

CITY OF EAST LIVERPOOL



**AUDITED GENERAL PURPOSE
FINANCIAL STATEMENTS
DECEMBER 31, 1999**

**CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY**

DECEMBER 31, 1999

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OFFICE OF THE AUDITOR

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To the Mayor and Members of Council
City of East Liverpool
East Liverpool, Ohio 43920

We have reviewed the independent auditor's report of the City of East Liverpool, Columbiana County, prepared by Rea & Associates, Inc., Certified Public Accountants, for the audit period January 1, 1999 through December 31, 1999. 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. City of East Liverpool is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a horizontal line.

JIM PETRO
Auditor of State

July 5, 2000

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Rea & Associates, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

June 9, 2000

Mayor and Members of Council
City of East Liverpool
East Liverpool, OH 43920

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of the City of East Liverpool (the "City") as of and for the year ended December 31, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of East Liverpool as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 9, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Rea & Associates, Inc.

Columbus
New Philadelphia
Millersburg
Coshocton
Cambridge
Marietta
Medina
Lima

CITY OF EAST LIVERPOOL

Combined Balance Sheet

All Fund Types and Account Groups
For the Year Ended December 31, 1999

	Governmental Fund Types				Proprietary Funds	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)		
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Trust and Agency		General	
										Fixed Assets	Long-Term Obligations
Assets:											
Equity in Pooled Cash and Cash Equivalents	\$ 424,922	\$ 317,980	\$ 197,970	\$ 714,299	\$ 2,268,760	\$ 13,544	\$ 0	\$ 0	\$ 3,937,475		
Cash and Cash Equivalent in Segregated Accounts	0	179,524	0	286,074	671,059	0	0	0	1,136,657		
Receivables:											
Taxes	563,193	733,293	113,289	86,485	134,830	2,442	0	0	1,633,532		
Accounts	97,647	32,840	0	5,455	639,334	0	0	0	775,276		
Special Assessments	0	0	0	187,654	0	0	0	0	187,654		
Loans	0	121,144	0	0	0	0	0	0	121,144		
Interfund Receivable	139,168	0	0	0	0	0	0	0	139,168		
Due from other funds	0	0	0	113,030	0	0	0	0	113,030		
Intergovernmental Receivable	52,515	73,438	0	0	0	0	0	0	125,953		
Advance Due from Other Funds	63,995	0	0	0	0	0	0	0	63,995		
Inventory of supplies at cost	0	13,450	0	0	68,337	0	0	0	81,787		
Prepaid Items	47,088	19,276	0	0	6,298	0	0	0	72,662		
Fixed Assets (net of accumulated depreciation, where applicable)	0	0	0	0	3,100,333	0	5,215,351	0	8,315,684		
Other Debits:											
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	197,970	197,970		
Amount to be provided for General Long Term Obligations	0	0	0	0	0	0	0	2,998,497	2,998,497		
Total Assets and Other Debits	\$ 1,388,528	\$ 1,490,945	\$ 311,259	\$ 1,392,997	\$ 6,888,951	\$ 15,986	\$ 5,215,351	\$ 3,196,467	\$ 19,900,484		

CITY OF EAST LIVERPOOL

Combined Balance Sheet

All Fund Types and Account Groups
For the Year Ended December 31, 1999

	Governmental Fund Types			Proprietary Funds			Fiduciary Fund Types		Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	Long-Term Obligations	General			
									General	Long-Term Obligations		
LIABILITIES, EQUITY AND OTHER CREDITS												
<i>Liabilities:</i>												
Payables:												
Accounts	\$ 3,474	\$ 21,451	\$ 0	\$ 13,608	\$ 27,351	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 65,884
Accrued Wages and Benefits	12,247	52,037	0	0	28,495	0	0	0	0	0	0	92,779
Interfund Payable	0	139,168	0	0	0	0	0	0	0	0	0	139,168
Due to Other Funds	40,767	72,263	0	0	0	0	0	0	0	0	0	113,030
Intergovernmental Payables	41,098	187,892	0	0	76,862	0	0	0	12,199	0	0	318,051
Advance Due to Other Funds	0	0	0	63,995	0	0	0	0	0	0	0	63,995
Contracts Payable	0	63,142	0	5,638	0	0	0	0	0	0	0	68,780
Deferred Revenue	226,579	733,293	113,289	274,139	0	0	0	0	0	0	0	1,347,300
Undistributed Monies	0	0	0	0	0	627	0	0	0	0	0	627
Notes Payable	0	0	0	67,718	0	0	0	0	0	0	0	67,718
Installment Loans Payable	0	0	0	0	282,893	0	0	0	0	936,031	0	1,218,924
Compensated Absences Payable	0	27,996	0	0	189,077	0	0	0	0	382,641	0	599,714
Capital Lease Payable	0	0	0	0	21,830	0	0	0	0	56,439	0	78,269
Accrued Pension Liability	0	0	0	0	0	0	0	0	0	998,800	0	998,800
ODOT Loans Payable	0	0	0	0	0	0	0	0	0	667,857	0	667,857
OWDA Loan Payable	0	0	0	0	3,972,811	0	0	0	0	0	0	3,972,811
OPWC Loan Payable	0	0	0	0	188,500	0	0	0	0	142,500	0	331,000
Total Liabilities	324,165	1,297,242	113,289	425,098	4,787,819	627	0	627	0	3,196,467	0	10,144,707
Equity and Other Credits												
Investment in General Fixed Assets	0	0	0	0	0	0	5,215,351	0	0	0	0	5,215,351
Retained Earnings:												
Unreserved	0	0	0	0	2,101,132	0	0	0	0	0	0	2,101,132
Fund Balances:												
Reserved for Encumbrances	22,351	65,011	0	33,719	0	0	0	0	0	0	0	121,081
Reserved for Supplies Inventory	0	13,450	0	0	0	0	0	0	0	0	0	13,450
Reserved for Debt Service	0	0	197,970	0	0	0	0	0	0	0	0	197,970
Reserved for Revolving Loans	0	121,144	0	0	0	0	0	0	0	0	0	121,144
Reserved for Advance	0	0	0	63,995	0	0	0	0	0	0	0	63,995
Unreserved:												
Undesignated	1,042,012	(5,902)	0	870,185	0	15,359	0	0	0	0	0	1,921,654
Total Equity and Other Credits	1,064,363	193,703	197,970	967,899	2,101,132	15,359	5,215,351	0	0	0	0	9,755,777
Total Liabilities, Equity and Other Credits	\$ 1,388,528	\$ 1,490,945	\$ 311,259	\$ 1,392,997	\$ 6,888,951	\$ 15,986	\$ 5,215,351	\$ 3,196,467	\$ 3,196,467	\$ 19,900,484		

The accompanying notes are an integral part of these financial statements.

CITY OF EAST LIVERPOOL

*Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances*
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended December 31, 1999

	Governmental Fund Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
Taxes	\$ 2,723,282	\$ 584,116	\$ 89,361	\$ 489,753	\$ 16,568	\$ 3,903,080
Intergovernmental Revenue	1,029,081	1,741,406	10,028	7,229	0	2,787,744
Special Assessments	0	0	0	39,053	0	39,053
Charges for Services	43,545	45,734	0	0	0	89,279
License and Permits	561,032	14,732	0	51,096	0	626,860
Investment Earnings	177,031	5,846	0	5,075	0	187,952
Fines and Forfeitures	152,923	119,260	0	39,283	0	311,466
All Other Revenue	7,565	128,309	0	78,223	0	214,097
Total Revenues	4,694,459	2,639,403	99,389	709,712	16,568	8,159,531
Expenditures:						
Current:						
Security of Persons and Property	0	4,034,083	0	0	0	4,034,083
Public Health and Welfare Services	140,168	12,939	0	0	0	153,107
Leisure Time Activities	111,574	0	0	0	0	111,574
Community Environment	123,784	956,668	0	0	14,000	1,094,452
Transportation	145,936	772,248	0	0	0	918,184
General Government	1,507,344	12,740	1,914	2,066	0	1,524,064
Capital Outlay	0	72,263	0	750,673	0	822,936
Debt Service:						
Principal Retirements	2,727	0	847,100	14,113	0	863,940
Interest and Fiscal Charges	603	0	55,412	5,140	0	61,155
Total Expenditures	2,032,136	5,860,941	904,426	771,992	14,000	9,583,495
Excess of Revenue Over (Under)						
Expenditures	2,662,323	(3,221,538)	(805,037)	(62,280)	2,568	(1,423,964)
Other Financing Sources (Uses)						
Proceeds from Sale of Notes	353,793	0	0	460,098	0	813,891
Proceeds from Sale of Fixed Assets	0	19,991	0	0	0	19,991
Proceeds from Inception of Capital Lease	0	0	0	63,728	0	63,728
Operating Transfer In	173,802	2,832,802	842,512	114,329	0	3,963,445
Operating Transfer Out	(3,266,539)	(113,796)	0	(414,195)	0	(3,794,530)
Total Other Financing Sources (Uses)	(2,738,944)	2,738,997	842,512	223,960	0	1,066,525
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(76,621)	(482,541)	37,475	161,680	2,568	(357,439)
Fund Balance at Beginning of Year	628,205	670,174	160,495	1,318,998	12,791	2,790,663
Residual Equity Transfer In (Out)	512,779			(512,779)		0
Increase Reserve for Inventory	0	6,070	0	0	0	6,070
Fund Balance at End of Year	\$ 1,064,363	\$ 193,703	\$ 197,970	\$ 967,899	\$ 15,359	\$ 2,439,294

The accompanying notes are an integral part of these financial statements.

CITY OF EAST LIVERPOOL

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual*

All Governmental Fund Types and Expendable Trust Funds
For the Year Ended December 31, 1999

	<u>General Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 1,993,129	\$ 2,624,954	\$ 631,825
Intergovernmental Revenue	1,255,316	1,104,510	(150,806)
Special Assessments	0	0	0
Charges for Services	1,144	3,545	2,401
Licenses and Permits	701,330	553,703	(147,627)
Investment Earnings	200,000	191,568	(8,432)
Fines and Forfeitures	170,225	153,304	(16,921)
Other	4,020	7,415	3,395
Total Revenues	<u>4,325,164</u>	<u>4,638,999</u>	<u>313,835</u>
Expenditures:			
Security of Persons and Property	0	0	0
Public Health and Welfare Services	148,151	145,294	2,857
Leisure Time Activities	127,833	127,334	499
Community Environment	135,934	130,355	5,579
Transportation	195,008	195,008	0
General Government	1,603,274	1,577,911	25,363
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	2,727	2,727	0
Interest and Fiscal Charges	603	603	0
Total Expenditures	<u>2,213,530</u>	<u>2,179,232</u>	<u>34,298</u>
Excess of Revenue Over (Under) Expenditures	<u>2,111,634</u>	<u>2,459,767</u>	<u>348,133</u>
Other Financing Sources (Uses):			
Proceeds of Loans	353,793	353,793	0
Proceeds from Sale of Fixed Assets	0	0	0
Operating Transfer In	280,114	173,802	(106,312)
Operating Transfer Out	(3,338,518)	(3,266,539)	71,979
Advance In	103,342	103,342	0
Advance Out	0	(139,168)	(139,168)
Other Financing Sources (Uses)	<u>(2,601,269)</u>	<u>(2,774,770)</u>	<u>(173,501)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(489,635)	(315,003)	174,632
Fund Balance at Beginning of Year	90,813	90,813	0
Residual Equity Transfer	512,779	512,779	0
Prior Year's Encumbrances Appropriated	112,417	112,417	0
Fund Balances at End of Year	<u>\$ 716,009</u>	<u>\$ 716,009</u>	<u>\$ 174,632</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 674,893	\$ 584,116	\$ (90,777)	\$ 93,256	\$ 89,361	\$ (3,895)
2,487,665	1,770,271	(717,394)	8,630	10,028	1,398
1,600	0	(1,600)	0	0	0
39,035	44,768	5,733	0	0	0
15,042	14,732	(310)	0	0	0
5,600	6,706	1,106	0	0	0
85,310	119,044	33,734	0	0	0
74,025	132,490	58,465	0	0	0
<u>3,383,170</u>	<u>2,672,127</u>	<u>(711,043)</u>	<u>101,886</u>	<u>99,389</u>	<u>(2,497)</u>
4,123,396	4,069,127	54,269	0	0	0
17,368	13,540	3,828	0	0	0
0	0	0	0	0	0
1,539,718	996,936	542,782	0	0	0
863,128	701,693	161,435	0	0	0
43,123	20,057	23,066	1,916	1,914	2
0	0	0	0	2	(2)
0	0	0	1,190,341	1,190,341	0
0	0	0	422,717	422,717	0
<u>6,586,733</u>	<u>5,801,353</u>	<u>785,380</u>	<u>1,614,974</u>	<u>1,614,974</u>	<u>0</u>
<u>(3,203,563)</u>	<u>(3,129,226)</u>	<u>74,337</u>	<u>(1,513,088)</u>	<u>(1,515,585)</u>	<u>(2,497)</u>
0	0	0	0	0	0
4,640	19,991	15,351	0	0	0
3,087,176	2,832,802	(254,374)	1,498,316	1,553,058	54,742
(113,796)	(113,796)	0	0	0	0
0	139,168	139,168	0	0	0
0	0	0	0	0	0
<u>2,978,020</u>	<u>2,878,165</u>	<u>(99,855)</u>	<u>1,498,316</u>	<u>1,553,058</u>	<u>54,742</u>
(225,543)	(251,061)	(25,518)	(14,772)	37,473	52,245
565,521	565,521	0	160,497	160,497	0
0	0	0	0	0	0
<u>43,918</u>	<u>43,918</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 383,896</u>	<u>\$ 358,378</u>	<u>\$ (25,518)</u>	<u>\$ 145,725</u>	<u>\$ 197,970</u>	<u>\$ 52,245</u>

(Continued)

CITY OF EAST LIVERPOOL

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual*

All Governmental Fund Types and Expendable Trust Funds

For the Year Ended December 31, 1999

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 501,278	\$ 489,753	\$ (11,525)
Intergovernmental Revenue	0	7,229	7,229
Special Assessments	0	39,053	39,053
Charges for Services	0	0	0
Licenses and Permits	65,000	50,504	(14,496)
Investment Earnings	0	5,587	5,587
Fines and Forfeitures	2,000	41,673	39,673
Other	230,919	6,007	(224,912)
Total Revenues	<u>799,197</u>	<u>639,806</u>	<u>(159,391)</u>
Expenditures:			
Security of Persons and Property	0	0	0
Public Health and Welfare Services	0	0	0
Leisure Time Activities	0	0	0
Community Environment	0	0	0
Transportation	0	0	0
General Government	2,450	2,066	384
Capital Outlay	1,048,508	864,681	183,827
Debt Service:			
Principal Retirement	82,135	82,135	0
Interest and Fiscal Charges	1,879	162	1,717
Total Expenditures	<u>1,134,972</u>	<u>949,044</u>	<u>185,928</u>
Excess of Revenue Over (Under) Expenditures	<u>(335,775)</u>	<u>(309,238)</u>	<u>26,537</u>
Other Financing Sources (Uses):			
Proceeds of Loans	454,175	528,120	73,945
Proceeds from Sale of Fixed Assets	0	0	0
Operating Transfer In	391,109	114,329	(276,780)
Operating Transfer Out	(424,277)	(424,277)	0
Advance In	0	0	0
Advance Out	(160,534)	(103,342)	57,192
Other Financing Sources (Uses)	<u>260,473</u>	<u>114,830</u>	<u>(145,643)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(75,302)</u>	<u>(194,408)</u>	<u>(119,106)</u>
Fund Balance at Beginning of Year	1,485,945	1,485,945	0
Residual Equity Transfer	(512,779)	(512,779)	0
Prior Year's Encumbrances Appropriated	185,495	185,495	0
Fund Balances at End of Year	<u>\$ 1,083,359</u>	<u>\$ 964,253</u>	<u>\$ (119,106)</u>

The accompanying notes are an integral part of these financial statements.

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 12,000	\$ 14,126	\$ 2,126	\$ 3,274,556	\$ 3,802,310	\$ 527,754
0	0	0	3,751,611	2,892,038	(859,573)
0	0	0	1,600	39,053	37,453
0	0	0	40,179	48,313	8,134
0	0	0	781,372	618,939	(162,433)
0	0	0	205,600	203,861	(1,739)
0	0	0	257,535	314,021	56,486
0	0	0	308,964	145,912	(163,052)
<u>12,000</u>	<u>14,126</u>	<u>2,126</u>	<u>8,621,417</u>	<u>8,064,447</u>	<u>(556,970)</u>
0	0	0	4,123,396	4,069,127	54,269
0	0	0	165,519	158,834	6,685
0	0	0	127,833	127,334	499
14,000	14,000	0	1,689,652	1,141,291	548,361
0	0	0	1,058,136	896,701	161,435
0	0	0	1,650,763	1,601,948	48,815
0	0	0	1,048,508	864,683	183,825
0	0	0	1,275,203	1,275,203	0
0	0	0	425,199	423,482	1,717
<u>14,000</u>	<u>14,000</u>	<u>0</u>	<u>11,564,209</u>	<u>10,558,603</u>	<u>1,005,606</u>
<u>(2,000)</u>	<u>126</u>	<u>2,126</u>	<u>(2,942,792)</u>	<u>(2,494,156)</u>	<u>448,636</u>
0	0	0	807,968	881,913	73,945
0	0	0	4,640	19,991	15,351
0	0	0	5,256,715	4,673,991	(582,724)
0	0	0	(3,876,591)	(3,804,612)	71,979
0	0	0	103,342	242,510	139,168
0	0	0	(160,534)	(242,510)	(81,976)
<u>0</u>	<u>0</u>	<u>0</u>	<u>2,135,540</u>	<u>1,771,283</u>	<u>(364,257)</u>
(2,000)	126	2,126	(807,252)	(722,873)	84,379
12,791	12,791	0	2,315,567	2,315,567	0
0	0	0	0	0	0
0	0	0	341,830	341,830	0
<u>\$ 10,791</u>	<u>\$ 12,917</u>	<u>\$ 2,126</u>	<u>\$ 1,850,145</u>	<u>\$ 1,934,524</u>	<u>\$ 84,379</u>

CITY OF EAST LIVERPOOL

*Combined Statement of Revenues, Expenses,
and Changes in Retained Earnings*

All Proprietary Fund Types

For The Year Ended December 31, 1999

	Enterprise Funds
<i>Operating Revenues:</i>	
Charges for Services	\$ 4,070,961
Other Operating Revenue	47,764
<i>Total Operating Revenues</i>	<u>4,118,725</u>
<i>Operating Expenses:</i>	
Personal Services	2,163,127
Materials and Supplies	370,088
Contractual Services	431,081
Depreciation	254,037
<i>Total Operating Expenses</i>	<u>3,218,333</u>
Operating Income	900,392
<i>Non-Operating Revenues and Expenses:</i>	
Investment Earnings	26,437
Interest and Fiscal Charges	(364,207)
Refunds	(4,711)
Judgements & Claims	(1,288)
Intergovernmental Receipts	23,397
Property Taxes	98,101
Other Non-Operating Revenues	1,025
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(221,246)</u>
Income Before Operating Transfers	679,146
<i>Operating Transfers:</i>	
Operating Transfers In	190,342
Operating Transfers Out	(359,257)
<i>Total Operating Transfers</i>	<u>(168,915)</u>
Net Income	510,231
Retained Earnings at Beginning of Year	<u>1,590,901</u>
Retained Earnings at End of Year	<u>\$ 2,101,132</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EAST LIVERPOOL

*Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended December 31, 1999*

	<u>Enterprise Funds</u>
<i>Cash flows from Operating Activities:</i>	
Cash received from Customers	\$ 4,026,132
Cash Payments for Goods and Services	(866,032)
Cash Payments to Employees	(2,243,209)
Other Operating Revenue	50,235
Net Cash Provided by Operating Activities	<u>967,126</u>
<i>Cash Flows from Noncapital Financing Activities:</i>	
Transfers In from Other Funds	190,342
Transfers Out to Other Funds	(359,257)
Intergovernmental Receipts	23,397
Property Taxes	112,443
Refunds	(4,711)
Other Revenue	1,025
Judgements & Claims	(1,288)
Net Cash Used for Noncapital Financing Activities	<u>(38,049)</u>
<i>Cash Flows from Capital and Related Financing Activities:</i>	
Proceeds from Notes	288,722
Payments for Capital Acquisitions	(186,662)
Principal Payments on Notes	(365,899)
Principal Payments on OPWC Loan	(13,000)
Principal Payments on OWDA Loans	(182,959)
Interest Paid on All Debt	(362,328)
Net Cash Used for Capital and Related Financing Activities	<u>(822,126)</u>
<i>Cash Flows from Investing Activities:</i>	
Receipts of Interest	26,437
Net Cash Provided by Noncapital Financing Activities	<u>26,437</u>
Net Increase in Cash and Cash Equivalents	133,388
Cash and Cash Equivalents at Beginning of Year	<u>2,806,431</u>
Cash and Cash Equivalents at End Of Year	<u>\$ 2,939,819</u>
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</i>	
Operating Income	<u>\$ 900,392</u>
Adjustments to Reconcile Operating income to Net Cash Provided by Operating Activity:	
Depreciation Expense	254,037
Increase in Accounts Receivable	(44,829)
Decrease in Prepaids	1,416
Increase in Inventory	(32,174)
Decrease in Due From Other Funds	2,471
Decrease in Accounts Payable	(18,162)
Decrease in Accrued Wages and Benefits	(96,336)
Decrease in Contracts Payable	(4,052)
Increase in Compensated Absences	(7,836)
Increase in Intergovernmental Payable	12,199
Total Adjustments	<u>66,734</u>
Net Cash Provided by Operating Activities	<u>\$ 967,126</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 1999

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

The City of East Liverpool (the "City") is a home rule municipal corporation organized under the laws of the State of Ohio which operates under its own charter. The City is located in Columbiana County, in Eastern Ohio, on the Ohio River and is the largest city in Columbiana County. The City was chartered as a city in 1934.

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

A. Reporting Entity

The City utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

The financial reporting entity consists of a) the primary government, b) component units, which are legally separate organizations which are fiscally dependent on the City or for which the City is financially accountable, and c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. No separate government units meet the criteria for inclusion as a component unit.

The City provides various services including 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. The operation of each of these activities is directly controlled by the Council through the budgetary process. These City operations form the legal entity of the City and are included as part of the primary government.

The City is involved with the Columbiana Metropolitan Housing Authority, and Southeastern Ohio Narcotics Task Force which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 19.

B. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 1999

certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

General Fund - This fund is the operating fund of the City and is used to account 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.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general and special assessment long-term obligation principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type:

Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following is the City's proprietary fund type:

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 1999

Fiduciary Fund Type:

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City maintains both expendable trust funds and agency funds. Expendable trust funds are accounted for and reported similarly to governmental funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - to account for all general fixed assets of the City other than those accounted for in proprietary funds.

General Long-Term Obligations Account Group - to account for all unmatured long-term indebtedness of the City that is not a specific liability of the proprietary funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The City applies the Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989 to proprietary activities provided they do not conflict with Governmental Accounting Standards Board Statements and Interpretations.

A. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is typically segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 1999

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

All governmental fund types and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: state-levied locally shared taxes (including gasoline tax), special assessments, loans, federal and state entitlement, and shared revenue.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 1999, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Special assessments have been recorded as receivables and deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end.

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 1999

resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Any budgetary modifications at this level may only be made by resolution of the City Council.

Tax Budget:

During the first Council meeting in July, the Mayor presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20, of each year, for the period January 1 to December 31 of the following year.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines, and the Budget Commission agrees that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 1999.

Appropriations:

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council. During the year, several supplemental appropriation measures were passed. These supplemental appropriations did have a significant affect on the original appropriations. Final total appropriations reflect a 23% increase over total original appropriations. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 1999

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and need not be reappropriated.

C. Cash and Cash Equivalents

Cash received by the City is pooled in a central bank account, except for construction, improvement funds, and court funds which have their own respective bank accounts. Monies for all funds, except federal funds, are maintained in these accounts or temporarily used to purchase investments. Individual fund integrity is maintained through City records. Each funds' interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" and "Restricted Assets: Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. During 1999, investments were limited to repurchase agreements and management accounts. These investments are stated at cost or amortized cost which approximates market. Investment procedures are restricted by the provisions of the Ohio Revised Code.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented on the Combined Balance Sheet as "Cash and Cash Equivalents in Segregated Accounts". See Note 5, Deposits and Investments.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments with an original maturity of three months or less and investments from the cash management pool are considered to be cash equivalents. Investments with an original maturity of more than three months not acquired by the pool are considered to be investments.

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 1999

D. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund type when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1999 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed.

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are reported in the respective funds. All purchased fixed assets are valued at cost when historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the useful lives of the related fixed assets.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the general fixed assets account group are not depreciated. Depreciation in the proprietary fund types is computed using the straight-line method over the following useful lives:

Buildings	50 years
Improvements other than Buildings	50 years
Machinery and Equipment	3-25 years
Furniture and Fixtures	3-25 years
Vehicles	5 years

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 1999

G. Short-term Receivables/Payables

Receivables and payables resulting from transactions between funds for goods received or services provided are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet.

Short-term interfund loans or the short-term portion of advances are classified as "Interfund Receivables/Payables."

H. Long Term Receivables/Payables

Receivables and payables resulting from long term interfund loans are classified as "Advances Due from Other Funds" or "Advances Due to Other Funds" on the balance sheets and are offset by a fund balance reserve account, "Reserve for Advances," which indicates that the loan does not constitute expendable available resources available for appropriation.

I. Compensated Absences

GASB Statement 16, Accounting for Compensated Absences, specifies the methods used to accrue liabilities for leave benefits. Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. 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 fiscal year end, taking into consideration any limits specified in the City's termination policy.

For governmental funds, the City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The City records a liability for accumulated unused sick leave for employees after ten years of service. The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary funds the entire amount of compensated absences is reported as a fund liability.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and shared revenues, are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements or shared revenues received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 1999

K. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances, inventories of materials and supplies, debt services, revolving loans and long-term advances.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be paid with current resources. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available financial resources. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

N. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, appropriations, and encumbrances.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) - All Governmental Fund Types and Expendable Trust Funds is presented on the budgetary basis to provide a comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the GAAP basis are:

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 1999

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure for the proprietary fund type (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis:

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Government Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$ (76,621)	\$ (482,541)	\$ 37,475	\$ 161,680	\$ 2,568
Net adjustment for revenue accruals	(55,460)	32,724	0	(69,906)	(2,442)
Net adjustment for expenditure accruals	(122,536)	142,196	(2)	(77,888)	0
Proceeds from loans	0	0	0	68,022	0
Proceeds from sale of fixed assets	0	0	0	0	0
Proceeds from inception of capital lease	0	0	0	(63,728)	0
Operating transfers-in	0	0	710,546	0	0
Operating transfers-out	0	0	0	(10,082)	0
Advances-in	103,342	139,168	0	0	0
Advances-out	(139,168)	0	0	(103,342)	0
Debt service principal	0	0	(343,240)	(68,022)	0
Debt service interest	0	0	(367,306)	4,978	0
Encumbrances	<u>(24,560)</u>	<u>(82,608)</u>	<u>0</u>	<u>(36,120)</u>	<u>0</u>
Budget Basis	<u>\$ (315,003)</u>	<u>\$ (251,061)</u>	<u>\$ 37,473</u>	<u>\$ (194,408)</u>	<u>\$ 126</u>

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 1999

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

Fund Deficits

The following fund had deficit retained earnings at December 31, 1999:

Enterprise Fund:

Water \$ (276,820)

The Water Enterprise Fund had deficit balances due primarily to the recognition of liabilities in accordance with generally accepted accounting principles. The General Fund provides transfers to cover deficit balances, however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 1999

2. Bonds, notes, debentures, or any other obligations or securities 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand. At year end, the City had \$925 in undeposited cash on hand which is included on the balance sheet of the City as part of "equity in pooled cash and cash equivalents."

The following information classifies as deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits. At year-end, the carrying amount of the City's deposits was \$682,207 and the bank balance was \$1,220,697. Of the bank balance:

1. \$455,371 was covered by federal depository insurance.

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 1999

2. \$765,326 was uninsured and uncollateralized. Although the collateral for the securities was held by the pledging financial institutions' trust department in the City's name and all State statutory requirements for the deposit of money had been followed, non-compliance with Federal requirements would potentially subject the City to a successful claim by the FDIC.

Investments. GASB Statement 3 "Deposits with Financial Institutions, Investment and Reverse Repurchase Agreements" requires that investments be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name.

	<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Repurchase Agreement	\$ 0	\$ 0	\$ 4,391,000	<u>\$ 4,391,000</u>	<u>\$ 4,391,000</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statements No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less.

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 5,074,132	\$ 0
Cash on hand	(925)	0
Repurchase Agreements	<u>(4,391,000)</u>	<u>4,391,000</u>
GASB Statement 3	<u>\$ 682,207</u>	<u>\$ 4,391,000</u>

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Real property taxes were levied after October 1, 1998 on the assessed value as of January 1, 1998, the lien date, and were collected in 1999. Assessed values for real property are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes received in 1999 attached as a lien on December 31, 1998, were levied after October 1, 1998 and are

CITY OF EAST LIVERPOOL, OHIO

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collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88% of true value. 1999 tangible personal property taxes are levied after October 1, 1998, on the value listed as of December 31, 1998 and are collected in 1999. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1999 taxes were collected was \$102,659,700. Real estate represented 68% (\$70,238,950) of this total, tangible personal property represented 21% (\$21,471,940), and public utilities tangible personal property represented 11% (\$10,948,810). The full tax rate for all City operations applied to taxable property for the year ended December 31, 1999 was \$14.50 per \$1,000 of assessed valuation.

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

Tangible personal property taxes paid by multi-county taxpayers are due October 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 October 20.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of December 31, 1999. Total property tax collections for the next fiscal year are measurable amounts, however, since these tax collections will not be received during the available period nor are they intended to finance 1999 operations, the receivable is offset by a credit to deferred revenue.

B. Income Tax

The City levies a tax of 1.5% on all salaries, wages, commissions and other compensation, and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employees compensation 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 quarterly and file a declaration annually. By City ordinance, 12% of the income tax proceeds are credited to the capital projects fund and the remainder to the general fund. Total income tax collected for the year ending December 31, 1999 was \$2,819,810.

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NOTE 7 - RECEIVABLES

Receivables at December 31, 1999 consisted of taxes, accounts (billings for user charged services including unbilled utility services), loans, special assessments, and intergovernmental receivables arising from entitlements and shared revenues. All receivables are deemed collectible in full. Special assessments are deemed collectible in full because the County will foreclose on the property in order to collect the full amount of outstanding property taxes and special assessments.

The special revenue funds reflect loans receivable of \$121,144. These loans receivable are for financing the rehabilitation of homes to low and moderate income families and loans to local businesses for community development. \$121,144 of the fund balance representing revolving loans receivable is reserved because it is not appropriate for expenditures, or is legally segregated for specific use.

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amount</u>
General Fund:	
Estate Tax	\$ 48,941
Local Government Tax	3,387
Liquor Licenses	<u>187</u>
Total General Fund	52,515
Special Revenue Funds:	
Gasoline Tax	21,126
City Permissive Tax	6,430
Motor Vehicle Tax	5,714
Grant Proceeds	<u>40,168</u>
Total Special Revenue Funds	<u>73,438</u>
Total	<u>\$ 125,953</u>

CITY OF EAST LIVERPOOL, OHIO

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NOTE 8 - FIXED ASSETS AND DEPRECIATION

A summary of the enterprise funds' property, plant and equipment at December 31, 1999 follows:

Land	\$ 25,771
Buildings and Improvements	2,454,241
Improvements other than Buildings	6,013,175
Machinery and Equipment	<u>2,031,644</u>
Total	10,524,831
Less: Accumulated Depreciation	<u>(7,424,498)</u>
Net Fixed Assets	<u>\$ 3,100,333</u>

A summary of changes in general fixed assets follows:

	Balance 1/1/99	Additions	Deletions	Balance 12/31/1999
Land	\$ 496,655	\$ 120,829	\$ 0	\$ 617,484
Buildings	251,620	15,378	0	266,998
Improvements other than buildings	269,886	14,140	0	284,026
Machinery and equipment	<u>3,800,573</u>	<u>330,366</u>	<u>(84,096)</u>	<u>4,046,843</u>
Totals	<u>\$ 4,818,734</u>	<u>\$ 480,713</u>	<u>\$ (84,096)</u>	<u>\$ 5,215,351</u>

NOTE 9 - 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. The City contracts with various insurance companies to provide general liability insurance, property and fleet insurance, inland marine insurance, and crime insurance. These insurance policies vary in limits, deductibles and co-insurance. Claims have not exceeded coverage in any of the last three years.

The type of coverage and respective ranges are as follows:

Building and contents - replacement cost (\$500-1,000 deductible)
\$5,000 to \$1,545,000, 100% Co Ins

Inland Marine Coverage (\$500 deductible)
\$450,717

CITY OF EAST LIVERPOOL, OHIO

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Boiler and Machinery (\$500 deductible)
\$2,000,000

Crime Insurance (no deductible)
\$10,000 to \$50,000

Automobile Liability (\$500-\$1,000 deductible)
\$500,000 to \$1,000,000

Uninsured Motorists (\$250 deductible)
\$500,000 to \$1,000,000

General Liability
Per Occurrence \$1,000,000
Total Per Year \$3,000,000

Law Enforcement Liability (\$10,000 deductible)
Annual Aggregate \$1,000,000

EDP (\$500 deductible)
\$138,400

Wrongful Acts Liability (\$1,000 deductible)
\$1,000,000 Occurrence/\$1,000,000 Aggregate

During 1999, the City participated in the Ohio Municipal League City Group Rating Plan (OML), an insurance purchasing pool. The intent of the OML is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the OML. The workers compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the OML. Each participant pays its workers' compensation premium to the State based on the rate for the OML rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the OML. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the OML. Participation in the OML is limited to cities that can meet the OML's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the OML.

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

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NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The City of East Liverpool contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5% of their annual covered salary to fund pension obligations and the City of East Liverpool is required to contribute 13.55%. For law enforcement employees, the employee contribution is 9% and the employer contribution is 16.70%. Contributions are authorized by state statute. The contribution rates are determined actuarially. The City's contributions to PERS for the years ended December 31, 1999, 1998, and 1997 were \$427,225, \$408,354 and \$387,497, respectively, equal to the required contributions for each year.

B. POLICE AND FIREMEN'S DISABILITY AND PENSION FUND

The City of East Liverpool contributes to the Police and Firemen's Disability and Pension Fund of Ohio (the "Fund"), a cost-sharing multiple employer public employee retirement system administered by the Fund's Board of Trustees. The Fund provides retirement benefits, disability, and health care benefits to qualified participants and survivor and death benefits to qualified spouses, children and dependent parents. Benefits are based on eligible service credit. Benefits are established by Chapter 742 of the Ohio Revised Code. The Fund issues a publicly available financial report that includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215.

Police and firefighters are required to contribute 10% of their annual covered salary to fund pension obligations and the City is required to contribute 19.5% for police and 24% for firefighters. Contributions are authorized by state statute. An actuary, however, is used to determine the actuarial implications of the statutory requirements. The City's contributions to the Fund for the years ended December 31, 1999, 1998, and 1997 were \$528,717, \$494,786 and \$449,215, respectively, equal to the required contributions for each year.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 1999, the unfunded liability of the City was \$998,800 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the General Long-Term Obligations Account Group.

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

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C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose social security or the appropriate state system. As of December 31, 1999 no City employees have elected social security.

NOTE 11 - POST EMPLOYMENT BENEFITS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The 1999 employer contribution rate was 13.55% of covered payroll for employees; 4.2% was the portion that was used to fund health care for the year 1999. The law enforcement employer rate for 1996 was 16.70% and 4.2% was used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

OPEB are financed through employer contributions and investment earnings there on. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

B. POLICE AND FIREMEN'S DISABILITY AND PENSION FUND

The Police and Firemen's Disability and Pension Fund (the "Fund") provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's

CITY OF EAST LIVERPOOL, OHIO

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Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5% of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 6.5% of covered payroll is applied to the postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998, was 11,424 for police and 9,186 for firefighters. The City's actual contributions for 1999 that were used to fund postemployment benefits were \$74,785 for police and \$93,558 for firemen. The Fund's total health care expenses for the year ended December 31, 1997 (the latest information available) were \$78,596,790.

NOTE 12 - OTHER EMPLOYEE BENEFITS

The City provides life insurance and accidental death and dismemberment insurance to all union employees as well as all non-union full-time 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 hospitalization insurance for all employees and elected officials. The City pays monthly premiums up to \$600 per family coverage and \$233 for individual coverage. The additional premium costs are paid by the employee. City premiums are paid from the same funds that pay the employees salaries.

NOTE 13 - CAPITAL LEASES

The City leases computers, a phone system, a copier, and backhoes under capital leases. The costs of the equipment obtained under capital leases are included in the General Fixed Assets Account Group and the related liabilities in the General Long-Term Obligations Account Group. Enterprise fund capital leases are capitalized as fixed assets with a corresponding liability recorded in the specific fund.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 1999:

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Year Ending December 31,	General Long-Term Obligation Account Group	Enterprise	Total
2000	\$ 24,410	\$ 11,891	\$ 36,301
2001	23,524	11,891	35,415
2002	9,249	0	9,249
2003	176	0	176
Minimum Lease Payments	<u>57,359</u>	<u>23,782</u>	<u>81,141</u>
Less: Amount representing interest at the City's incremental borrowing rate of interest	<u>(921)</u>	<u>(1,951)</u>	<u>(2,872)</u>
Present value of minimum lease payments	<u>\$ 56,438</u>	<u>\$ 21,831</u>	<u>\$ 78,269</u>

NOTE 14 - 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. Police are paid upon retirement and completion of twenty-five years of service. Police receive payment for a maximum of 480 hours. As of December 31, 1999, the liability for unpaid compensated absences was \$599,714.

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

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NOTE 15 - NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 1999, follows:

<u>Fund</u>	<u>Interest Rate</u>	<u>Balance 1/1/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/99</u>
Capital Projects Fund:					
Fifth St. Improvements	5.32%	\$ 0	\$ 68,022	\$ (304)	\$ 67,718
Fifth St. Improvements	5.50%	<u>72,822</u>	<u>0</u>	<u>(72,822)</u>	<u>0</u>
Total		\$ 72,822	<u>\$ 68,022</u>	<u>\$ (73,126)</u>	<u>\$ 67,718</u>

The remaining note is backed by the full faith and credit of the City. The note has a term longer than one year.

Principal and interest requirements to retire the outstanding note at December 31, 1999 are as follows:

<u>Year ending</u>	
2000	\$ 7,260
2001	7,260
2002	7,260
2003	7,260
2004	7,260
2005-2012	<u>57,475</u>
	<u>\$ 93,775</u>

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

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NOTE 16 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 1999 consisted of the following:

Maturity Year		Interest Rate	Principal Balance 1/1/99	Additions	Reductions	Principal Balance 12/31/99
1999	Garbage truck	5.50%	\$ 50,500	\$ 0	\$ (50,500)	\$ 0
1999	Patchmobile	4.85%	16,100	0	(16,100)	0
1999	Tower Painting	5.90%	59,573	0	(59,573)	0
1999	Water Meters	8.00%	153,633	0	(153,633)	0
1999	Street Trucks	5.75%	2,717	0	(2,717)	0
1999	Anderson Boulevard	5.39%	77,547	0	(77,547)	0
2002	Water Meters	4.35%	0	107,905	(2,812)	105,093
2002	Garbage trucks	4.35%	0	40,303	(1,050)	39,253
2002	Anderson Boulevard	4.35%	0	66,854	(1,742)	65,112
2002	Patchmobile	4.35%	0	8,660	(225)	8,435
2004	Zebra-Mussle Clean-Up	4.88%	0	65,000	0	65,000
	Total Enterprise Funds installment loans		360,070	288,722	(365,899)	282,893
2014	1993 Ohio Public Works Commission loan	0.00%	201,500	0	(13,000)	188,500
	Ohio Water Development Authority Loans:					
2011	1985 OWDA Water	9.78%	1,934,532	0	(91,673)	1,842,859
2014	1994 OWDA Water	5.77% and 5.94%	1,138,783	0	(49,766)	1,089,017
2013	1996 OWDA Sewer	8.23%	1,082,455	0	(41,520)	1,040,935
	Total OWDA loans payable		4,155,770	0	(182,959)	3,972,811
2001	Capital Lease Obligation Backhoe 1996	7.50%	31,842	0	(10,012)	21,830
	Compensated Absences Payable		172,823	16,254	0	189,077
	Total Enterprise Funds long-term obligations		\$ 4,922,005	\$ 304,976	\$ (571,870)	\$ 4,655,111

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

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Maturity Year		Interest Rate	Principal Balance 1/1/99	Additions	Reductions	Principal Balance 12/31/99
General Long-Term Obligations:						
Installment loans payable:						
2001	Fire truck 1996	5.10%	\$ 102,583	\$ 0	\$ (39,347)	\$ 63,236
1999	Street trucks 1994	5.75%	2,718	0	(2,718)	0
1999	Street sweeper 1995	5.75%	36,695	0	(36,695)	0
1999	Street equipment 1993	6.00%	172	0	(172)	0
1999	Dump truck 1996	5.00%	12,822	0	(12,822)	0
2001	Court computers	5.10%	88,626	0	(34,065)	54,561
2002	Roofs and additions - City Hall and Fire Department	6.10%	85,796	0	(18,180)	67,616
1999	Street paving 1995	5.00%	71,757	0	(71,757)	0
1999	Police cruisers 1995	5.75%	11,910	0	(11,910)	0
1999	Fawcett project 1995	5.95%	390,840	0	(390,840)	0
1999	Police cruisers 1997	4.80%	8,130	0	(8,130)	0
1999	Patchmobile	4.85%	8,050	0	(8,050)	0
1999	Washington Street Project	5.39%	125,897	0	(125,897)	0
2002	Washington Street Project	4.35%	0	118,742	(3,094)	115,648
2002	Patchmobile	4.35%	0	4,330	(112)	4,218
2002	Street Paving 1999	4.35%	0	40,081	(1,044)	39,037
2004	Land Purchase	4.88%	0	180,000	(2,655)	177,345
2002	1999 Street Pickup Truck	4.50%	0	43,000	(7,836)	35,164
2002	1999 Street Pickup Truck	4.72%	0	29,689	0	29,689
2005	1999 Fawcett Project	4.60%	0	353,793	(4,276)	349,517
	Total installment loans payable		945,996	769,635	(779,600)	936,031
2010	Ohio Dept. of Transportation loan	0.00%	727,857	0	(60,000)	667,857
2009	1999 Ohio Public Works Commission Loan	0.00%	0	150,000	(7,500)	142,500
	Total GTLDAG loans		1,673,853	919,635	(847,100)	1,746,388
	Compensated absences		262,683	119,958	0	382,641
Capital lease obligation:						
	Gateway Computers	7.00%	0	63,728	(14,113)	49,615
2000	AT&T Phone System	10.48%	1,810	0	(983)	827
2002	Court Copier - Xerox	8.00%	7,741	0	(1,744)	5,997
	Total capital leases		9,551	63,728	(16,840)	56,439
	Intergovernmental payable		126,927	0	(114,728)	12,199
2035	Accrued pension liability		1,010,752	0	(11,952)	998,800
	Total general long-term obligations		3,083,766	1,103,321	(990,620)	3,196,467
	Total long-term obligations		\$ 8,005,771	\$ 1,408,297	\$ (1,562,490)	\$ 7,851,578

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The OWDA, OPWC, and other enterprise fund loans will be repaid with water, sewer, and sanitation fund revenues. General installment loans and leases will be paid from tax revenue and other revenues in the governmental funds. The police and fire pension liability will be paid from general property tax revenues. Compensated absences reported in the "compensated absences payable" account will be paid from the fund from which the employees' salaries are paid.

Principal and interest requirements amounting to \$7,189,392 and \$3,563,259 respectively, to retire long-term obligations outstanding at December 31, 1999 are as follows:

Enterprise					
	General Obligation	OWDA	OPWC		
Years	Notes	Loans	Loan	Totals	
2000	\$ 94,358	\$ 527,021	\$ 13,000	\$ 634,379	
2001	94,358	527,021	13,000	634,379	
2002	87,717	527,021	13,000	627,738	
2003	14,677	527,021	13,000	554,698	
2004	14,677	527,021	13,000	554,698	
2005-2009	0	2,635,108	65,000	2,700,108	
2010-2014	0	1,200,178	58,500	1,258,678	
Totals	<u>\$ 305,787</u>	<u>\$ 6,470,391</u>	<u>\$ 188,500</u>	<u>\$ 6,964,678</u>	

General Long -Term Obligations Account Group					
	General Obligation	ODOT	OPWC	Accrued Pension	
Years	Notes	Loan	Loan	Liability	Totals
2000	\$ 295,716	\$ 60,000	\$ 15,000	\$ 54,782	\$ 425,498
2001	255,015	60,000	15,000	54,782	384,797
2002	199,893	60,000	15,000	54,782	329,675
2003	117,867	60,000	15,000	54,782	247,649
2004	104,845	60,000	15,000	54,782	234,627
2005-2009	61,956	300,000	67,500	273,914	703,370
2010-2014	0	67,857	0	273,914	341,771
Thereafter	0	0	0	1,120,586	1,120,586
Totals	<u>\$ 1,035,292</u>	<u>\$ 667,857</u>	<u>\$ 142,500</u>	<u>\$ 1,942,324</u>	<u>\$ 3,787,973</u>

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

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NOTE 17 - INTERFUND TRANSACTIONS

Interfund balances at December 31, 1999 consist of the following fund receivables and payables:

Due from/to other funds:	Advances		Advances		Interfund Receivables	Interfund Payables
Fund Type/Fund	Due From Other Funds	Due to Other Funds	Due From Other Funds	Due to Other Funds		
General Fund	\$ 0	\$ 40,767	\$ 63,995	\$ 0	\$ 139,168	\$ 0
Special Revenue	0	72,263	0	0	0	139,168
Capital Projects	113,030	0	0	63,995	0	0
	<u>\$ 113,030</u>	<u>\$ 113,030</u>	<u>\$ 63,995</u>	<u>\$ 63,995</u>	<u>\$ 139,168</u>	<u>\$ 139,168</u>

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's enterprise funds account for the provision of water, sewer, sanitation, and parking services. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the City of East Liverpool as of and for the year ended December 31, 1999:

	Water Fund	Sewer Fund	Off Street Parking Fund	Incinerator Fund	Swimming Pool Fund	Total
Operating revenues	\$ 2,381,095	\$ 1,215,279	\$ 18,907	\$ 487,079	\$ 16,365	\$ 4,118,725
Depreciation	103,883	140,433	0	9,721	0	254,037
Operating income (loss)	538,920	353,677	(5,341)	36,269	(23,133)	900,392
Total assets	3,255,610	3,150,836	2,319	476,705	3,481	6,888,951
Working capital	1,345,593	1,926,912	1,106	379,062	3,237	3,655,910
Property, plant and equipment (net)	1,832,895	1,191,485	0	75,953	0	3,100,333
Bonds and loans payable	3,341,222	1,063,729	0	39,253	0	4,444,204
Total equity (deficit)	(276,820)	1,983,973	1,106	389,636	3,237	2,101,132
Encumbrances outstanding						
December 31, 1999	94,832	272,279	0	9,457	235	376,803

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 1999

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

Columbiana Metropolitan Housing 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 1999. 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 the City of East Liverpool is responsible.

Ohio Mid-Eastern Governments Association (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 sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The Mayor of the City of East Liverpool serves as the City'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 upon the most recent United States Census. During 1999, OMEGA received \$1,229 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.

NOTE 20 – CONTRACTUAL COMMITMENTS

As of December 31, 1999, the City had contractual purchase commitments for three projects. The amounts for the project are as follows:

<u>Project</u>	<u>Fund</u>	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/99</u>
Wastwater Treatment Plant Improvement	Enterprise	\$ 84,000	\$ 0	\$ 84,000
Zebra Mussel Control Improvement	Enterprise	61,000	0	61,000
Police Cruisers – 2	Capital Projects	46,842	0	46,842
Parking Lot Construction	Capital Projects	<u>203,503</u>	<u>53,296</u>	<u>150,207</u>
		<u>\$ 395,345</u>	<u>\$ 53,296</u>	<u>\$ 342,049</u>

CITY OF EAST LIVERPOOL, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 1999

NOTE 21 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with term and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 1999.

B. Litigation

The City of East Liverpool is currently party to several claims and lawsuits. In the opinion of the City Law Director, the outcome of these claims will not have a material effect on the financial statements of the City of East Liverpool.

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Rea & Associates, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

June 9, 2000

Mayor and Members of Council
City of East Liverpool
East Liverpool, OH 43920

Independent Auditor's Report on Compliance and Internal Control
Over Financial Reporting Based on an Audit of General Purpose Financial Statements
Performed in Accordance with Government Auditing Standards

We have audited the general purpose financial statements of the City of East Liverpool (the "City") as of and for the year ended December 31, 1999, and have issued our report thereon dated June 9, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 9, 2000.

Columbus
New Philadelphia
Millersburg
Coshocton
Cambridge
Marietta
Medina
Lima

City of East Liverpool
Independent Auditor's Report on Compliance and Internal Control
Over Financial Reporting Based on an Audit of General Purpose Financial Statements
Performed in Accordance with Government Auditing Standards
June 9, 2000
Page 2

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the City in separate letter dated June 9, 2000.

This report is intended for the information and use of the Mayor, City Council, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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Rea & Associates, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

June 9, 2000

Mayor and Members of Council
City of East Liverpool
East Liverpool, OH 43920

**Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program and Internal
Control Over Compliance in Accordance with OMB Circular A-133**

Compliance

We have audited the compliance of the City of East Liverpool (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 1999. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of East Liverpool complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.

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Cambridge
Marietta
Medina
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Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards - Non-GAAP Budgetary Basis

We have audited the general purpose financial statements of the City of East Liverpool as of and for the year ended December 31, 1999, and have issued our report thereon dated June 9, 2000. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended for the information and use of the Mayor, City Council, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 1999

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any reportable conditions reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list):	Community Development Block Grant Program CFDA # 14.228
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 1999

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

No matters were reportable.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reportable.

**4. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND CORRECTIVE ACTION PLAN**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1998 - 001	<u>Bank Activity</u> The Treasurer had not reconciled total fund balance to the depositories during 1998. The City had too many active depository accounts.	No	Partially Corrected: The city closed many unnecessary depository accounts. There are still several accounts that could be closed. Reconciling procedures have improved.
1998 - 002	<u>Estimated Revenues</u> Estimated revenues certified by the budget commission were not always posted to the City's accounting system	Yes	Budget Commission approved estimated revenues were accurately and timely posted to the ledgers during 1999.
1998 - 003	<u>Fixed Assets</u> The City's master schedule of fixed assets was not accurate.	Yes	The City's additions and deletions for 1999 were accurately reported.
1998 - 004	<u>Transfers Between Depository Accounts</u> Depository accounts were out of balance for long periods of time due to transfers between depository accounts not being booked timely	Yes	The City closed several depository accounts and transfers between depositories are now posted in the month in which they occur.

**CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal CFDA #</u>	<u>Pass-Through Grantor's Number</u>	<u>Program Award Amount</u>	<u>1999 Expenditures</u>
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)				
Comprehensive Housing Improvement Program (CHIP)	14.239	A-C-98-115-2	\$ 397,400	\$ 158,802
(Passed through Ohio Department of Development):				
Community Development Block Grant (Formula)	14.228	A-F-97-115-1	118,000	86,395
Community Development Block Grant (Formula)		A-F-98-115-1	122,000	30,000
Comprehensive Housing Improvement Program (CHIP)		A-C-98-115-1	118,600	65,574
Downtown Revitalization Grant		A-T-95-115-1	400,000	11,034
Economic Development Grant		A-E-98-115-1	400,000	294,412
Community Development Block Grant Revolving Loan				70,093
Community Development Housing Loan Fund				<u>3,689</u>
Total CFDA# 14.228				561,197
Home Investment Partnership Program (HOME)	14.239	A-C-98-115-2	44,000	<u>22,840</u>
Total Housing and Urban Development Programs				742,839
U.S. DEPARTMENT OF JUSTICE -OFFICE OF JUSTICE PROGRAMS				
Community Oriented Policing Services - COPS Fast Grant	16.710	95-CF-WX-3265	450,000	<u>162,500</u>
Total Expenditures of Federal Awards				<u>\$ 905,339</u>

CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 1999

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of East Liverpool and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

NOTE 2: ECONOMIC DEVELOPMENT REVOLVING LOAN AND HOUSING
REHABILITATION PROGRAMS

The Economic Development Revolving Loan and Housing Rehabilitation Revolving Loan Programs did not receive federal moneys in 1999. The expenditures reported on the Schedule of Expenditures of Federal Awards were made from the accumulated client loan repayments. The amount available at December 31, 1999 for future loans is \$111,557.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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.

By: Susan Babbitt

Date: JULY 25, 2000