 91.47 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

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 as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

B. Ohio Police and Fire 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 reimbursement 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 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 – OP&F's post-employment health care plan was established and is administered as an Internal Revenue Code 410(h) account within the defined benefit plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, 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 Section 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$70,092 and \$63,127 for the year ended December 31, 2008, \$68,637 and \$65,112 for the year ended December 31, 2007, and \$72,261 and \$68,185 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 72.35 percent has been contributed for police and 75.13 percent has been contributed for firefighters for 2008.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 12 – Other Employee Benefits

A. 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.

B. Insurance

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

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

Note 13 – Contingencies

A. 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.

B. 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, 2008.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 14 - Long-Term Obligations

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

	Balance 12/31/2007	Issued	Retired	Balance 12/31/2008	Amounts Due In One Year
Governmental Activities					
Installment Loans:					
1999 Fifth Street Loan - 5.32%	\$31,475	\$0	(\$5,382)	\$26,093	\$6,043
2005 SBC System Loan - 3.60%	35,823	0	(13,033)	22,790	13,510
2007 Cruisers Loan - 4.65%	50,533	0	(20,212)	30,321	21,192
2007 Aerial Fire Truck - 5.95%	71,705	0	(5,439)	66,266	5,789
2007 Storage Tank Removal - 5.60%	9,648	0	(6,729)	2,919	2,919
2008 Payroll - 6.10%	0	200,000	(182,859)	17,141	17,141
2008 Salt- 4.00%	0	116,820	(28,765)	88,055	88,055
<i>Total Installment Loans</i>	<u>199,184</u>	<u>316,820</u>	<u>(262,419)</u>	<u>253,585</u>	<u>154,649</u>
Ohio Public Works Commission Loans:					
1999 Downtown Rehabilitation Loan - 0.00%	15,000	0	(15,000)	0	0
2003 State Route 39 Improvement Loan - 0.00%	356,973	0	(11,899)	345,074	23,798
<i>Total Ohio Public Works Commission Loans</i>	<u>371,973</u>	<u>0</u>	<u>(26,899)</u>	<u>345,074</u>	<u>23,798</u>
Ohio Department of Transportation Loan:					
1990 Highway 30 Loan - 3.00%	316,763	0	(60,000)	256,763	60,000
<i>Total Ohio Department of Transportation Loan</i>	<u>316,763</u>	<u>0</u>	<u>(60,000)</u>	<u>256,763</u>	<u>60,000</u>
State Infrastructure Bank Loan:					
2004 St. Clair Paving Loan - 3.00%	988,792	0	(132,106)	856,686	132,367
<i>Total State Infrastructure Bank Loan</i>	<u>988,792</u>	<u>0</u>	<u>(132,106)</u>	<u>856,686</u>	<u>132,367</u>
Capital Lease:					
2007 Backhoe and Wheel Loader - 5.00%	98,000	0	(17,736)	80,264	18,622
2007 Ford Fusion - 6.90%	0	19,650	(13,110)	6,540	6,540
<i>Total Capital Leases</i>	<u>98,000</u>	<u>19,650</u>	<u>(30,846)</u>	<u>86,804</u>	<u>25,162</u>
Compensated Absences	517,229	43,240	(76,681)	483,788	0
Police and Fire Pension	882,731	0	(17,449)	865,282	18,200
Total Governmental Activities	<u><u>\$3,374,672</u></u>	<u><u>\$379,710</u></u>	<u><u>(\$606,400)</u></u>	<u><u>\$3,147,982</u></u>	<u><u>\$414,176</u></u>

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

	Balance 12/31/2007	Issued	Retired	Balance 12/31/2008	Amounts Due In One Year
Business-Type Activities					
Installment Loans:					
2003 Backhoe Water Loan - 3.25%	\$4,077	\$0	(\$4,077)	\$0	\$0
2005 Water Truck Water Loan - 3.25%	4,015	0	(4,015)	0	0
2007 Anderson Boulevard Water Loan - 6.25%	95,755	0	(7,668)	88,087	8,185
2007 Boiler and Steam Lines Water Loan - 6.10%	12,865	0	(12,865)	0	0
2006 Garbage Truck Incinerator Loan - 4.73%	52,759	0	(34,806)	17,953	17,953
2007 Anderson Boulevard Sewer Loan - 6.25%	67,029	0	(5,368)	61,661	5,730
2008 Water Truck Water Loan - 4.30%	0	25,906	(10,657)	15,249	15,249
<i>Total Installment Loans</i>	<u>236,500</u>	<u>25,906</u>	<u>(79,456)</u>	<u>182,950</u>	<u>47,117</u>
Ohio Public Works Commission Loans:					
1993 Pope Street/Thompson Avenue					
Water Tank Water Loan - 0.00%	78,000	0	(6,500)	71,500	13,000
2001 Henry Avenue Waterline Water Loan - 0.00%	53,291	0	(2,131)	51,160	4,264
<i>Total Ohio Public Works Commission Loans</i>	<u>131,291</u>	<u>0</u>	<u>(8,631)</u>	<u>122,660</u>	<u>17,264</u>
Ohio Water Development Authority Loans:					
1985 Project #1340 Water Loan - 9.78%	701,123	0	(106,150)	594,973	222,682
1994 Project #3099 Water Loan - 5.94%	550,937	0	(39,722)	511,215	81,736
1996 Project #3100 Water Loan - 5.94%	21,242	0	(1,525)	19,717	3,140
2004 Project #4181 Water Loan - 3.35%	3,437,810	0	(73,026)	3,364,784	149,742
1996 Project #1548 Sewer Loan - 5.96%	558,962	0	(40,630)	518,332	87,948
<i>Total Ohio Water Development Authority Loans</i>	<u>5,270,074</u>	<u>0</u>	<u>(261,053)</u>	<u>5,009,021</u>	<u>545,248</u>
Capital Lease:					
2007 Computer Equipment Water Lease - 6.81%	14,522	0	(5,321)	9,201	5,695
2008 Garbage Trucks Incinerator Lease - 4.07%	0	481,452	(51,262)	430,190	90,754
<i>Total Capital Leases</i>	<u>14,522</u>	<u>481,452</u>	<u>(56,583)</u>	<u>439,391</u>	<u>96,449</u>
Compensated Absences	88,333	19,530	(22,836)	85,027	13,277
Total Business-Type Activities	<u><u>\$5,740,720</u></u>	<u><u>\$526,888</u></u>	<u><u>(\$428,559)</u></u>	<u><u>\$5,839,049</u></u>	<u><u>\$719,355</u></u>

Within governmental activities, the City has installment loans, OPWC loans, an ODOT loan, and a SIB loan. These loans are to finance various projects and equipment purchases. The installment loans are being paid from the general fund, debt service fund, and the capital improvements and fawcett project capital project funds.

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

The City has pledged future revenues, net of operating expenses, to repay OPWC and OWDA loans in the City of East Liverpool water fund. The debt is payable solely from net revenues and are payable through 2027. Annual principal and interest payments on the debt issues are expected to require less than 65 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$5,901,056.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Principal and interest paid for the current year and total net revenues were \$327,702 and \$533,037, 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 2027. Annual principal and interest payments on the debt issues are expected to require less than 22 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$653,033. Principal and interest paid for the current year and total net revenues were \$61,616 and \$285,370, respectively.

The City also has four capital leases. The backhoe and wheel loader governmental activities' capital lease is paid from the street capital improvement fund. The Ford Fusion governmental activities' capital lease is paid from the capital improvements fund. The computer equipment business-type activities' lease is paid from the water fund. The garbage trucks business-type activities' capital lease is paid from the incinerator fund.

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

As of December 31, 2008, the City's overall legal debt margin was \$8,660,529 and the unvoted legal debt margin was \$3,736,307. Principal and interest requirements to retire the outstanding debt at December 31, 2008, are as follows:

	Governmental Activities					
	Installment		OPWC	ODOT	SIB	
	Loans		Loans	Loan	Loan	
	Principal	Interest	Principal	Principal	Principal	Interest
2009	\$154,649	\$8,253	\$23,798	\$60,000	\$132,367	\$24,715
2010	30,929	4,602	23,798	60,000	136,368	20,714
2011	13,249	3,638	23,799	60,000	140,489	16,593
2012	13,884	3,003	23,798	60,000	144,735	12,347
2013	7,364	2,264	23,798	16,763	149,110	7,972
2014-2018	33,510	4,199	118,991	0	153,617	3,465
2019-2023	0	0	107,092	0	0	0
Totals	<u>\$253,585</u>	<u>\$25,959</u>	<u>\$345,074</u>	<u>\$256,763</u>	<u>\$856,686</u>	<u>\$85,806</u>

	Business-Type Funds				
	Installment		OPWC	OWDA	
	Loans		Loans	Loans	
	Principal	Interest	Principal	Principal	Interest
2009	\$47,117	\$9,567	\$17,264	\$545,248	\$242,992
2010	14,823	8,181	17,263	584,227	204,015
2011	15,790	7,214	17,263	485,846	161,961
2012	16,801	6,203	17,264	377,385	129,985
2013	17,916	5,088	17,263	397,957	109,413
2014-2018	70,503	8,094	27,816	1,000,392	363,475
2019-2023	0	0	8,527	1,116,694	189,401
2024-2026	0	0	0	501,272	21,166
Totals	<u>\$182,950</u>	<u>\$44,347</u>	<u>\$122,660</u>	<u>\$5,009,021</u>	<u>\$1,422,408</u>

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 15 – Capital Leases

In prior years, the City entered into a capital lease for a backhoe and wheel loader in the governmental activities and computer equipment in the business-type activities. In 2008, the City entered into a capital lease for a Ford Fusion in the governmental activities and garbage trucks in the business-type activities. These lease obligations meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, “Accounting for Leases”, and have been recorded as capital assets on the government-wide statements. Capital lease payments are reflected as debt service expenditures in the general fund 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	\$147,650	\$502,919
Less: Accumulated Depreciation	(29,530)	(100,584)
Current Book Value	\$118,120	\$402,335

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

	Governmental Activities	Business-Type Activities
2009	\$29,626	\$112,728
2010	22,635	110,169
2011	22,635	106,583
2012	22,635	106,583
2013	0	44,409
Total Minimum Lease Payments	97,531	480,472
Less: Amount Representing Interest	(10,727)	(41,081)
Totals	\$86,804	\$439,391

Note 16 – Interfund Transactions

A. Interfund Balances

Interfund balances for the year ended December 31, 2008, consisted of an interfund receivable of \$8,995 in the general fund and an interfund payable of \$8,995 in the Fawcett project capital projects fund. All of the loans will be repaid during 2009.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following:

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Transfer To	Transfer From				Total
	General Fund	Nonmajor Funds	Sewer Fund	Incinerator Fund	
Police Fund	\$1,774,992	\$0	\$0	\$0	\$1,774,992
Fire Fund	650,000	0	0	0	650,000
Nonmajor Funds	79,037	118,849	0	0	197,886
Water Fund	0	0	171,617	10,300	181,917
Grand Total	<u>\$2,504,029</u>	<u>\$118,849</u>	<u>\$171,617</u>	<u>\$10,300</u>	<u>\$2,804,795</u>

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

Note 17 - Jointly Governed Organizations

A. 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 2008. 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.

B. Ohio Mid-Eastern Governments Association (OMEGA)

OMEGA is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a seventeen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. A county commissioner serves as the County's representative on the board. The board has total control over budgeting, personnel and financial matters. Each member currently pays a per capita membership fee based on the most recent United States census. During 2008, OMEGA received \$1,963 from the City of East Liverpool for an annual fee. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt. Information can be obtained from 326 Highland Avenue, PO Box 130, Cambridge, Ohio 43725.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 18 – Closure and Post-closure Care Cost

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

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

Note 19 – Subsequent Event

On May 7, 2009, the City entered into an installment note with First National Community Bank in the amount \$240,062 for engineering and construction costs of the Bradshaw/Elysian paving project. The interest rate is 5.81 percent and the note matures on April 30, 2029.

CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block	A-F-07-115-1	14.228	\$5,080
	A-F-06-115-1		5,151
Total Community Development Block			<u>10,231</u>
Home Investment Partnership Program	A-C-06-115-1	14.239	44,566
	A-C-06-115-2		167,770
	A-C-08-115-1		3,747
	A-C-08-115-2		7,437
Total Home Investment Partnership Program			<u>223,520</u>
Total U.S. Department of Housing and Urban Development			<u>233,751</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction		20.205	<u>466,167</u>
Total U.S. Department of Transportation			<u>466,167</u>
Total			<u>\$699,918</u>

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

**CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City has established a revolving loan program 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.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the City of East Liverpool contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE D – REVISED FEDERAL AWARDS EXPENDITURES SCHEDULE

The accompanying Federal Awards Expenditure Schedule replaces the Schedule for the City of East Liverpool fiscal year ended December 31, 2008, previously issued with our report dated December 29, 2010. The schedule was revised, as the incorrect schedule was erroneously included.



Mary Taylor, CPA

Auditor of State

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 City 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, (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 29, 2010. 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's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a control deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe finding number 2008-001 is also a material weakness.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated December 29, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-002.

We did note certain noncompliance or other matters that we reported to the City's management in a separate letter dated December 29, 2010.

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

We intend this report solely for the information and use of the audit committee, management, city council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 29, 2010



Mary Taylor, CPA

Auditor of State

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 City Council:

Compliance

We have audited the compliance of City of East Liverpool (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City'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 express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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's compliance with those 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's compliance with those requirements.

In our opinion, the City of East Liverpool complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2008.

Internal Control Over Compliance

The City'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's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that the City's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, city council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

December 29, 2010

**CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2008-001

Material Weakness:

The City Auditor is to maintain the records of the City and exhibit accurate statements of all moneys received and expended by the City. The City Treasurer is to keep an accurate account of all moneys received showing the amount thereof, the time received, from whom, and on what account received and all disbursements made, showing the amount thereof, the time made, to whom and on what account paid.

FINDING NUMBER 2008-001
(Continued)

During the calendar year 2008 the City Treasurer did prepare reconciliations between the City depository balances and the cash fund balances per the City's accounting records. However, reconciliations between the records of the City Auditor and of the City Treasurer were not complete. As a result, the recorded cash fund balance as of December 31, 2008 was \$13,857 in excess of the City's depository balance. The City's accounting records and financial statements have been adjusted to address this difference.

It is recommended that the City Auditor and City Treasurer reconcile monthly so that any differences can be addressed in a timely manner and the City's accounting records and financial statements be adjusted accordingly.

We did not receive a response from Officials to this finding.

FINDING NUMBER 2008-002

Material Noncompliance

Ohio Revised Code, Section 5705.41 (D), requires that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D) (1) and 5705.41 (D) (3), respectively, of the Ohio Revised Code.

1. Then and Now Certificate: If the fiscal officer can certify both at the time that the contract or order was made "then" at the time that the fiscal officer is completing the certification "now", sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.
2. Blanket Certificate: Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate: The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal office for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**FINDING NUMBER 2008-002
(Continued)**

The City did not always encumber funds at the time of the commitment. We noted seven instances of sixty expenditures (12%) tested were not properly encumbered. Incurring obligations prior to the fiscal officer's certification could result in the City spending more than appropriated.

Unless the exception noted above is used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify funds are or will be available prior to obligation by the City. When prior certification is not possible, "then and now" certification should be used.

We recommend the City certify purchases to which section 5705.41 (D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41 (D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the City incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Implementation of this code section may assist the City in maintaining compliance with Ohio Revised Code.

City Auditor's Response

There had been a practice in place by the former auditor whereby the department heads would often turn in the billing for the item they had purchased prior to securing certification from the auditor's office that the funds were available. She would excuse these transactions through the use of the "Then and Now" stamp. This ongoing practice was addressed by me several times in memos to all departments regarding the guidelines for ensuring that their purchases would be paid as well as telling the individuals when they brought the billings in. The practice continues still today. I have done everything possible including taking these items to council so that council would see where the ongoing problems lie. In many instances, the billing came in so close to the due date that I processed them rather than have them paid late.

THIS PAGE INTENTIONALLY LEFT BLANK.

**CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC 733.43, treasurer keep an accurate account of moneys and disbursements.	Yes	Finding No Longer Valid

This Page is Intentionally Left Blank.



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
JUNE 23, 2011**