

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

*Basic Financial Statements*  
(Audited)

For The Year Ended  
December 31, 2009

**TERRY SPRAGUE, CITY AUDITOR**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the City of East Liverpool, Columbiana County, prepared by Julian & Grube, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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Dave Yost  
Auditor of State

November 17, 2011

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

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

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

## Independent Accountants' Report

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

To the Mayor and Members of Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the City of East Liverpool's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of East Liverpool's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio, as of December 31, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the general fund and major special revenue funds: police and fire for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2011, on our consideration of the City of East Liverpool's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Independent Accountants' Report  
City of East Liverpool  
Page Two

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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

Julian & Grube, Inc.  
September 23, 2011



**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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The management's discussion and analysis of the City of East Liverpool's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. 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 2009 are:

- In total, the City's net assets decreased slightly from 2008. The decrease resulted mainly from overall expenditures exceeding revenues for the year.
- In 2009, the City purchased 83 acres of land in Liverpool Township with the intention of annexing the property to become part of the City.
- In 2009, the City purchased various machinery and equipment and completed the Elysian Way roadway improvement project. The City is also currently in the process of making roadway and waterline improvements to Bradshaw Avenue.
- The general fund had a decrease in fund balance due mainly to decreases in income tax revenue and license and permit fee monies coupled with transfers out to support other programs.

**Using This Financial Report**

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

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

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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**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 2009?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

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

***Fund Financial Statements***

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

***Governmental Funds***

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

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

**Proprietary Funds**

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

**The City as a Whole**

The *Statement of Net Assets* looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2009 compared to 2008.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current and Other Assets	\$4,066,825	\$4,792,135	\$4,792,944	\$4,835,452	\$8,859,769	\$9,627,587
Capital Assets, Net	7,819,541	6,455,587	9,111,373	9,448,666	16,930,914	15,904,253
<i>Total Assets</i>	<u>11,886,366</u>	<u>11,247,722</u>	<u>13,904,317</u>	<u>14,284,118</u>	<u>25,790,683</u>	<u>25,531,840</u>
<b>Liabilities</b>						
Current and Other Liabilities	1,446,356	1,739,847	488,200	399,970	1,934,556	2,139,817
Long-Term Liabilities:						
Due Within One Year	353,679	414,176	763,639	719,355	1,117,318	1,133,531
Due in More than One Year	3,716,366	2,733,806	4,628,229	5,119,694	8,344,595	7,853,500
<i>Total Liabilities</i>	<u>5,516,401</u>	<u>4,887,829</u>	<u>5,880,068</u>	<u>6,239,019</u>	<u>11,396,469</u>	<u>11,126,848</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	5,016,512	4,656,675	3,770,855	3,694,644	8,787,367	8,351,319
Restricted:						
Capital Projects	372,966	487,462	0	0	372,966	487,462
Debt Service	80,644	55,694	0	0	80,644	55,694
Street Maintenance and Repair	498,048	503,190	0	0	498,048	503,190
Community Development	685,367	839,397	0	0	685,367	839,397
Unrestricted (Deficit)	(283,572)	(182,525)	4,253,394	4,350,455	3,969,822	4,167,930
<i>Total Net Assets</i>	<u>\$6,369,965</u>	<u>\$6,359,893</u>	<u>\$8,024,249</u>	<u>\$8,045,099</u>	<u>\$14,394,214</u>	<u>\$14,404,992</u>

Total net assets for governmental activities showed a slight increase resulting from an increase in net capital assets due to land and equipment purchases and roadway improvements. This increase was partially offset by a decrease in cash and cash equivalents and an increase in long-term liabilities resulting from the addition of a loan for the purchase of land.

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

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

Table 2 shows the changes in net assets for the years ended December 31, 2009 and December 31, 2008.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$866,094	\$905,362	\$4,500,073	\$4,478,710	\$5,366,167	\$5,384,072
Operating Grants and Contributions	1,120,500	1,331,053	43,548	58,840	1,164,048	1,389,893
Capital Grants and Contributions	410,460	910,416	13,492	27,266	423,952	937,682
<i>Total Program Revenues</i>	<u>2,397,054</u>	<u>3,146,831</u>	<u>4,557,113</u>	<u>4,564,816</u>	<u>6,954,167</u>	<u>7,711,647</u>
<i>General Revenues:</i>						
Property Taxes	929,741	1,128,022	67,338	95,826	997,079	1,223,848
Income Tax	2,883,598	3,041,112	0	0	2,883,598	3,041,112
Grants and Entitlements not Restricted to Specific Programs	364,256	309,853	0	0	364,256	309,853
Interest	14,080	39,676	5,644	14,167	19,724	53,843
Other	124,649	141,405	55,921	20,451	180,570	161,856
<i>Total General Revenues</i>	<u>4,316,324</u>	<u>4,660,068</u>	<u>128,903</u>	<u>130,444</u>	<u>4,445,227</u>	<u>4,790,512</u>
<i>Total Revenues</i>	<u>6,713,378</u>	<u>7,806,899</u>	<u>4,686,016</u>	<u>4,695,260</u>	<u>11,399,394</u>	<u>12,502,159</u>
<i>Program Expenses:</i>						
General Government	(1,534,067)	(1,464,891)	0	0	(1,534,067)	(1,464,891)
Security of Persons and Property	(3,316,629)	(3,345,467)	0	0	(3,316,629)	(3,345,467)
Transportation	(1,051,861)	(1,466,056)	0	0	(1,051,861)	(1,466,056)
Public Health and Welfare	(183,690)	(172,481)	0	0	(183,690)	(172,481)
Leisure Time Activities	(147,500)	(141,402)	0	0	(147,500)	(141,402)
Community and Economic Development	(396,059)	(371,640)	0	0	(396,059)	(371,640)
Interest and Fiscal Charges	(73,500)	(86,493)	0	0	(73,500)	(86,493)
Business-Type Activities	0	0	(4,706,866)	(4,252,795)	(4,706,866)	(4,252,795)
<i>Total Program Expenses</i>	<u>(6,703,306)</u>	<u>(7,048,430)</u>	<u>(4,706,866)</u>	<u>(4,252,795)</u>	<u>(11,410,172)</u>	<u>(11,301,225)</u>
Increase (Decrease) in Net Assets	10,072	758,469	(20,850)	442,465	(10,778)	1,200,934
Net Assets Beginning of Year	6,359,893	5,601,424	8,045,099	7,602,634	14,404,992	13,204,058
Net Assets End of Year	<u>\$6,369,965</u>	<u>\$6,359,893</u>	<u>\$8,024,249</u>	<u>\$8,045,099</u>	<u>\$14,394,214</u>	<u>\$14,404,992</u>

**Governmental Activities**

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

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

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

Revenues were down in all line items except grants and entitlements, demonstrating the tough economic times the City is facing.

Security of Persons and Property, which includes police and fire services, represents the largest expense of the governmental activities. There was a decrease from 2008 due to tighter spending controls to ensure that the City maintains healthy balances.

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

The fire department employs 14 full time employees, including the Fire Chief. The City is committed to maintaining a very efficient department. Regular meetings, drills and training sessions are held. There is a strong emphasis on equipment with financial planning in place for replacement on a regular basis of worn equipment. The department's functions include firefighting, emergency medical service including paramedic service, fire prevention education and investigation.

Another major expense of the City in 2009 was transportation, or the street maintenance and repair department. 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
	2009	2008	2009	2008
General Government	\$1,534,067	\$1,464,891	(\$899,734)	(\$777,014)
Security of Persons and Property	3,316,629	3,345,467	(2,959,075)	(3,182,279)
Transportation	1,051,861	1,466,056	70,308	124,698
Public Health and Welfare	183,690	172,481	(99,052)	(83,671)
Leisure Time Activities	147,500	141,402	(101,511)	(91,433)
Community and Economic Development	396,059	371,640	(243,688)	194,593
Interest and Fiscal Charges	73,500	86,493	(73,500)	(86,493)
<b>Total</b>	<b>\$6,703,306</b>	<b>\$7,048,430</b>	<b>(\$4,306,252)</b>	<b>(\$3,901,599)</b>

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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**The City's Funds**

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

***Governmental Funds***

The City's funds are accounted for using the modified accrual basis of accounting. The City focuses on its governmental funds to provide a financial picture on activities as they provide information on how the City did over a period of one year as well as where the City's funds stood at December 31, 2009. The information provided is useful to determine the City's available balances.

The City's major governmental funds are the general fund, the police and fire special revenue funds and the capital improvements capital projects fund. The general fund had a decrease in fund balance mainly due to a reduction in income tax revenue and license and permit fee monies along with transfers out to support other programs. The police special revenue fund had a decrease in fund balance resulting from higher personal service expenditures due to a \$0.40 per hour raise and to a greater number of police officers receiving payment for an allowed portion of their unused vacation. The fire special revenue fund also had a decrease in fund balance due to a decrease in transfers in. This decrease was almost fully offset by a two employee staff reduction in the fire department. The capital improvements capital projects fund had a decrease in fund balance resulting mainly from a decrease in grant monies.

***Business-Type Funds***

As mentioned earlier, the City's major business-type funds are water, sewer and incinerator. The largest sources of revenue for these funds in 2009 were charges for services. In the water fund, despite greater personal service expenses due to larger severance payments, the fund's operating revenues and transfers received for billing reimbursements exceeded expenses resulting in an increase in net assets. In the incinerator fund, despite greater operating expenditures resulting mainly from higher dumping fees and higher gasoline and oil prices, total revenues continued to exceed total expenses and therefore also resulted in an increase in net assets. The sewer fund had a decrease in net assets due to transfers out to the water 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 final budgeted revenues were slightly higher than the original budgeted estimate. This change was attributable mainly to an increase in estimate for income taxes. The final budget appropriations were slightly higher than original budgeted appropriations. This change was due mainly to an increase in the estimate for general government expenditures.

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

**Capital Assets and Debt Administration**

***Capital Assets***

Table 4 shows the 2009 balances of capital assets compared to 2008.

**Table 4**  
**Capital Assets**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$1,820,262	\$520,262	\$25,771	\$25,771	\$1,846,033	\$546,033
Construction in Progress	65,142	0	13,224	0	78,366	0
Buildings and Improvements	193,311	201,222	1,285,155	1,359,729	1,478,466	1,560,951
Improvements other than Buildings	104,865	111,978	0	0	104,865	111,978
Machinery and Equipment	768,682	840,974	1,241,637	1,383,660	2,010,319	2,224,634
Infrastructure	4,867,279	4,781,151	6,029,480	6,141,272	10,896,759	10,922,423
Water Lines	0	0	191,647	197,827	191,647	197,827
Sewer Lines	0	0	324,459	340,407	324,459	340,407
<b>Totals</b>	<b>\$7,819,541</b>	<b>\$6,455,587</b>	<b>\$9,111,373</b>	<b>\$9,448,666</b>	<b>\$16,930,914</b>	<b>\$15,904,253</b>

Total governmental capital assets increased due to land and equipment purchases and roadway improvements. This increase was partially offset by an additional year of annual depreciation. Total business-type capital assets decreased due to annual depreciation. For additional information see Note 9 to the basic financial statements.

***Debt***

At December 31, 2009, outstanding debt is comprised of installment loans, Ohio Public Works Commission (OPWC) loans, Ohio Water Development Authority (OWDA) loans, an Ohio Department of Transportation (ODOT) loan, a State Infrastructure Bank (SIB) loan, a Land Property loan, capital leases and police and fire pension liability. Table 5 summarizes all long-term debt outstanding.

**City of East Liverpool, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities		Business-Type Activity		Total	
	2009	2008	2009	2008	2009	2008
Installment Loans	\$219,352	\$253,585	\$428,407	\$182,950	\$647,759	\$436,535
OPWC Loans	321,276	345,074	105,396	122,660	426,672	467,734
OWDA Loans	0	0	4,463,773	5,009,021	4,463,773	5,009,021
ODOT Loan	196,763	256,763	0	0	196,763	256,763
SIB Loan	724,319	856,686	0	0	724,319	856,686
Land Property Loan	1,268,000	0	0	0	1,268,000	0
Capital Leases	73,319	86,804	342,942	439,391	416,261	526,195
Police and Fire Pension	847,082	865,282	0	0	847,082	865,282
<b>Totals</b>	<b>\$3,650,111</b>	<b>\$2,664,194</b>	<b>\$5,340,518</b>	<b>\$5,754,022</b>	<b>\$8,990,629</b>	<b>\$8,418,216</b>

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 off street parking improvement projects and equipment purchases and are being paid from those funds.

The capital leases are for the lease-purchase of a backhoe and wheel loader, two copiers, 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 Notes 15 and 16 to the basic financial statements.

**Current Financial Related Activities**

In 2009, the City purchased 83 acres of land from Liverpool Township. This property was annexed to the City in 2010. As of December 31, 2009, the City has a loan liability of \$1,268,000 for the purchase of this land.

The Elysian Way roadway improvements project was completed during 2009. The project improvements included the milling of the existing asphalt surface, application of a new asphalt surface and the installing of a new catch basin.

**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 6<sup>th</sup> 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, 2009

	Governmental Activities	Business-Type Activity	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$863,299	\$2,289,932	\$3,153,231
Materials and Supplies Inventory	8,470	38,622	47,092
Accounts Receivable	169,403	2,369,732	2,539,135
Internal Balances	38,000	(38,000)	0
Intergovernmental Receivable	1,121,913	8,166	1,130,079
Prepaid Items	72,763	31,045	103,808
Income Taxes Receivable	483,149	0	483,149
Property Taxes Receivable	1,173,189	93,447	1,266,636
Loans Receivable	89,741	0	89,741
Special Assessments Receivable	46,898	0	46,898
Nondepreciable Capital Assets	1,885,404	38,995	1,924,399
Depreciable Capital Assets, Net	5,934,137	9,072,378	15,006,515
<i>Total Assets</i>	<u>11,886,366</u>	<u>13,904,317</u>	<u>25,790,683</u>
<b>Liabilities</b>			
Accounts Payable	53,293	59,584	112,877
Accrued Wages	44,072	24,711	68,783
Intergovernmental Payable	291,790	99,750	391,540
Matured Compensated Absences Payable	0	27,060	27,060
Accrued Interest Payable	13,368	110,497	123,865
Vacation Benefits Payable	265,119	106,866	371,985
Deferred Revenue	778,714	59,732	838,446
Long-Term Liabilities:			
Due Within One Year	353,679	763,639	1,117,318
Due In More Than One Year	3,716,366	4,628,229	8,344,595
<i>Total Liabilities</i>	<u>5,516,401</u>	<u>5,880,068</u>	<u>11,396,469</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	5,016,512	3,770,855	8,787,367
Restricted for:			
Capital Projects	372,966	0	372,966
Debt Service	80,644	0	80,644
Street Maintenance and Repair	498,048	0	498,048
Community Development	685,367	0	685,367
Unrestricted (Deficit)	(283,572)	4,253,394	3,969,822
<i>Total Net Assets</i>	<u>\$6,369,965</u>	<u>\$8,024,249</u>	<u>\$14,394,214</u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2009

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants, Contributions and Assessments
<b>Governmental Activities:</b>				
General Government	\$1,534,067	\$628,045	\$6,288	\$0
Security of Persons and Property	3,316,629	75,158	282,396	0
Transportation	1,051,861	5,200	708,837	408,132
Public Health and Welfare	183,690	67,514	17,124	0
Leisure Time Activities	147,500	43,661	0	2,328
Community and Economic Development	396,059	46,516	105,855	0
Interest and Fiscal Charges	73,500	0	0	0
<i>Total Governmental Activities</i>	<u>6,703,306</u>	<u>866,094</u>	<u>1,120,500</u>	<u>410,460</u>
<b>Business-Type Activities:</b>				
Water	2,598,795	2,413,568	0	6,746
Sewer	1,112,270	1,159,234	0	6,746
Incinerator	939,423	876,360	43,548	0
Other Enterprise Funds	56,378	50,911	0	0
<i>Total Business-Type Activities</i>	<u>4,706,866</u>	<u>4,500,073</u>	<u>43,548</u>	<u>13,492</u>
<i>Total - Primary Government</i>	<u>\$11,410,172</u>	<u>\$5,366,167</u>	<u>\$1,164,048</u>	<u>\$423,952</u>

**General Revenues**

Property Taxes Levied for:

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

Income Tax Levied for:

- General Purposes
- Tourism / Bed Tax
- Capital Improvements

Grants and Entitlements not Restricted to Specific Programs

Interest

Other

*Total General Revenues*

Change in Net Assets

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

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Net (Expense) Revenue and Changes in Net Assets

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Governmental Activities	Business-Type Activity	Total
(\$899,734)	\$0	(\$899,734)
(2,959,075)	0	(2,959,075)
70,308	0	70,308
(99,052)	0	(99,052)
(101,511)	0	(101,511)
(243,688)	0	(243,688)
(73,500)	0	(73,500)
(4,306,252)	0	(4,306,252)
0	(178,481)	(178,481)
0	53,710	53,710
0	(19,515)	(19,515)
0	(5,467)	(5,467)
0	(149,753)	(149,753)
(4,306,252)	(149,753)	(4,456,005)
190,448	0	190,448
601,689	0	601,689
59,018	0	59,018
78,586	0	78,586
0	67,338	67,338
2,658,198	0	2,658,198
11,334	0	11,334
214,066	0	214,066
364,256	0	364,256
14,080	5,644	19,724
124,649	55,921	180,570
4,316,324	128,903	4,445,227
10,072	(20,850)	(10,778)
6,359,893	8,045,099	14,404,992
\$6,369,965	\$8,024,249	\$14,394,214

**City of East Liverpool, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2009*

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Capital Improvements</u>
<b>Assets</b>				
Equity in Pooled Cash and				
Cash Equivalents	(\$23,812)	\$13,287	\$4,541	\$105,048
Materials and Supplies Inventory	0	0	0	0
Accounts Receivable	162,189	0	500	0
Interfund Receivable	38,000	0	0	0
Intergovernmental Receivable	158,974	16,966	62,521	0
Prepaid Items	26,928	16,072	15,161	0
Income Taxes Receivable	444,737	0	0	36,060
Property Taxes Receivable	204,421	48,966	756,513	0
Loans Receivable	0	0	0	0
Special Assessments Receivable	0	0	0	0
<i>Total Assets</i>	<u>\$1,011,437</u>	<u>\$95,291</u>	<u>\$839,236</u>	<u>\$141,108</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$27,911	\$1,885	\$3,667	\$0
Accrued Wages	11,178	16,742	9,010	0
Intergovernmental Payable	64,694	113,321	77,559	0
Deferred Revenue	462,647	53,265	819,034	13,227
<i>Total Liabilities</i>	<u>566,430</u>	<u>185,213</u>	<u>909,270</u>	<u>13,227</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	17,132	10,649	2,343	68,807
Reserved for Loans Receivable	0	0	0	0
Unreserved, Undesignated, Reported in:				
General Fund	427,875	0	0	0
Special Revenue Funds (Deficit)	0	(100,571)	(72,377)	0
Debt Service Fund	0	0	0	0
Capital Projects Funds	0	0	0	59,074
<i>Total Fund Balances</i>	<u>445,007</u>	<u>(89,922)</u>	<u>(70,034)</u>	<u>127,881</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,011,437</u>	<u>\$95,291</u>	<u>\$839,236</u>	<u>\$141,108</u>

See accompanying notes to the basic financial statements



**City of East Liverpool, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2009*

	General	Police	Fire	Capital Improvements
<b>Revenues</b>				
Property Taxes	\$185,984	\$34,783	\$563,137	\$0
Income Taxes	2,686,078	0	0	216,327
Special Assessments	0	0	0	0
Intergovernmental	347,770	21,582	222,192	0
Interest	9,445	0	0	0
Licenses and Permits	523,233	0	1,615	0
Fines and Forfeitures	114,305	3,152	0	0
Charges for Services	0	45,700	0	9,000
Contributions and Donations	1,350	0	500	7,500
Other	76,645	13,119	0	1,401
<i>Total Revenues</i>	<u>3,944,810</u>	<u>118,336</u>	<u>787,444</u>	<u>234,228</u>
<b>Expenditures</b>				
Current:				
General Government	1,352,775	0	0	0
Security of Persons and Property	0	1,966,377	1,213,777	0
Transportation	0	0	0	0
Public Health and Welfare	145,781	0	0	0
Leisure Time Activities	119,260	0	0	0
Community and Economic Development	121,089	0	0	0
Capital Outlay	4,880	0	0	1,372,289
Debt Service:				
Principal Retirement	17,492	6,221	11,979	63,008
Interest and Fiscal Charges	315	12,504	24,079	6,165
<i>Total Expenditures</i>	<u>1,761,592</u>	<u>1,985,102</u>	<u>1,249,835</u>	<u>1,441,462</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,183,218</u>	<u>(1,866,766)</u>	<u>(462,391)</u>	<u>(1,207,234)</u>
<b>Other Financing Sources (Uses)</b>				
Inception of Capital Lease	4,880	0	0	0
Proceeds of Loans	0	0	0	71,307
Proceeds of Land Loan	0	0	0	1,280,000
Transfers In	0	1,842,000	461,000	0
Transfers Out	(2,340,334)	0	0	(156,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,335,454)</u>	<u>1,842,000</u>	<u>461,000</u>	<u>1,195,307</u>
<i>Net Change in Fund Balances</i>	(152,236)	(24,766)	(1,391)	(11,927)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>597,243</u>	<u>(65,156)</u>	<u>(68,643)</u>	<u>139,808</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$445,007</u>	<u>(\$89,922)</u>	<u>(\$70,034)</u>	<u>\$127,881</u>

See accompanying notes to the basic financial statements



**City of East Liverpool, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$178,757	\$180,080	\$185,984	\$5,904
Income Taxes	2,673,532	2,694,902	2,648,732	(46,170)
Intergovernmental	354,291	356,914	352,037	(4,877)
Interest	9,926	10,000	9,445	(555)
Licenses and Permits	525,545	529,435	526,883	(2,552)
Fines and Forfeitures	97,176	97,895	114,995	17,100
Contributions and Donations	1,340	1,350	1,350	0
Other	77,672	78,247	76,711	(1,536)
<i>Total Revenues</i>	3,918,239	3,948,823	3,916,137	(32,686)
<b>Expenditures</b>				
Current:				
General Government	1,362,697	1,391,136	1,376,092	15,044
Public Health and Welfare	140,712	143,641	143,560	81
Leisure Time Activities	116,881	119,314	119,314	0
Community and Economic Development	119,788	122,281	122,259	22
Debt Service:				
Principal Retirement	17,217	17,492	17,492	0
Interest and Fiscal Charges	228	315	315	0
<i>Total Expenditures</i>	1,757,523	1,794,179	1,779,032	15,147
<i>Excess of Revenues Over Expenditures</i>	2,160,716	2,154,644	2,137,105	(17,539)
<b>Other Financing Sources (Uses)</b>				
Advances In	8,995	8,995	8,995	0
Advances Out	(38,000)	(38,000)	(38,000)	0
Transfers Out	(2,359,524)	(2,359,524)	(2,340,334)	19,190
<i>Total Other Financing Sources (Uses)</i>	(2,388,529)	(2,388,529)	(2,369,339)	19,190
<i>Net Change in Fund Balance</i>	(227,813)	(233,885)	(232,234)	1,651
<i>Fund Balance Beginning of Year</i>	173,318	173,318	173,318	0
Prior Year Encumbrances Appropriated	13,430	13,430	13,430	0
<i>Fund Balance End of Year</i>	(\$41,065)	(\$47,137)	(\$45,486)	\$1,651

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, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$41,500	\$41,500	\$34,783	(\$6,717)
Intergovernmental	16,776	16,776	20,865	4,089
Fines and Forfeitures	165	165	3,252	3,087
Charges for Services	45,000	45,000	45,700	700
Other	12,800	12,800	13,119	319
<i>Total Revenues</i>	116,241	116,241	117,719	1,478
<b>Expenditures</b>				
Current:				
Security of Persons and Property	2,036,063	1,981,613	1,976,489	5,124
Debt Service:				
Principal Retirement	6,221	6,221	6,221	0
Interest and Fiscal Charges	12,504	12,504	12,504	0
<i>Total Expenditures</i>	2,054,788	2,000,338	1,995,214	5,124
<i>Excess of Revenues Under Expenditures</i>	(1,938,547)	(1,884,097)	(1,877,495)	6,602
<b>Other Financing Sources</b>				
Transfers In	1,741,343	1,848,524	1,842,000	(6,524)
<i>Net Change in Fund Balance</i>	(197,204)	(35,573)	(35,495)	78
<i>Fund Balance Beginning of Year</i>	24,911	24,911	24,911	0
Prior Year Encumbrances Appropriated	11,612	11,612	11,612	0
<i>Fund Balance (Deficit) End of Year</i>	(\$160,681)	\$950	\$1,028	\$78

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, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$593,900	\$593,900	\$563,137	(\$30,763)
Intergovernmental	152,210	152,210	222,192	69,982
Licenses and Permits	0	0	1,615	1,615
Contributions and Donations	500	500	500	0
<i>Total Revenues</i>	<u>746,610</u>	<u>746,610</u>	<u>787,444</u>	<u>40,834</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	1,299,131	1,236,152	1,236,152	0
Debt Service:				
Principal Retirement	11,979	11,979	11,979	0
Interest and Fiscal Charges	24,079	24,079	24,079	0
<i>Total Expenditures</i>	<u>1,335,189</u>	<u>1,272,210</u>	<u>1,272,210</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures</i>	(588,579)	(525,600)	(484,766)	40,834
<b>Other Financing Sources</b>				
Transfers In	722,000	501,200	461,000	(40,200)
<i>Net Change in Fund Balance</i>	133,421	(24,400)	(23,766)	634
<i>Fund Balance Beginning of Year</i>	24,006	24,006	24,006	0
Prior Year Encumbrances Appropriated	908	908	908	0
<i>Fund Balance End of Year</i>	<u>\$158,335</u>	<u>\$514</u>	<u>\$1,148</u>	<u>\$634</u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**

*Statement of Fund Net Assets*

*Proprietary Funds*

*December 31, 2009*

	Water	Sewer	Incinerator	Other Enterprise Funds	Total
<b>Assets</b>					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$1,304,412	\$830,471	\$134,494	\$20,555	\$2,289,932
Accounts Receivable	1,994,312	231,634	143,786	0	2,369,732
Intergovernmental Receivable	0	0	8,166	0	8,166
Materials and Supplies Inventory	36,048	2,574	0	0	38,622
Prepaid Items	12,801	12,801	5,443	0	31,045
Property Taxes Receivable	0	0	93,447	0	93,447
<i>Total Current Assets</i>	<u>3,347,573</u>	<u>1,077,480</u>	<u>385,336</u>	<u>20,555</u>	<u>4,830,944</u>
<i>Non-Current Assets:</i>					
Nondepreciable Capital Assets	32,847	6,148	0	0	38,995
Depreciable Capital Assets, Net	8,009,012	487,172	553,073	23,121	9,072,378
<i>Total Non-Current Assets</i>	<u>8,041,859</u>	<u>493,320</u>	<u>553,073</u>	<u>23,121</u>	<u>9,111,373</u>
<i>Total Assets</i>	<u>11,389,432</u>	<u>1,570,800</u>	<u>938,409</u>	<u>43,676</u>	<u>13,942,317</u>
<b>Liabilities</b>					
<i>Current Liabilities:</i>					
Accounts Payable	41,717	11,161	6,390	316	59,584
Accrued Wages	13,070	6,965	4,464	212	24,711
Intergovernmental Payable	53,412	28,256	16,799	1,283	99,750
Matured Compensated Absences Payable	0	27,060	0	0	27,060
Interfund Payable	0	38,000	0	0	38,000
Accrued Interest Payable	92,262	17,788	408	39	110,497
Vacation Benefits Payable	64,313	29,979	12,574	0	106,866
Deferred Revenue	0	0	59,732	0	59,732
Capital Leases Payable	3,506	0	94,518	0	98,024
Loans Payable	51,073	6,103	0	6,949	64,125
OPWC Loans Payable	17,263	0	0	0	17,263
OWDA Loans Payable	489,041	95,186	0	0	584,227
<i>Total Current Liabilities</i>	<u>825,657</u>	<u>260,498</u>	<u>194,885</u>	<u>8,799</u>	<u>1,289,839</u>
<i>Long-Term Liabilities (net of current portion):</i>					
Compensated Absences Payable	34,526	16,824	0	0	51,350
Capital Leases Payable	0	0	244,918	0	244,918
Loans Payable	300,168	49,828	0	14,286	364,282
OPWC Loans Payable	88,133	0	0	0	88,133
OWDA Loans Payable	3,544,348	335,198	0	0	3,879,546
<i>Total Long-Term Liabilities</i>	<u>3,967,175</u>	<u>401,850</u>	<u>244,918</u>	<u>14,286</u>	<u>4,628,229</u>
<i>Total Liabilities</i>	<u>4,792,832</u>	<u>662,348</u>	<u>439,803</u>	<u>23,085</u>	<u>5,918,068</u>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	3,548,327	7,005	213,637	1,886	3,770,855
Unrestricted	3,048,273	901,447	284,969	18,705	4,253,394
<i>Total Net Assets</i>	<u>\$6,596,600</u>	<u>\$908,452</u>	<u>\$498,606</u>	<u>\$20,591</u>	<u>\$8,024,249</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, 2009*

	Water	Sewer	Incinerator	Other Enterprise Funds	Total
<b>Operating Revenues</b>					
Charges for Services	\$2,413,568	\$1,159,234	\$876,360	\$50,911	\$4,500,073
Other	43,035	2,205	4,729	5,952	55,921
<i>Total Operating Revenues</i>	<u>2,456,603</u>	<u>1,161,439</u>	<u>881,089</u>	<u>56,863</u>	<u>4,555,994</u>
<b>Operating Expenses</b>					
Personal Services	1,408,457	701,358	556,190	29,923	2,695,928
Contractual Services	344,795	136,525	180,923	15,940	678,183
Materials and Supplies	268,737	78,002	105,475	9,126	461,340
Depreciation	285,031	138,385	80,911	1,264	505,591
Other	513	273	12	0	798
<i>Total Operating Expenses</i>	<u>2,307,533</u>	<u>1,054,543</u>	<u>923,511</u>	<u>56,253</u>	<u>4,341,840</u>
<i>Operating Income (Loss)</i>	<u>149,070</u>	<u>106,896</u>	<u>(42,422)</u>	<u>610</u>	<u>214,154</u>
<b>Non-Operating Revenues (Expenses)</b>					
Operating Grants	0	0	43,548	0	43,548
Interest	5,644	0	0	0	5,644
Property Taxes	0	0	67,338	0	67,338
Special Assessments	6,746	6,746	0	0	13,492
Interest and Fiscal Charges	(291,262)	(57,727)	(15,912)	(125)	(365,026)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(278,872)</u>	<u>(50,981)</u>	<u>94,974</u>	<u>(125)</u>	<u>(235,004)</u>
<i>Income (Loss) before Transfers</i>	<u>(129,802)</u>	<u>55,915</u>	<u>52,552</u>	<u>485</u>	<u>(20,850)</u>
Transfers In	181,917	0	0	0	181,917
Transfers Out	0	(171,617)	(10,300)	0	(181,917)
<i>Change in Net Assets</i>	<u>52,115</u>	<u>(115,702)</u>	<u>42,252</u>	<u>485</u>	<u>(20,850)</u>
<i>Net Assets Beginning of Year</i>	<u>6,544,485</u>	<u>1,024,154</u>	<u>456,354</u>	<u>20,106</u>	<u>8,045,099</u>
<i>Net Assets End of Year</i>	<u>\$6,596,600</u>	<u>\$908,452</u>	<u>\$498,606</u>	<u>\$20,591</u>	<u>\$8,024,249</u>

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, 2009

	Water	Sewer	Incinerator	Other Enterprise Funds	Total
<b>Increase (Decrease) in Cash and Cash Equivalents</b>					
<b>Cash Flows from Operating Activities</b>					
Cash Received from Customers	\$2,324,766	\$1,098,923	\$849,851	\$50,911	\$4,324,451
Other Cash Receipts	43,035	2,205	4,729	5,972	55,941
Cash Payments to Employees for Services	(1,427,860)	(704,615)	(559,076)	(29,914)	(2,721,465)
Cash Payments for Goods and Services	(624,332)	(218,793)	(282,803)	(24,763)	(1,150,691)
Other Cash Payments	(513)	(273)	(12)	0	(798)
<i>Net Cash Provided by Operating Activities</i>	<u>315,096</u>	<u>177,447</u>	<u>12,689</u>	<u>2,206</u>	<u>507,438</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating Grants	0	0	39,644	0	39,644
Property Taxes	0	0	66,087	0	66,087
Advances In	0	38,000	0	0	38,000
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>(133,617)</u>	<u>95,431</u>	<u>0</u>	<u>143,731</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Special Assessments	6,746	6,746	0	0	13,492
Proceeds from Installment Loans	275,600	0	0	21,800	297,400
Principal Paid on Installment Loans	(27,695)	(5,730)	(17,953)	(565)	(51,943)
Interest Paid on Installment Loans	(14,966)	(3,742)	(249)	(86)	(19,043)
Principal Paid on OWDA Loans	(457,300)	(87,948)	0	0	(545,248)
Interest Paid on OWDA Loans	(183,793)	(36,283)	0	0	(220,076)
Principal Paid on OPWC Loan	(17,264)	0	0	0	(17,264)
Principal Paid on Capital Lease	(5,695)	0	(90,754)	0	(96,449)
Interest Paid on Capital Lease	(451)	0	(15,828)	0	(16,279)
Payments for Capital Acquisitions	(59,366)	(44,647)	(39,900)	(24,385)	(168,298)
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(484,184)</u>	<u>(171,604)</u>	<u>(164,684)</u>	<u>(3,236)</u>	<u>(823,708)</u>
<b>Cash Flows from Investing Activities</b>					
Interest on Investments	5,644	0	0	0	5,644
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	18,473	(127,774)	(56,564)	(1,030)	(166,895)
<i>Cash and Cash Equivalents Beginning 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>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,304,412</u>	<u>\$830,471</u>	<u>\$134,494</u>	<u>\$20,555</u>	<u>\$2,289,932</u>

(continued)

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
For the Year Ended December 31, 2009

	Water	Sewer	Incinerator	Other Enterprise Funds	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>					
Operating Income (Loss)	\$149,070	\$106,896	(\$42,422)	\$610	\$214,154
Adjustments:					
Depreciation	285,031	138,385	80,911	1,264	505,591
<i>(Increase) Decrease in Assets:</i>					
Accounts Receivable	(88,802)	(60,311)	(26,509)	20	(175,602)
Prepaid Items	4,686	(4,057)	103	0	732
Materials and Supplies Inventory	(10,078)	0	0	0	(10,078)
<i>Increase (Decrease) in Liabilities:</i>					
Accounts Payable	(6,899)	(209)	3,492	303	(3,313)
Accrued Wages	3,868	2,052	1,226	82	7,228
Accrued Vacation Leave Payable	(5,438)	(11,367)	(1,486)	0	(18,291)
Matured Compensated Absences Payable	0	27,060	0	0	27,060
Compensated Absences Payable	(13,277)	(20,400)	0	0	(33,677)
Intergovernmental Payable	(3,065)	(602)	(2,626)	(73)	(6,366)
<i>Total Adjustments</i>	<u>166,026</u>	<u>70,551</u>	<u>55,111</u>	<u>1,596</u>	<u>293,284</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$315,096</u>	<u>\$177,447</u>	<u>\$12,689</u>	<u>\$2,206</u>	<u>\$507,438</u>

See accompanying notes to the basic financial statements

**City of East Liverpool, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*December 31, 2009*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$21,487
Cash and Cash Equivalents in Segregated Accounts	<u>11,082</u>
<i>Total Assets</i>	<u><u>\$32,569</u></u>
 <b>Liabilities</b>	
Undistributed Monies	<u><u>\$32,569</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, 2009*

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

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

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

***Reporting Entity***

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

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

The City is involved with the Columbiana Metropolitan Housing Authority and the Ohio Mid-Eastern Governments Association, which are defined as jointly governed organizations. These organizations are presented in Note 14 to the basic financial statements.

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

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



**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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***Basis of Presentation***

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

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

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

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

***Fund Accounting***

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

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

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

***Police Fund*** The police fund accounts for property taxes levied in the City for the operation of its police department.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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

***Capital Improvements Fund*** The capital improvements fund accounts for expenditures designated for capital construction and the acquisition of capital assets.

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

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

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

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

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

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

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

***Measurement Focus***

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

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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

***Basis of Accounting***

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 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, 2009*

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

***Cash and Cash Equivalents***

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

During fiscal year 2009, 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 2009 amounted to \$9,445, all of which was assigned from other City funds.

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

***Inventory***

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

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

***Capital Assets***

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

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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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.

***Compensated Absences***

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

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

On the business-type fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has accumulated unpaid leave is paid.

***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, 2009*

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***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.

***Net Assets***

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

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

***Operating Revenues and Expenses***

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

***Internal Activity***

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

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

***Extraordinary and Special Items***

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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***Estimates***

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

***Budgetary Process***

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

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

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

**Note 3 – Change in Accounting Principles**

For fiscal year 2009, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the City's financial statements.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the City's financial statements.

#### **Note 4 – Accountability and Compliance**

##### ***Accountability***

At December 31, 2009, the following funds had deficit fund balances:

<i>Special Revenue Funds:</i>	
Police	\$89,922
Fire	70,034
Police Pension	2,001
Fire Pension	2,000



**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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

***Compliance***

The general fund had a negative cash balance of \$23,812 at December 31, 2009, indicating that revenues from other sources were used to pay obligations of this fund, contrary to Ohio Revised Code Section 5705.10(H).

The police and fire special revenue funds had negative cash balances at June 30, 2009 in the amounts of \$860,148 and \$274,193, respectively.

Various funds had expenditures in excess of appropriations at the legal level of control at December 31, 2009, contrary to Ohio Revised Code Section 5705.41(B) and 5705.40.

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

**Note 5 - Budgetary Basis of Accounting**

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

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

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

Net Change in Fund Balance

	General	Police	Fire
GAAP Basis	(\$152,236)	(\$24,766)	(\$1,391)
Adjustment for Revenue Accruals	(33,553)	(617)	0
Advances In	8,995	0	0
Adjustment for Expenditure Accruals	4,234	2,147	(18,982)
Advances Out	(38,000)	0	0
Adjustment for Encumbrances	(21,674)	(12,259)	(3,393)
	(\$232,234)	(\$35,495)	(\$23,766)

**Note 6 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and banker's acceptances if training requirements have been met.

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

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

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

### **Deposits**

***Custodial Credit Risk.*** Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,194,441 of the City's bank balance of \$1,444,441 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

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

### **Investments**

As of December 31, 2009, the City had a repurchase agreement in the amount of \$1,918,498 with an investment maturity of less than one year.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**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, 2009.

## **Note 7 - Receivables**

Receivables at December 31, 2009, consisted primarily of municipal income taxes, property taxes, accounts, special assessments, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables except for delinquent property taxes, loans receivable and special assessments receivable are expected to be collected in one year. Property taxes, although ultimately collectible, include some portions of delinquencies that will not be collected within one year. Payments on loans receivable are scheduled to be repaid over several years due to loan agreements for each of the individual loans. Special assessments expected to be collected in more than one year amount to \$34,470 in the Fawcett project capital projects fund.

### **Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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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. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The tax rate for all City operations for the year ended December 31, 2009, was \$14.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Estate	
Residential/Agricultural	\$61,653,390
Other Real Estate	22,602,330
Public Utility Personal Property	6,340,250
Total	<u><u>\$90,595,970</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, 2009 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 2009 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

***Municipal Income Taxes***

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

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

***Intergovernmental Receivable***

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

<b>Governmental Activities</b>	<b>Amount</b>
CHIP Grants	\$433,223
Vehicle Registration	187,504
Local Government	122,152
Gasoline Tax	122,066
Homestead and Rollback	72,217
Permissive Tax	66,708
Cents per Gallon	58,561
Personal Property Tax Reimbursement	25,760
State of Ohio	20,960
St. Clair Township	11,950
US Treasury	717
County Auditor	95
Total	\$1,121,913

The intergovernmental receivable of \$8,166 in business-type activities consists of homestead and rollback monies and personal property tax reimbursements.

**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 2009, 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 2009, the City purchased the following insurance coverage:

Coverage	Limit
Building and Contents	\$7,059,048
Inland Marine	1,152,616
Boiler and Machinery	100,000
Automobile Liability	1,000,000
Crime Insurance	30,000
Employee Dishonesty	50,000
Excess Liability	5,000,000
Wrongful Acts Liability	1,000,000
Employee Benefits Liability:	
Per Employee	1,000,000
Aggregate	3,000,000
General Liability:	
Per Occurrence	1,000,000
Aggregate	3,000,000
Law Enforcement Liability	1,000,000

**City of East Liverpool, Ohio**  
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Settled claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in commercial coverage in any of the past three years.

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

**Note 9 – Capital Assets**

Capital asset activity for governmental activities for the year ended December 31, 2009, was as follows:

	Balance 12/31/2008	Additions	Deductions	Balance 12/31/2009
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$520,262	\$1,300,000	\$0	\$1,820,262
Construction in Progress	0	65,142	0	65,142
<i>Total Capital Assets, not being depreciated</i>	<u>520,262</u>	<u>1,365,142</u>	<u>0</u>	<u>1,885,404</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	438,579	736	0	439,315
Improvements other than Buildings	311,701	6,027	0	317,728
Machinery and Equipment	5,912,111	186,799	0	6,098,910
Infrastructure	5,361,062	267,568	0	5,628,630
<i>Total Capital Assets, being depreciated</i>	<u>12,023,453</u>	<u>461,130</u>	<u>0</u>	<u>12,484,583</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(237,357)	(8,647)	0	(246,004)
Improvements other than Buildings	(199,723)	(13,140)	0	(212,863)
Machinery and Equipment	(5,071,137)	(259,091)	0	(5,330,228)
Infrastructure	(579,911)	(181,440)	0	(761,351)
<i>Total Accumulated Depreciation</i>	<u>(6,088,128)</u>	<u>(462,318) *</u>	<u>0</u>	<u>(6,550,446)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>5,935,325</u>	<u>(1,188)</u>	<u>0</u>	<u>5,934,137</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$6,455,587</u>	<u>\$1,363,954</u>	<u>\$0</u>	<u>\$7,819,541</u>

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

General Government	\$53,559
Security of Persons and Property	130,610
Public Health	270
Transportation	246,830
Community and Environment	2,854
Leisure Time Activities	<u>28,195</u>
<b>Total Depreciation Expense</b>	<u><u>\$462,318</u></u>

**City of East Liverpool, Ohio**  
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For the Year Ended December 31, 2009

Capital asset activity for business-type activities for the year ended December 31, 2009, was as follows:

	Balance 12/31/2008	Additions	Deductions	Balance 12/31/2009
<b>Business-Type Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$25,771	\$0	\$0	\$25,771
Construction in Progress	0	13,224	0	13,224
<i>Total Capital Assets, not being depreciated</i>	<u>\$25,771</u>	<u>\$13,224</u>	<u>\$0</u>	<u>\$38,995</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	4,013,077	0	0	4,013,077
Machinery and Equipment	4,200,362	124,418	0	4,324,780
Infrastructure	9,674,399	30,656	0	9,705,055
Water Lines	1,159,926	0	0	1,159,926
Sewer Lines	2,505,379	0	0	2,505,379
<i>Total Capital Assets, being depreciated</i>	<u>21,553,143</u>	<u>155,074</u>	<u>0</u>	<u>21,708,217</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(2,653,348)	(74,574)	0	(2,727,922)
Machinery and Equipment	(2,816,702)	(266,441)	0	(3,083,143)
Infrastructure	(3,533,127)	(142,448)	0	(3,675,575)
Water Lines	(962,099)	(6,180)	0	(968,279)
Sewer Lines	(2,164,972)	(15,948)	0	(2,180,920)
<i>Total Accumulated Depreciation</i>	<u>(12,130,248)</u>	<u>(505,591)</u>	<u>0</u>	<u>(12,635,839)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>9,422,895</u>	<u>(350,517)</u>	<u>0</u>	<u>9,072,378</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$9,448,666</u>	<u>(\$337,293)</u>	<u>\$0</u>	<u>\$9,111,373</u>

**Note 10 – Contingencies**

**Grants**

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

**Litigation**

Several claims and lawsuits are pending against the City. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the City at December 31, 2009.



**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**Note 11 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

OPERS provides retirement, disability and survivor 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, 2009, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 10.1 percent.

The City's 2009 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63 percent of covered payroll. For the period January 1 through March 31, a portion of the City's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009 this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14.0 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008, and 2007 were \$293,379, \$241,560, and \$269,802, respectively; 92.06 percent has been contributed for 2009 and 100 percent for 2008 and 2007. Contributions to the Member-Directed Plan for 2009 were \$5,513 made by the City and \$3,938 made by plan members.

***Ohio Police and Fire Pension Fund***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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Funding Policy – Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City’s contributions to OP&F for police and firefighters were \$145,727 and \$148,963 for the year ended December 31, 2009, \$132,396 and \$161,326 for the year ended December 31, 2008, and \$129,648 and \$166,397 for the year ended December 31, 2007. 74.37 percent for police and 78.17 percent for firefighters has been contributed for 2009. The full amount has been contributed for 2008 and 2007.

**Note 12 – Postemployment Benefits**

***Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not 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 the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.63 percent. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The amount of employer contributions which were allocated to fund post-employment health care was 7.0 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

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

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$212,135, \$241,560, and \$206,218, respectively; 92.06 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

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

***Ohio Police and Firemen Pension Fund***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium 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 health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required 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 Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

**City of East Liverpool, Ohio**  
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The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$77,150 and \$58,290 for the year ended December 31, 2009, \$70,092 and \$63,127 for the year ended December 31, 2008, and \$68,637 and \$65,112 for the year ended December 31, 2007. 74.37 percent has been contributed for police and 78.17 percent has been contributed for firefighters for 2009. The full amount has been contributed for 2008 and 2007.

### **Note 13 – Other Employee Benefits**

#### *Compensated Absences*

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

#### *Insurance*

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

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

### **Note 14 - Jointly Governed Organizations**

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

The Authority is a non-profit organization established to provide adequate public housing for low income individuals and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a five member board of commissioners. Two members are appointed by the Mayor of East Liverpool, one member is appointed by the Columbiana County Commissioners, one member is appointed by the judge of the probate court, and one member is appointed by the judge of the court of common pleas. The City did not contribute any amounts to the Authority during 2009. 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.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

**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 2009, OMEGA received \$1,963 from the City of East Liverpool for an annual fee. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt. Information can be obtained from 326 Highland Avenue, PO Box 130, Cambridge, Ohio 43725.

**Note 15 – 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 and garbage trucks in the business-type activities. In 2009, the City entered into capital leases for two copiers in the governmental activities. These lease obligations meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, "Accounting for Leases", and have been recorded as capital assets on the government-wide statements. Capital lease payments are reflected as debt service expenditures in the general fund and various capital project funds on the basic financial statements. Capital lease payments are also made out of the water and incinerator funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

	Governmental Activities	Business-Type Activities
Asset:		
Machinery and Equipment	\$141,076	\$502,919
Less: Accumulated Depreciation	(39,708)	(150,876)
Current Book Value	\$101,368	\$352,043

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

	Governmental Activities	Business-Type Activities
2010	\$26,779	\$110,169
2011	26,780	106,583
2012	25,527	106,583
2013	1,139	44,409
2014	664	0
Total Minimum Lease Payments	80,889	367,744
Less: Amount Representing Interest	(7,570)	(24,802)
Totals	\$73,319	\$342,942

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2009

**Note 16 - Long-Term Obligations**

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

	Balance 12/31/2008	Issued	Retired	Balance 12/31/2009	Amounts Due In One Year
<b>Governmental Activities</b>					
Installment Loans:					
1999 Fifth Street Loan - 5.32%	\$26,093	\$0	(\$6,003)	\$20,090	\$6,372
2005 SBC System Loan - 3.60%	22,790	0	(13,510)	9,280	9,280
2007 Cruisers Loan - 4.65%	30,321	0	(21,192)	9,129	9,129
2007 Aerial Fire Truck - 5.95%	66,266	0	(5,789)	60,477	6,148
2007 Storage Tank Removal - 5.60%	2,919	0	(2,919)	0	0
2008 Payroll - 6.10%	17,141	0	(17,141)	0	0
2008 Salt- 4.00%	88,055	0	(88,055)	0	0
2009 Snow Removal - 4.80%	0	50,882	(755)	50,127	9,263
2009 Cruisers - 4.80%	0	28,500	(423)	28,077	5,188
2009 Air Compressor - 4.80%	0	42,807	(635)	42,172	7,793
<i>Total Installment Loans</i>	<u>253,585</u>	<u>122,189</u>	<u>(156,422)</u>	<u>219,352</u>	<u>53,173</u>
Ohio Public Works Commission Loans:					
2003 State Route 39 Improvement Loan - 0.00%	345,074	0	(23,798)	321,276	23,798
Ohio Department of Transportation Loan:					
1990 Highway 30 Loan - 3.00%	256,763	0	(60,000)	196,763	60,000
State Infrastructure Bank Loan:					
2004 St. Clair Paving Loan - 3.00%	856,686	0	(132,367)	724,319	136,367
Land Property Loan:					
2009 Land Property Loan - 1.50%	0	1,280,000	(12,000)	1,268,000	23,490
Capital Leases:					
2007 Backhoe and Wheel Loader - 5.00%	80,264	0	(18,622)	61,642	19,554
2007 Ford Fusion - 6.90%	6,540	0	(6,540)	0	0
2009 Copier - 6.46%	0	4,880	(351)	4,529	880
2009 Copier - 6.47%	0	8,196	(1,048)	7,148	2,631
<i>Total Capital Leases</i>	<u>86,804</u>	<u>13,076</u>	<u>(26,561)</u>	<u>73,319</u>	<u>23,065</u>
Compensated Absences	483,788	39,824	(103,678)	419,934	14,805
Police and Fire Pension	865,282	0	(18,200)	847,082	18,981
<b>Total Governmental Activities</b>	<u><u>\$3,147,982</u></u>	<u><u>\$1,455,089</u></u>	<u><u>(\$533,026)</u></u>	<u><u>\$4,070,045</u></u>	<u><u>\$353,679</u></u>

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2009

	Balance 12/31/2008	Issued	Retired	Balance 12/31/2009	Amounts Due In One Year
<b>Business-Type Activities</b>					
Installment Loans:					
2007 Anderson Boulevard Water Loan - 6.25%	\$88,087	\$0	(\$8,185)	\$79,902	\$8,719
2006 Garbage Truck Incinerator Loan - 4.73%	17,953	0	(17,953)	0	0
2007 Anderson Boulevard Sewer Loan - 6.25%	61,661	0	(5,730)	55,931	6,103
2008 Water Truck Water Loan - 4.30%	15,249	0	(15,249)	0	0
2009 Bradshaw Water Loan - 5.81%	0	240,000	(4,261)	235,739	6,754
2009 Motor Water Loan - 4.80%	0	35,600	0	35,600	35,600
2009 Parking Lot Improvement Loan - 4.80%	0	21,800	(565)	21,235	6,949
<i>Total Installment Loans</i>	<u>182,950</u>	<u>297,400</u>	<u>(51,943)</u>	<u>428,407</u>	<u>64,125</u>
Ohio Public Works Commission Loans:					
1993 Pope Street/Thompson Avenue					
Water Tank Water Loan - 0.00%	71,500	0	(13,000)	58,500	13,000
2001 Henry Avenue Waterline Water Loan - 0.00%	51,160	0	(4,264)	46,896	4,263
<i>Total Ohio Public Works Commission Loans</i>	<u>122,660</u>	<u>0</u>	<u>(17,264)</u>	<u>105,396</u>	<u>17,263</u>
Ohio Water Development Authority Loans:					
1985 Project #1340 Water Loan - 9.78%	594,973	0	(222,682)	372,291	244,460
1994 Project #3099 Water Loan - 5.94%	511,215	0	(81,736)	429,479	86,453
1996 Project #3100 Water Loan - 5.94%	19,717	0	(3,140)	16,577	3,327
2004 Project #4181 Water Loan - 3.35%	3,364,784	0	(149,742)	3,215,042	154,801
1996 Project #1548 Sewer Loan - 5.96%	518,332	0	(87,948)	430,384	95,186
<i>Total Ohio Water Development Authority Loans</i>	<u>5,009,021</u>	<u>0</u>	<u>(545,248)</u>	<u>4,463,773</u>	<u>584,227</u>
Capital Leases:					
2007 Computer Equipment Water Lease - 6.81%	9,201	0	(5,695)	3,506	3,506
2008 Garbage Trucks Incinerator Lease - 4.07%	430,190	0	(90,754)	339,436	94,518
<i>Total Capital Leases</i>	<u>439,391</u>	<u>0</u>	<u>(96,449)</u>	<u>342,942</u>	<u>98,024</u>
Compensated Absences	85,027	15,285	(48,962)	51,350	0
<b>Total Business-Type Activities</b>	<u><u>\$5,839,049</u></u>	<u><u>\$312,685</u></u>	<u><u>(\$759,866)</u></u>	<u><u>\$5,391,868</u></u>	<u><u>\$763,639</u></u>

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

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

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

The City has pledged future revenues, net of operating expenses, to repay OPWC and OWDA loans in the City of East Liverpool water fund. The debt is payable solely from net revenues and are payable through 2025. Annual principal and interest payments on the debt issues are expected to require more than 65 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$5,226,159. Principal and interest paid for the current year and total net revenues were \$658,357 and \$446,491, respectively.

The City has pledged future revenues, net of operating expenses, to repay an OWDA loan in the City of East Liverpool sewer fund. The debt is payable solely from net revenues and are payable through 2013. Annual principal and interest payments on the debt issues are expected to require less than 50 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$522,426. Principal and interest paid for the current year and total net revenues were \$124,231 and \$252,027, respectively.

The City also has six capital leases. The backhoe and wheel loader governmental activities' capital lease is paid from the street capital improvement fund. The Ford Fusion governmental activities' capital lease was paid from the capital improvements fund. The copier capital leases are paid from the general fund and the maintenance fee capital projects fund. The computer equipment business-type activities' lease is paid from the water fund. The garbage trucks 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, and sewer funds.

As of December 31, 2009, the City's overall legal debt margin was \$8,102,028 and the unvoted legal debt margin was \$3,572,229. Principal and interest requirements to retire the outstanding debt at December 31, 2009, are as follows:

	Governmental Activities							
	Installment Loans		OPWC Loans	ODOT Loan	SIB Loan		Land Property Loan	
	Principal	Interest	Principal	Principal	Principal	Interest	Principal	Interest
2010	\$53,173	\$9,894	\$23,798	\$60,000	\$136,367	\$20,714	23,490	12,510
2011	36,585	7,838	23,799	60,000	140,489	16,593	17,452	18,548
2012	38,394	6,029	23,798	60,000	144,736	12,347	1,227,058	12,219
2013	33,045	4,119	23,798	16,763	149,110	7,972	0	0
2014	32,466	2,402	23,798	0	153,617	3,465	0	0
2015-2019	25,689	2,392	118,991	0	0	0	0	0
2020-2023	0	0	83,294	0	0	0	0	0
<b>Totals</b>	<b>\$219,352</b>	<b>\$32,674</b>	<b>\$321,276</b>	<b>\$196,763</b>	<b>\$724,319</b>	<b>\$61,091</b>	<b>\$1,268,000</b>	<b>\$43,277</b>



**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2009

	Business-Type Funds					
	Installment Loans		OPWC Loans		OWDA Loans	
	Principal	Interest	Principal	Principal	Interest	
2010	\$64,125	\$23,597	\$17,263	\$584,227	\$204,015	
2011	30,243	21,037	17,263	485,846	161,961	
2012	31,356	19,272	17,264	377,385	129,985	
2013	25,970	17,493	17,263	397,957	109,413	
2014	27,627	15,837	10,763	231,409	87,583	
2014-2019	102,494	55,393	21,317	977,734	328,360	
2020-2024	68,513	33,782	4,263	1,154,416	151,679	
2025-2029	78,079	10,576	0	254,799	6,420	
<b>Totals</b>	<b>\$428,407</b>	<b>\$196,987</b>	<b>\$105,396</b>	<b>\$4,463,773</b>	<b>\$1,179,416</b>	

**Note 17 – Interfund Transactions**

*Interfund Balances*

Interfund balances for the year ended December 31, 2009, consisted of an interfund receivable of \$38,000 in the general fund and an interfund payable of \$38,000 in the sewer fund. All of the loans will be repaid during 2010.

*Interfund Transfers*

Interfund transfers for the year ended December 31, 2009, consisted of the following:

<b>Transfer To</b>	<b>Transfer From</b>					
	General Fund	Capital Improvements	Nonmajor Funds	Sewer Fund	Incinerator Fund	Total
Police Fund	\$1,842,000	\$0	\$0	\$0	\$0	\$1,842,000
Fire Fund	461,000	0	0	0	0	461,000
Nonmajor Funds	37,334	156,000	96,368	0	0	289,702
Water Fund	0	0	0	171,617	10,300	181,917
<b>Grand Total</b>	<b>\$2,340,334</b>	<b>\$156,000</b>	<b>\$96,368</b>	<b>\$171,617</b>	<b>\$10,300</b>	<b>\$2,774,619</b>

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 from the capital improvements capital projects fund and the various nonmajor funds to the debt service fund were to account for the various funds' portion of debt obligations. The transfers from the sewer and incinerator enterprise funds to the water fund were for billing reimbursements.

**City of East Liverpool, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**Note 18 – Closure and Post-closure Care Cost**

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

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

**Note 19 – Subsequent Events**

In 2011, the City was approved for an OPWC loan in the amount of \$256,832 for road improvements.

In 2011, the City approved the issue of \$443,136 in notes from the Ohio Department of Transportation, State Infrastructure Bank to pay the costs of road improvements.



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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

### **Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Mayor and Members of Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the City of East Liverpool's basic financial statements and have issued our report thereon dated September 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-COE-004 and 2009-COE-005 described in the accompanying schedule of findings to be material weaknesses.

Mayor and Members of Council  
City of East Liverpool

Compliance and Other Matters

As part of reasonably assuring whether the City of East Liverpool's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed three instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2009-COE-001 through 2009-COE-003.

We also noted certain matters not requiring inclusion in this report that we reported to the City of East Liverpool's management in a separate letter date September 23, 2011.

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

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

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

Julian & Grube, Inc.  
September 23, 2011

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

**SCHEDULE OF FINDINGS & RESPONSES  
DECEMBER 31, 2009**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2009-COE-001

Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover the expenditures.

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

	<u>Amount</u>
<u>At June 30, 2009</u>	
<u>Major Fund</u>	
Police	\$ (860,148)
Fire	(274,193)
 <u>At December 31, 2009</u>	
<u>Major Fund</u>	
General	(23,812)

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

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

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

Finding Number	2009-COE-002
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by resolution and comply with the same provisions of the law as used in making the original appropriations.

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

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

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

**SCHEDULE OF FINDINGS & RESPONSES  
DECEMBER 31, 2009**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)</b>	
Finding Number	2009-COE-002- (continued)

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

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

Finding Number	2009-COE-003
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Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

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

<u>December 31, 2009</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Major funds:</u>			
General Fund – Misc Expenses – Department Expenses	\$ 305,439	334,444	29,005
Police Fund – Department Expenses	140,052	144,692	4,640
Police Fund – Accrued Pension Principal	5,659	6,221	562
Fire Fund – Personnel Expenses	1,138,285	1,155,241	16,956
Capital Improvement Fund – Bunker Gear	7,000	9,940	2,940
Capital Improvement Fund – Wiring for Income Tax	5,341	9,233	3,892
Incinerator Fund – Department Expenses	213,661	291,393	77,732

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

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

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

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

**SCHEDULE OF FINDINGS & RESPONSES  
DECEMBER 31, 2009**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)</b>	
Finding Number	2009-COE-004

Material Weakness – Capital Assets

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

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

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

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

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

Finding Number	2009-COE-005
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Material Weakness – Bank Reconciliation

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.

During the calendar year 2009, the City Treasurer did prepare reconciliations between the City depository balances and the cash fund balances per the City’s accounting records. However, reconciliations between the records of the City Auditor and of the City Treasurer were not reconciled to a zero balance on a monthly basis in a timely manner. As a result, there was an immaterial unidentified variance as of December 31, 2009.

Without comprehensive reconciliations, the City might incorrectly post transactions and/or misrepresent actual cash balances to City Council for use with their budgeting decisions.

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

**SCHEDULE OF FINDINGS & RESPONSES  
DECEMBER 31, 2009**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)</b>	
Finding Number	2009-COE-005 - (continued)

We recommend 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. The reconciliation and all supporting documentation should then be presented to City Council for their approval. A member of City Council should review the bank reconciliation for any unusual items and document their approval by initialing the reconciliation. This may significantly improve the system of checks and balances to enhance cash controls.

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



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

**STATUS OF PRIOR AUDIT FINDINGS**

**DECEMBER 31, 2009**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2008-001	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.	No	Finding 2009-COE-005
2008-002	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.	Yes	N/A

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# Dave Yost • Auditor of State

CITY OF EAST LIVERPOOL

COLUMBIANA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 1, 2011