

City of East Liverpool

Audited Financial Statements

December 31, 2004



**Auditor of State
Betty Montgomery**

Members of Council
City of East Liverpool

We have reviewed the Independent Auditor's Report of the City of East Liverpool, Columbiana County, prepared by Rea & Associates, Inc. for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 3, 2005

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**CITY OF EAST LIVERPOOL
COLUMBANA COUNTY**

DECEMBER 31, 2004

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

June 8, 2005

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of East Liverpool (the "City"), Columbiana County, Ohio as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of East Liverpool, Ohio as of December 31, 2004, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Police Fund, Fire Fund, and CHIP Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2004, the City adjusted beginning fund balances to record income taxes receivable not previously reported.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 8, 2005 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. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Rea & Associates, Inc.

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2004

The discussion and analysis of the City of East Liverpool financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2004. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- General Revenues accounted for \$4.4 million in revenue or 38% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$7.1 million or 62% of total revenues of \$11.5 million.
- Total program expenses were \$10.7 million, \$6.3 million in governmental activities and \$4.4 million in business-type activities.
- In total, net assets increased \$818 thousand. Net assets of governmental activities increased \$438 thousand which represents a 16% increase over 2003 net assets. Net assets of business-type activities increased \$380 thousand or 7% over 2003 net assets.

Using this Annual Financial Report

This report is designed to allow the reader to look at the financial activities of the City of East Liverpool as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City operations, as they prefer.

The Statement of Net Assets and the Statement of Changes in Net Assets provide information from a summary perspective showing the effects of the operations for the year 2004 and how they affected the operations of the City as a whole.

Reporting the City of East Liverpool as a Whole

Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of the City of East Liverpool, the general fund is by far the most significant fund.

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2004

A question typically asked about the City's finances "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net assets and changes in those assets*. This change in net assets is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the City's programs and services are reported here, including general government, security of persons and property, community environment, leisure time activities and transportation.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer, incinerator, swimming pool and off street parking funds are reported as business activities.

Reporting the City of City of East Liverpool Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund, police fund and fire fund.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, police fund and fire fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2004

The City adopts an annual appropriated budget for each of its funds. A budgetary comparison statement has been provided for the general fund and each major special revenue fund to demonstrate compliance with this budget.

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities (water and sewer); therefore, these statements will essentially match.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

The City East Liverpool as a Whole

Recall that the Statement of Net Assets provides the perspective of the City as a whole.

Table 1 provides a summary of the City's net assets for 2004 compared to 2003:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and Other Assets	\$ 4,807,082	\$ 4,527,360	\$ 4,005,884	\$ 4,043,364	\$ 8,812,966	\$ 8,570,724
Capital Assets	2,906,058	2,937,455	6,206,007	6,348,785	9,112,065	9,286,240
Total Assets	\$ 7,713,140	\$ 7,464,815	\$ 10,211,891	\$ 10,392,149	\$ 17,925,031	\$ 17,856,964
Liabilities						
Long-Term Liabilities	\$ 3,047,914	\$ 3,342,919	\$ 3,936,432	\$ 3,961,385	\$ 6,984,346	\$ 7,304,304
Other Liabilities	1,432,560	1,327,379	356,493	891,730	1,789,053	2,219,109
Total Liabilities	\$ 4,480,474	\$ 4,670,298	\$ 4,292,925	\$ 4,853,115	\$ 8,773,399	\$ 9,523,413
Net Assets						
Invested in Capital Assets, Net of Debt	\$ 1,619,922	\$ 1,463,597	\$ 2,514,249	\$ 2,643,399	\$ 4,134,171	\$ 4,106,996
Restricted	1,612,480	1,775,180	0	0	1,612,480	1,775,180
Unrestricted (Deficit)	264	(444,260)	3,404,717	2,895,635	3,404,981	2,451,375
Total Net Assets	\$ 3,232,666	\$ 2,794,517	\$ 5,918,966	\$ 5,539,034	\$ 9,151,632	\$ 8,333,551

Total assets increased by \$68 thousand with governmental assets increasing \$248 thousand and business-type assets decreasing \$180 thousand. An increase in intergovernmental receivable and taxes receivable reflects the majority of the increase in governmental assets. Total liabilities increased by \$750 thousand.

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2004

Total net assets increased by \$818 thousand. This number reflects an increase in net assets due to the reduction of expenses in governmental and business-type activities. Table 2 shows the changes in net assets for fiscal year 2004. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the City's financial status and possibly project future problems.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 819,887	\$ 740,608	\$ 4,599,235	\$ 4,339,794	\$ 5,419,122	\$ 5,080,402
Operating Grants	1,725,911	1,289,432	16,691	42,160	1,742,602	1,331,592
Capital Grants	4,322	10,410	8,605	6,247	12,927	16,657
<i>General Revenue:</i>						0
Property Taxes	976,969	934,261	91,635	93,538	1,068,604	1,027,799
Income Taxes	2,832,327	2,788,861	0	0	2,832,327	2,788,861
Grants and Entitlements	335,559	822,984	0	0	335,559	822,984
Investments	34,374	40,674	10,408	5,736	44,782	46,410
(Loss)/Gain on Sale of Capital Assets	(11,222)	30	0	25,100	(11,222)	25,130
Other	76,353	290,383	21,020	104,990	97,373	395,373
Total Revenues	6,794,480	6,917,643	4,747,594	4,617,565	11,542,074	11,535,208
Program Expenses						
General Government	1,142,123	1,648,420	0	0	1,142,123	1,648,420
Security of Persons and Property	3,387,465	3,942,393	0	0	3,387,465	3,942,393
Transportation	873,931	1,021,844	0	0	873,931	1,021,844
Public Health Services	155,234	190,345	0	0	155,234	190,345
Community Environment	591,390	523,874	0	0	591,390	523,874
Leisure Time Activities	150,345	143,268	0	0	150,345	143,268
Interest and Fiscal Charges	55,843	78,944	0	0	55,843	78,944
<i>Enterprise Operations:</i>						0
Water	0	0	2,551,320	2,721,048	2,551,320	2,721,048
Sewer	0	0	1,086,366	1,092,957	1,086,366	1,092,957
Incinerator	0	0	679,164	712,849	679,164	712,849
Off Street Parking	0	0	19,849	19,928	19,849	19,928
Swimming Pool	0	0	30,963	24,835	30,963	24,835
Total Program Expenses	6,356,331	7,549,088	4,367,662	4,571,617	10,723,993	12,120,705
Increase (Decrease) in Net Assets	\$ 438,149	\$ (631,445)	\$ 379,932	\$ 45,948	\$ 818,081	\$ (585,497)

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2004

Governmental Activities

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

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

General revenues include grants and entitlements, such as local government funds. With the combination of property tax, income tax and intergovernmental funding all expenses in the governmental activities are funded. The City monitors its source of revenues very closely for fluctuations.

Police and fire represent the largest expense of the Governmental Activities. This expense of \$3,387,465 represents 53 percent of the total expenses. These two departments are subsidized by the General fund.

Our Fire Department employs 22 full time employees including the Chief. The City is very committed to maintaining a very efficient department. Regular meetings, drills and training sessions are held. There is a strong emphasis on equipment with financial planning in place for replacement of worn equipment on a regular basis. The department's functions include firefighting, emergency medical service including paramedic service, fire prevention education, and investigation.

Our police Department is funded through the General Fund. The department is a full time, 24 hour a day, 365 days a year department with 22 officers and a full time Chief.

Our Street Maintenance and Repair Department employs 13 full time employees who provide the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling.

The City also maintains a health department (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$305,579 in 2004 equaling 5% of the total governmental services expenses.

Business-Type Activities

Business-type activities include water, sewer, incinerator, off street parking and swimming pool operations. The revenues are generated primarily from charges for services. In 2004, charges for services of \$4,599,235 accounted for 97% of the revenues. The total expenses were \$4,367,662, thus leaving an increase in net assets of \$379,932 for the business-type activities.

The City's Funds

Information about the City's governmental funds begins on page 13. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$6,279,905 and expenditures of \$6,680,188. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 19. These funds are accounted for on an accrual basis. All business type funds had operating revenues of \$4,620,255, which less than operating expenses

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2004

of \$4,012,813 by \$607,422 or 13% of operating revenues. The City is consistent with reviews of these funds, and the necessary adjustments are made to ensure strength in our enterprise funds.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of 2004, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, budget basis revenue was only \$1,820, over the original budget estimates of \$4 million.

Final appropriations of \$1.65 million were \$8,144 higher than the \$1.64 million in the original budget.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2004, the City had \$9.1 million invested in land, buildings, equipment, infrastructure and vehicles. A total of \$2.9 million of this was for governmental activities with the remainder attributable to business-type activities. Table 4 shows fiscal year 2004 balances compared with 2003.

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 520,262	\$ 520,262	\$ 25,771	\$ 25,771	\$ 546,033	\$ 546,033
Buildings and Improvements	127,509	135,088	1,679,152	1,503,726	1,806,661	1,638,814
Infrastructure	1,424,627	1,471,561	2,684,160	2,818,526	4,108,787	4,290,087
Furniture and Equipment	534,806	666,445	700,637	811,301	1,235,443	1,477,746
Improvements Other than Buildings	136,124	144,099	0	0	136,124	144,099
Construction in Progress	162,730	0	482,166	523,990	644,896	523,990
Water and Sewer Lines	0	0	634,121	665,471	634,121	665,471
Totals	\$ 2,906,058	\$ 2,937,455	\$ 6,206,007	\$ 6,348,785	\$ 9,112,065	\$ 9,286,240

The \$174,175 decrease in capital assets was attributable to depreciation expense exceeding additional purchases. Note 9 provides capital asset activity during the 2004 year.

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2004

Debt

The outstanding debt for the City of East Liverpool as of December 31, 2004 was \$5,908,794. This balance reflected a reduction of \$681,085 from the previous year's balance of \$6,589,879, a reduction of 10%. Table 5 summarizes outstanding debt.

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Police and Fire Pension	\$ 930,888	\$ 945,635	\$ 0	\$ 0	\$ 930,888	\$ 945,635
Capital Leases	40,249	94,155	0	0	40,249	94,155
Installment Loans	235,965	270,983	152,448	211,380	388,413	482,363
Notes Payable	0	0	0	465,000	0	465,000
OPWC Loans	507,768	546,565	191,713	208,976	699,481	755,541
ODOT Loan	502,155	562,155	0	0	502,155	562,155
OWDA Loans	0	0	3,347,608	3,285,030	3,347,608	3,285,030
<i>Total</i>	<u>\$ 2,217,025</u>	<u>\$ 2,419,493</u>	<u>\$ 3,691,769</u>	<u>\$ 4,170,386</u>	<u>\$ 5,908,794</u>	<u>\$ 6,589,879</u>

The OWDA and OPWC loans were issued for water and sewer improvement projects. The loans will be repaid with water, sewer and sanitation fund revenues. Installments loans were entered into for the purchase of land, replacement of water lines, downtown improvements and the purchase of a backhoe and bucket truck. ODOT proceeds were used for street resurfacing.

Additional information concerning the City's debt can be found in notes 14, 16 and 17 to the basic financial statements.

Current Financial Issues

The City has several positive projects underway in 2005 that will carry over to 2006. The East Liverpool City Hospital is in the process of a major renovation project which will offset the decrease in the municipal income tax collections. A new Social Security Administration building is also being built. Several small businesses are opening up as well. Although these may seem small, it is a start in the right direction, in order to expand the tax base.

In 2005 the new Fire levy went into effect which generated an increase in revenue of approximately \$183,000.00.

The City is currently keeping a close watch on spending.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Kim Woomey, Auditor of City of East Liverpool, 126 West 6th Street, East Liverpool Ohio 43920.

City of East Liverpool
Statement of Net Assets
December 31, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 893,246	\$ 1,725,559	\$ 2,618,805
Cash and Cash Equivalents in Segregated Accounts	99,912	1,344,808	1,444,720
Materials and Supplies Inventory	11,450	27,510	38,960
Accounts Receivable	98,443	741,339	839,782
Intergovernmental Receivable	1,432,816	5,355	1,438,171
Prepaid Items	100,949	48,800	149,749
Taxes Receivable	1,942,007	112,513	2,054,520
Loans Receivable	112,942	0	112,942
Special Assessments Receivable	115,317	0	115,317
Non-Depreciable Capital Assets	682,992	507,937	1,190,929
Depreciable Capital Assets, Net	2,223,066	5,698,070	7,921,136
<i>Total Assets</i>	<u>7,713,140</u>	<u>10,211,891</u>	<u>17,925,031</u>
Liabilities			
Accounts Payable	38,255	43,635	81,890
Accrued Wages	124,419	62,450	186,869
Contracts Payable	0	59,779	59,779
Intergovernmental Payable	230,373	65,200	295,573
Accrued Interest Payable	63	125,429	125,492
Deferred Revenue	1,039,450	0	1,039,450
Long-Term Liabilities:			
Due Within One Year	456,844	465,943	922,787
Due in More Than One Year	2,591,070	3,470,489	6,061,559
<i>Total Liabilities</i>	<u>4,480,474</u>	<u>4,292,925</u>	<u>8,773,399</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,619,922	2,514,249	4,134,171
Restricted for Debt Service	163,337	0	163,337
Restricted for Capital Outlay	429,045	0	429,045
Restricted for Other Purposes	1,020,098	0	1,020,098
Unrestricted	264	3,404,717	3,404,981
<i>Total Net Assets</i>	<u>\$ 3,232,666</u>	<u>\$ 5,918,966</u>	<u>\$ 9,151,632</u>

The accompanying notes are an integral part of the basic financial statements.

City of East Liverpool
Statement of Activities
For the Year Ended December 31, 2004

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 1,142,123	\$ 496,062	\$ 13,876	\$ 2,910	\$ (629,275)	\$ 0	\$ (629,275)
Security of Persons and Property	3,387,465	176,209	128,537	0	(3,082,719)	0	(3,082,719)
Public Health	155,234	61,085	2,886	0	(91,263)	0	(91,263)
Leisure Time Services	150,345	39,254	0	1,412	(109,679)	0	(109,679)
Community and Economic Development	591,390	29,830	843,363	0	281,803	0	281,803
Transportation	873,931	17,447	737,249	0	(119,235)	0	(119,235)
Interest and Fiscal Charges	55,843	0	0	0	(55,843)	0	(55,843)
<i>Total Governmental Activities</i>	<u>6,356,331</u>	<u>819,887</u>	<u>1,725,911</u>	<u>4,322</u>	<u>(3,806,211)</u>	<u>0</u>	<u>(3,806,211)</u>
Business-Type Activities:							
Incinerator Fund	679,164	583,693	16,691	20	0	(78,760)	(78,760)
Off Street Parking Fund	19,849	21,099	0	0	0	1,250	1,250
Sewer Fund	1,086,366	1,166,091	0	3,967	0	83,692	83,692
T. Park Swimming Pool	30,963	18,486	0	0	0	(12,477)	(12,477)
Water Fund	2,551,320	2,809,866	0	4,618	0	263,164	263,164
<i>Total Business-Type Activities</i>	<u>4,367,662</u>	<u>4,599,235</u>	<u>16,691</u>	<u>8,605</u>	<u>0</u>	<u>256,869</u>	<u>256,869</u>
<i>Total - Primary Government</i>	<u>\$ 10,723,993</u>	<u>\$ 5,419,122</u>	<u>\$ 1,742,602</u>	<u>\$ 12,927</u>	<u>(3,806,211)</u>	<u>256,869</u>	<u>(3,549,342)</u>
General Revenues:							
Taxes:							
Property Taxes					976,969	91,635	1,068,604
Income Taxes					2,832,327	0	2,832,327
Grants and Entitlements not Restricted to Specific Programs					335,559	0	335,559
Investment Earnings					34,374	10,408	44,782
Unrestricted Contributions					30,579	0	30,579
Miscellaneous					45,774	21,020	66,794
Loss on Disposal of Fixed Assets					(11,222)	0	(11,222)
<i>Total General Revenues</i>					<u>4,244,360</u>	<u>123,063</u>	<u>4,367,423</u>
<i>Change in Net Assets</i>					438,149	379,932	818,081
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>					<u>2,794,517</u>	<u>5,539,034</u>	<u>8,333,551</u>
<i>Net Assets End of Year</i>					<u>\$ 3,232,666</u>	<u>\$ 5,918,966</u>	<u>\$ 9,151,632</u>

The accompanying notes are an integral part of the basic financial statements.

City of East Liverpool
Balance Sheet
Governmental Funds
December 31, 2004

	General Fund	Police Fund	Fire Fund	Chip Fund	All Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 127,215	\$ 18,011	\$ 10,433	\$ 0	\$ 737,587	\$ 893,246
Cash and Cash Equivalents in Segregated Accounts	0	0	0	19,950	79,962	99,912
Materials and Supplies Inventory	0	0	0	0	11,450	11,450
Accounts Receivable	76,890	13,036	0	0	8,517	98,443
Intergovernmental Receivable	173,256	2,818	43,375	674,000	539,367	1,432,816
Prepaid Items	43,899	20,898	19,661	0	16,491	100,949
Taxes Receivable	879,510	59,218	835,661	0	167,618	1,942,007
Loans Receivable	0	0	0	0	112,942	112,942
Special Assessments Receivable	0	0	0	0	115,317	115,317
Advances to Other Funds	28,995	0	0	0	0	28,995
<i>Total Assets</i>	<u>\$1,329,765</u>	<u>\$ 113,981</u>	<u>\$ 909,130</u>	<u>\$ 693,950</u>	<u>\$ 1,789,251</u>	<u>\$ 4,836,077</u>
Liabilities						
Accounts Payable	\$ 12,220	\$ 597	\$ 0	0	\$ 25,438	\$ 38,255
Accrued Wages	25,415	42,052	38,722	0	18,230	124,419
Intergovernmental Payable	32,111	26,731	23,021	0	16,102	97,965
Accrued Interest Payable	0	0	0	0	63	63
Deferred Revenue	693,907	62,036	879,036	668,500	698,962	3,002,441
Advances From Other Funds	0	0	0	0	28,995	28,995
<i>Total Liabilities</i>	<u>763,653</u>	<u>131,416</u>	<u>940,779</u>	<u>668,500</u>	<u>787,790</u>	<u>3,292,138</u>
Fund Balances						
Reserved for Encumbrances	7,988	7,686	433	97,200	2,052,292	2,165,599
Reserved for Inventory	0	0	0	0	11,450	11,450
Reserved for Advances	28,995	0	0	0	0	28,995
Reserved for Loans Receivable	0	0	0	0	112,942	112,942
Reserved for Debt Service	0	0	0	0	139,024	139,024
Unreserved, Undesignated, Reported in:						
General Fund	529,129	0	0	0	0	529,129
Special Revenue Funds	0	(25,121)	(32,082)	(71,750)	440,055	311,102
Capital Projects Funds	0	0	0	0	(1,754,302)	(1,754,302)
<i>Total Fund Balances</i>	<u>566,112</u>	<u>(17,435)</u>	<u>(31,649)</u>	<u>25,450</u>	<u>1,001,461</u>	<u>1,543,939</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,329,765</u>	<u>\$ 113,981</u>	<u>\$ 909,130</u>	<u>\$ 693,950</u>	<u>\$ 1,789,251</u>	<u>\$ 4,836,077</u>

The accompanying notes are an integral part of the basic financial statements.

City of East Liverpool
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2004*

Total Governmental Fund Balances \$ 1,543,939

*Amounts reported for governmental activities in the
 statement of net assets are different because*

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds 2,906,058

Other long-term assets are not available to pay for current-
 period expenditures and therefore are deferred in the funds:

Property Taxes	\$ 229,029
Income Taxes	383,028
Intergovernmental	1,235,617
Special Assessments	<u>115,317</u>

Total 1,962,991

Intergovernmental payable includes contractually required
 pension contributions not expected to be paid with
 expendable available financial resources and therefore
 not reported in the funds. (132,408)

Long-term liabilities are not due and payable in the current
 period and therefore are not reported in the funds:

OPWC Loans	(507,768)
Installment Loans Payable	(194,086)
ODOT Loan	(502,155)
SIB Loan	(41,879)
Capital Leases	(40,249)
Police and Fire Pension	(930,888)
Compensated Absences	<u>(830,889)</u>

Total (3,047,914)

Net Assets of Governmental Activities \$ 3,232,666

The accompanying notes are an integral part of the basic financial statements.

City of East Liverpool
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
December 31, 2004

	General Fund	Police Fund	Fire Fund	Chip Fund	All Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 207,397	\$ 53,176	\$ 536,454	\$ 0	\$ 154,550	\$ 951,577
Income Taxes	2,810,039	0	0	0	0	2,810,039
Special Assessments	0	0	0	0	19,326	19,326
Charges for Services	0	84,443	3,161	0	0	87,604
Licenses and Permits	394,623	0	0	0	16,252	410,875
Fines and Forfeitures	109,974	43,893	0	0	167,541	321,408
Intergovernmental	337,987	8,513	81,573	309,531	859,912	1,597,516
Interest	33,351	0	0	0	1,023	34,374
Contributions and Donations	0	0	0	0	1,412	1,412
Other	14,426	9,906	1,000	0	20,442	45,774
<i>Total Revenues</i>	<u>3,907,797</u>	<u>199,931</u>	<u>622,188</u>	<u>309,531</u>	<u>1,240,458</u>	<u>6,279,905</u>
Expenditures						
Current:						
General Government	1,146,599	0	0	0	82,695	1,229,294
Security of Persons and Property	0	1,642,485	1,534,446	0	147,463	3,324,394
Public Health	138,345	0	0	0	16,350	154,695
Leisure Time Services	117,112	0	0	0	520	117,632
Community and Economic Development	89,059	0	0	400,706	101,650	591,415
Transportation	0	0	0	0	768,627	768,627
Capital Outlay	0	0	0	0	144,372	144,372
Debt Service:						
Principal Retirements	0	5,041	9,707	0	279,168	293,916
Interest and Fiscal Charges	0	13,683	26,351	0	15,809	55,843
<i>Total Expenditures</i>	<u>1,491,115</u>	<u>1,661,209</u>	<u>1,570,504</u>	<u>400,706</u>	<u>1,556,654</u>	<u>6,680,188</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,416,682</u>	<u>(1,461,278)</u>	<u>(948,316)</u>	<u>(91,175)</u>	<u>(316,196)</u>	<u>(400,283)</u>
Other Financing Sources and Uses						
Transfers In	0	1,391,033	903,521	0	401,481	2,696,035
Proceeds of Notes	0	0	0	0	91,879	91,879
Transfers Out	(2,603,418)	0	0	0	(92,617)	(2,696,035)
<i>Total Other Financing Sources and Uses</i>	<u>(2,603,418)</u>	<u>1,391,033</u>	<u>903,521</u>	<u>0</u>	<u>400,743</u>	<u>91,879</u>
<i>Net Change in Fund Balance</i>	(186,736)	(70,245)	(44,795)	(91,175)	84,547	(308,404)
<i>Fund Balance at Beginning of Year</i>	752,848	52,810	13,146	116,625	926,314	1,861,743
(Decrease) in Reserve for Inventory	0	0	0	0	(9,400)	(9,400)
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 566,112</u>	<u>\$ (17,435)</u>	<u>\$ (31,649)</u>	<u>\$ 25,450</u>	<u>\$ 1,001,461</u>	<u>\$ 1,543,939</u>

The accompanying notes are an integral part of the basic financial statements.

City of East Liverpool
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
December 31, 2004*

Net Change in Fund Balances - Total Governmental Funds \$ (308,404)

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	\$ 270,465	
Current Year Depreciation	(290,207)	
Total		(19,742)

Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(11,222)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	25,392	
Deferred Income Taxes	22,288	
Special Assessments	(19,326)	
Intergovernmental	466,863	
Total		495,217

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

293,915

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities.

Loans Proceeds	(91,879)	(91,879)
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Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	92,539	
Pension Obligations	(2,875)	
Change in Inventory	(9,400)	
Total		80,264

Change in Net Assets of Governmental Activities \$ 438,149

The accompanying notes are an integral part of the basic financial statements.

City of East Liverpool
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$ 179,554	\$ 208,469	\$ 212,041	\$ 3,572
Income Taxes	2,904,773	2,904,773	2,787,712	(117,061)
Licenses and Permits	456,976	378,676	395,757	17,081
Fines and Forfeitures	28,500	106,800	110,281	3,481
Intergovernmental	392,115	368,000	337,802	(30,198)
Interest	32,427	34,247	33,351	(896)
Other	9,800	5,000	74,647	69,647
<i>Total Revenues</i>	<u>4,004,145</u>	<u>4,005,965</u>	<u>3,951,591</u>	<u>(54,374)</u>
Expenditures				
General:				
General Government	1,341,443	1,344,493	1,304,478	40,015
Public Health	92,611	92,661	144,439	(51,778)
Lesiure Time Services	117,000	123,200	119,373	3,827
Community and Economic Development	93,400	92,244	95,379	(3,135)
<i>Total Expenditures</i>	<u>1,644,454</u>	<u>1,652,598</u>	<u>1,663,669</u>	<u>(11,071)</u>
Excess of Revenues Over Expenditures	<u>2,359,691</u>	<u>2,353,367</u>	<u>2,287,922</u>	<u>(65,445)</u>
Other Financing Sources and Uses				
Advances In	0	0	5,000	5,000
Transfers Out	(2,704,472)	(2,739,472)	(2,603,418)	136,054
Total Other Financing Sources and Uses	<u>(2,704,472)</u>	<u>(2,739,472)</u>	<u>(2,598,418)</u>	<u>141,054</u>
Net Change in Fund Balance	(344,781)	(386,105)	(310,496)	75,609
Fund Balance at Beginning of Year	408,176	408,178	408,178	0
Prior Year Encumbrances Appropriated	<u>9,325</u>	<u>9,325</u>	<u>9,325</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 72,720</u>	<u>\$ 31,398</u>	<u>\$ 107,007</u>	<u>\$ 75,609</u>

The accompanying notes are an integral part of the basic financial statements.

City of East Liverpool
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$ 52,372	\$ 52,270	\$ 53,176	\$ 906
Charges for Services	0	0	64,262	64,262
Fines and Charges	0	60,000	62,988	2,988
Intergovernmental	5,500	5,602	8,513	2,911
Other	0	0	9,906	9,906
Total Revenues	57,872	117,872	198,845	80,973
Expenditures				
Current:				
Security of Persons and Property	1,688,178	1,752,636	1,665,768	86,868
Debt Service:				
Principal Retirements	4,833	5,041	5,041	0
Interest and Fiscal Charges	13,891	13,683	13,683	0
Total Expenditures	1,706,902	1,771,360	1,684,492	86,868
Excess of Revenues Over (Under) Expenditures	(1,649,030)	(1,653,488)	(1,485,647)	167,841
Other Financing Sources and Uses				
Transfers In	1,548,875	1,548,875	1,391,033	(157,842)
Total Other Financing Sources and Uses	1,548,875	1,548,875	1,391,033	(157,842)
Net Change in Fund Balance	(100,155)	(104,613)	(94,614)	9,999
Fund Balance at Beginning of Year	100,156	100,156	100,156	0
Prior Year Encumbrances Appropriated	4,458	4,458	4,458	0
Fund Balance (Deficit) at End of Year	\$ 4,459	\$ 1	\$ 10,000	\$ 9,999

The accompanying notes are an integral part of the basic financial statements.

City of East Liverpool
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Fund
For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$ 528,371	\$ 527,199	\$ 536,454	\$ 9,255
Charges for Services	0	3,301	3,161	(140)
Intergovernmental	58,000	81,585	81,573	(12)
Other	0	2,000	1,000	(1,000)
Total Revenues	<u>586,371</u>	<u>614,085</u>	<u>622,188</u>	<u>8,103</u>
Expenditures				
Current:				
Security of Persons and Property	1,403,430	1,584,791	1,569,858	14,933
Debt Service:				
Principal Retirements	9,307	9,707	9,707	0
Interest and Fiscal Charges	26,751	26,351	26,351	0
Total Expenditures	<u>1,439,488</u>	<u>1,620,849</u>	<u>1,605,916</u>	<u>14,933</u>
Excess of Revenues Over (Under) Expenditures	<u>(853,117)</u>	<u>(1,006,764)</u>	<u>(983,728)</u>	<u>23,036</u>
Other Financing Sources and Uses				
Transfers In	<u>766,555</u>	<u>916,555</u>	<u>903,521</u>	<u>(13,034)</u>
Total Other Financing Sources and Uses	<u>766,555</u>	<u>916,555</u>	<u>903,521</u>	<u>(13,034)</u>
Net Change in Fund Balance	(86,562)	(90,209)	(80,207)	10,002
Fund Balance at Beginning of Year	86,561	86,561	86,561	0
Prior Year Encumbrances Appropriated	<u>3,646</u>	<u>3,646</u>	<u>3,646</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>\$ 3,645</u>	<u>\$ (2)</u>	<u>\$ 10,000</u>	<u>\$ 10,002</u>

The accompanying notes are an integral part of the basic financial statements.

City of East Liverpool
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
CHIP Fund
For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental	\$ 379,619	\$ 1,033,619	\$ 359,599	\$ (674,020)
Total Revenues	379,619	1,033,619	359,599	(674,020)
Expenditures				
Current:				
Community and Economic Development	414,014	1,068,014	508,111	(559,903)
Total Expenditures	414,014	1,068,014	508,111	(559,903)
Excess of Revenues Over (Under) Expenditures	(34,395)	(34,395)	(148,512)	(114,117)
Net Change in Fund Balance	(34,395)	(34,395)	(148,512)	(114,117)
Fund Balance at Beginning of Year	34,415	34,415	34,415	0
Prior Year Encumbrances Appropriated	36,847	36,847	36,847	0
Fund Balance (Deficit) at End of Year	<u>\$ 36,867</u>	<u>\$ 36,867</u>	<u>\$ (77,250)</u>	<u>\$ (114,117)</u>

The accompanying notes are an integral part of the basic financial statements.

City of East Liverpool
Statement of Fund Net Assets
Proprietary Funds
December 31, 2004

	Water Fund	Sewer Fund	Incinerator Fund	All Other Enterprise	Totals
Assets:					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 354,586	\$ 1,286,336	\$ 73,883	\$ 10,754	\$ 1,725,559
Cash and Cash Equivalents					
in Segregated Accounts	1,344,808	0	0	0	1,344,808
Materials and Supplies Inventory	26,005	1,505	0	0	27,510
Accounts Receivable	463,333	196,162	81,844	0	741,339
Intergovernmental Receivable	0	0	5,355	0	5,355
Prepaid Items	26,000	16,749	6,051	0	48,800
Taxes Receivable	0	0	112,513	0	112,513
<i>Total Current Assets</i>	<u>2,214,732</u>	<u>1,500,752</u>	<u>279,646</u>	<u>10,754</u>	<u>4,005,884</u>
<i>Non-Current Assets:</i>					
Non-Depreciable Capital Assets	501,789	6,148	0	0	507,937
Depreciable Capital Assets, Net	4,752,150	867,243	78,677	0	5,698,070
<i>Total Non-Current Assets</i>	<u>5,253,939</u>	<u>873,391</u>	<u>78,677</u>	<u>0</u>	<u>6,206,007</u>
<i>Total Assets</i>	<u>7,468,671</u>	<u>2,374,143</u>	<u>358,323</u>	<u>10,754</u>	<u>10,211,891</u>
Liabilities					
<i>Current Liabilities:</i>					
Accounts Payable	36,988	1,595	5,052	0	43,635
Accrued Wages	31,085	16,891	13,889	585	62,450
Contracts Payable	59,779	0	0	0	59,779
Intergovernmental Payable	34,373	17,120	12,794	913	65,200
Compensated Absences Payable	61,081	40,059	15,284	0	116,424
Accrued Interest Payable	92,174	33,255	0	0	125,429
Loans Payable	47,041	0	0	0	47,041
OPWC Loans Payable	17,263	0	0	0	17,263
OWDA Loans Payable	221,119	64,096	0	0	285,215
<i>Total Current Liabilities</i>	<u>600,903</u>	<u>173,016</u>	<u>47,019</u>	<u>1,498</u>	<u>822,436</u>
<i>Long-Term Liabilities:</i>					
Compensated Absences Payable - net of current portion	63,746	61,670	2,823	0	128,239
Loans Payable - net of current portion	105,407	0	0	0	105,407
OPWC Loans Payable - net of current portion	174,450	0	0	0	174,450
OWDA Loans Payable - net of current portion	2,318,347	744,046	0	0	3,062,393
<i>Total Long-Term Liabilities</i>	<u>2,661,950</u>	<u>805,716</u>	<u>2,823</u>	<u>0</u>	<u>3,470,489</u>
<i>Total Liabilities</i>	<u>3,262,853</u>	<u>978,732</u>	<u>49,842</u>	<u>1,498</u>	<u>4,292,925</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	2,370,322	65,250	78,677	0	2,514,249
Unrestricted	1,835,496	1,330,161	229,804	9,256	3,404,717
<i>Total Net Assets</i>	<u>\$ 4,205,818</u>	<u>\$ 1,395,411</u>	<u>\$ 308,481</u>	<u>\$ 9,256</u>	<u>\$ 5,918,966</u>

The accompanying notes are an integral part of the basic financial statements.

City of East Liverpool
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Incinerator Fund	All Other Enterprise Funds	
Operating Revenue					
Charges for Services	\$ 2,809,866	\$ 1,166,091	\$ 583,693	\$ 39,585	\$ 4,599,235
Other	5,825	0	0	15,195	21,020
<i>Total Operating Revenues</i>	<u>2,815,691</u>	<u>1,166,091</u>	<u>583,693</u>	<u>54,780</u>	<u>4,620,255</u>
Operating Expenses					
Personal Services	1,459,849	644,673	503,352	37,068	2,644,942
Contractual Services	238,612	130,955	96,879	3,097	469,543
Materials and Supplies	343,329	58,546	59,298	10,647	471,820
Depreciation	248,823	153,496	19,635	0	421,954
Other	0	4,554	0	0	4,554
<i>Total Operating Expenses</i>	<u>2,290,613</u>	<u>992,224</u>	<u>679,164</u>	<u>50,812</u>	<u>4,012,813</u>
<i>Operating Income (Loss)</i>	<u>525,078</u>	<u>173,867</u>	<u>(95,471)</u>	<u>3,968</u>	<u>607,442</u>
Non-Operating Revenues (Expenses)					
Interest	10,408	0	0	0	10,408
Intergovernmental	0	0	16,691	0	16,691
Property Taxes	0	0	91,635	0	91,635
Interest and Fiscal Charges	(260,707)	(94,142)	0	0	(354,849)
Special Assessments	4,618	3,967	20	0	8,605
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(245,681)</u>	<u>(90,175)</u>	<u>108,346</u>	<u>0</u>	<u>(227,510)</u>
<i>Income Before Contributions and Transfers</i>	279,397	83,692	12,875	3,968	379,932
Operating Transfer In	181,917	0	0	0	181,917
Operating Transfer Out	0	(171,617)	(10,300)	0	(181,917)
<i>Change in Net Assets</i>	461,314	(87,925)	2,575	3,968	379,932
<i>Net Assets at Beginning of Year</i>	<u>3,744,504</u>	<u>1,483,336</u>	<u>305,906</u>	<u>5,288</u>	<u>5,539,034</u>
<i>Net Assets at End of Year</i>	<u>\$ 4,205,818</u>	<u>\$ 1,395,411</u>	<u>\$ 308,481</u>	<u>\$ 9,256</u>	<u>\$ 5,918,966</u>

The accompanying notes are an integral part of the basic financial statements.

City of East Liverpool
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Incinerator Fund	All Other Enterprise Funds	
Increase (Decrease) in Cash and Cash Equivalents					
Cash flows from Operating Activities					
Cash Received from Customers	\$ 2,779,264	\$ 1,153,059	\$ 581,960	\$ 39,585	\$ 4,553,868
Other Operating Receipts	4,350	0	0	15,195	19,545
Cash Payments to Suppliers for Goods and Services	(1,469,737)	(642,029)	(495,932)	(36,322)	(2,644,020)
Cash Payments for Employees Services and Benefits	(280,671)	(59,675)	(57,929)	(10,647)	(408,922)
Cash Payments for Contractual Services	(475,334)	(149,545)	(116,930)	(3,097)	(744,906)
Other Cash Payments	0	(4,554)	0	0	(4,554)
<i>Net Cash Provided by (Used for)</i>					
<i>Operating Activities</i>	557,872	297,256	(88,831)	4,714	771,011
Cash Flows from Noncapital Financing Activities					
Intergovernmental Receipts	0	0	17,658	0	17,658
Tax Receipts	0	0	100,969	0	100,969
Special Assessments	4,618	3,967	20	0	8,605
Transfers In	181,917	0	0	0	181,917
Transfers Out	0	(171,617)	(10,300)	0	(181,917)
<i>Net Cash Provided by (Used for) Noncapital</i>					
<i>Financing Activities</i>	186,535	(167,650)	108,347	0	127,232
Cash Flows from Capital and Related					
Financing Activities					
Proceeds from Notes	0	15,000	0	0	15,000
Proceeds from Loans	325,558	0	0	0	325,558
Acquisition of Capital Assets	(247,741)	(31,435)	0	0	(279,176)
Principal Paid on OWDA Loans	(203,758)	(59,222)	0	0	(262,980)
Principal Paid on OPWC Loans	(17,263)	0	0	0	(17,263)
Principal Payments on Debt	(523,932)	(15,000)	0	0	(538,932)
Interest Paid on All Debt	(172,204)	(60,887)	0	0	(233,091)
<i>Net Cash (Used for) Capital and Related</i>					
<i>Financing Activities</i>	(839,340)	(151,544)	0	0	(990,884)
Cash Flows from Investing Activities					
Receipts of Interest	10,408	0	0	0	10,408
Proceeds from Sale of Investments	0	500,000	0	0	500,000
<i>Net Cash Provided by Noncapital</i>					
<i>Financing Activities</i>	10,408	500,000	0	0	510,408
<i>Net Increase (Decrease) in Cash and</i>					
<i>Cash Equivalents</i>	(84,525)	478,062	19,516	4,714	417,767
<i>Cash and Cash Equivalents at Beginning of Year</i>	1,783,919	808,274	54,367	6,040	2,652,600
<i>Cash and Cash Equivalents at End of Year</i>	\$ 1,699,394	\$ 1,286,336	\$ 73,883	\$ 10,754	\$ 3,070,367

(continued)

City of East Liverpool
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Incinerator Fund	All Other Enterprise Funds	
Reconciliation of Operating Income (Loss) To Net Cash Provided by (Used in) Operating Activities:					
Operating Income (Loss)	\$ 525,078	\$ 173,867	\$ (95,471)	\$ 3,968	\$ 607,442
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Depreciation	248,823	153,496	19,635	0	421,954
(Increase) Decrease in Assets:					
Accounts Receivable	(32,077)	(13,032)	(1,733)	0	(46,842)
Prepaid Items	(26,000)	(16,749)	(6,051)	0	(48,800)
Materials and Supplies Inventory	42,093	(1,505)	0	0	40,588
Increase (Decrease) in Liabilities:					
Accounts Payable	26,528	(1,465)	(12,631)	0	12,432
Contracts Payable	(216,684)	0	0	0	(216,684)
Accrued Wages	2,178	3,306	4,556	585	10,625
Compensated Absences Payable	(9,815)	(2,474)	952	0	(11,337)
Intergovernmental Payable	(2,252)	1,812	1,912	161	1,633
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$ 557,872</u>	<u>\$ 297,256</u>	<u>\$ (88,831)</u>	<u>\$ 4,714</u>	<u>\$ 771,011</u>
Noncash Financing Activities					
Borrowing under OWDA Loan	83,139	0	0	0	83,139

The accompanying notes are an integral part of the basic financial statements.

City of East Liverpool
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2004

	<u>Agency Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 4,000
Cash and Cash Equivalents in Segregated Accounts	11,265
Accounts Receivable	<u>617,242</u>
<i>Total Assets</i>	<u>\$ 632,507</u>
Liabilities	
Undistributed Monies	<u>\$ 632,507</u>
<i>Total Liabilities</i>	<u>\$ 632,507</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 1 - REPORTING ENTITY

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

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 OMEGA which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 18.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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

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

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

CHIP Fund. This fund is to account for the federal grant monies for low to moderate income housing.

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position, and cash flows. The following is the City's proprietary fund type:

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The sewer and water funds are the City's major enterprise funds.

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

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

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for court collections that are distributed to various other City funds. The City does not have any trust funds.

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Pooled Cash and Cash Equivalents

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

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2004 amounted to \$33,351, which includes \$31,949 assigned from other City funds.

Investments with a maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury. See Note 5, Deposits and Investments.

F. Materials and Supplies Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, 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. Inventory consists of expendable supplies.

G. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

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

H. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. These amounts are eliminated in the governmental columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

On fund financial statements, long-term interfund loans reported as "advances to/from other funds," are equally offset by a fund balance reserve account which indicate that they do not constitute "available expendable financial resources" even though it is a component of net current assets. Repayment is expected to be made within a reasonable time.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, capital leases, and long-term loans are recognized as a liability on the government fund financial statements when due.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, inventory of materials and supplies, advances, loans receivable and debt service.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer services. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

N. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

P. Estimates

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Budgetary Data

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

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

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

NOTE 3: CORRECTION OF AN ERROR AND RESTATEMENT OF NET ASSETS

Restatement of Net Assets: The City recorded income tax revenue in 2004 which, under GASB 34 should have been recorded as revenue in 2003. The December 31, 2003 income tax revenue balances have been adjusted for this correction as required by GASB 34. The restatements for GASB Statement No. 34 had the following effects on net assets of governmental activities as it was previously report.

	<u>Total</u>
Governmental Activities Net Assets, 12/31/03	\$ 2,433,777
Prior Period Adjustment	
<i>Correction of Error</i>	
Income Tax Revenue	<u>360,740</u>
Governmental Activities Net Assets, 1/1/04	<u>\$ 2,794,517</u>

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

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

The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund and the police, fire, and chip major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditure/expenses (budget) rather than as a reservation of fund balance (GAAP).
4. Advances-in and advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Investments are reported at fair value (GAAP) rather than cost (budget).

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

	Net Change in Fund Balance			
	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>CHIP</u>
GAAP Basis	\$ (186,736)	\$ (70,245)	\$ (44,795)	\$ (91,175)
Revenue accruals	(8,456)	(1,086)	0	50,068
Expenditure accruals	(95,096)	(15,272)	(34,979)	(10,205)
Encumbrances	<u>(20,208)</u>	<u>(8,011)</u>	<u>(433)</u>	<u>(97,200)</u>
Budget Basis	<u>\$ (310,496)</u>	<u>\$ (94,614)</u>	<u>\$ (80,207)</u>	<u>\$ (148,512)</u>

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 5: FUND DEFICITS

Fund balances at December 31, 2004 included the following individual fund deficits:

	<u>Deficit</u>
Major Funds:	
Police Fund	\$ 17,435
Fire Fund	31,649
Non-Major Funds:	
Fawcett Project Fund	<u>15,743</u>
	<u>\$ 64,827</u>

The deficits in those funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

NOTE 6: 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.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

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;
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.

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."

Cash on hand: At year-end, the carrying amount of the City's cash on hand was \$925.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

Deposits. At year-end, the carrying amount of the City's deposits was \$1,423,865 and the bank balance was \$1,515,028. Of the bank balance:

1. \$100,000 was covered by federal depository insurance.
2. \$1,415,028 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

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>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Repurchase Agreement	\$ 2,654,000	\$ 2,654,000	\$ 2,654,000

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	\$ 4,078,790	\$ 0
Repurchase Agreements	(2,654,000)	2,654,000
Cash on Hand	<u>(925)</u>	<u>0</u>
GASB Statement 3	<u>\$ 1,423,865</u>	<u>\$ 2,654,000</u>

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 7: 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, 2003 on the assessed value as of January 1, 2003, the lien date, and were collected in 2004. 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 2004 attached as a lien on December 31, 2003, were levied after October 1, 2003 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88% of true value. 2004 tangible personal property taxes are levied after October 1, 2003, on the value listed as of December 31, 2003 and are collected in 2004. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 2004 taxes were collected was \$99,166,120. Real estate represented 77% (\$75,881,790) of this total, tangible personal property represented 16% (\$15,944,860), and public utilities tangible personal property represented 7% (\$7,339,470). The full tax rate for all City operations applied to taxable property for the year ended December 31, 2004 was \$38.10 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, 2004 and for which there is an enforceable legal claim. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and as revenue, while on a modified accrual basis the revenue is deferred.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 7: TAXES (Continued)

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.

Employers within the City are required to withhold income tax on employee's 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, 7.5% 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, 2004 was \$2,825,375.

NOTE 8: RECEIVABLES

Receivables at December 31, 2004 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 \$112,942. These loans receivable are for financing the rehabilitation of homes to low and moderate income families and loans to local businesses for community development. \$112,942 of the fund balance representing revolving loans receivable is reserved because it is not appropriable for expenditures, or is legally segregated for specific use.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 9: CAPITAL ASSETS

A summary of changes in capital assets during 2004 follows:

	Balance 1/1/2004	Additions	Deletions	Balance 12/31/2004
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 520,262	\$ 0	\$ 0	\$ 520,262
Construction in Progress	0	162,730	0	162,730
<i>Total Capital Assets Not Being Depreciated</i>	<u>520,262</u>	<u>162,730</u>	<u>0</u>	<u>682,992</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings	334,179	0	0	334,179
Improvements other than buildings	276,718	1,200	0	277,918
Machinery and equipment	4,690,396	101,535	(15,664)	4,776,267
Infrastructure	1,523,245	5,000	0	1,528,245
<i>Total Capital Assets Being Depreciated</i>	<u>6,824,538</u>	<u>107,735</u>	<u>(15,664)</u>	<u>6,916,609</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	199,091	7,579	0	206,670
Improvements other than buildings	129,729	17,845	0	147,574
Machinery and equipment	4,026,841	212,849	(4,009)	4,235,681
Infrastructure	51,684	51,934	0	103,618
<i>Total Accumulated Depreciation</i>	<u>4,407,345</u>	<u>290,207</u>	<u>(4,009)</u>	<u>4,693,543</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>2,417,193</u>	<u>(182,472)</u>	<u>(11,655)</u>	<u>2,223,066</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$ 2,937,455</u>	<u>\$ (19,742)</u>	<u>\$ (11,655)</u>	<u>\$ 2,906,058</u>

*Depreciation expense was charged to governmental functions as follows:

General government	\$ 49,461
Leisure time services	32,665
Security of persons and property	104,488
Transportation	103,030
Public health	<u>563</u>
Total	<u>\$ 290,207</u>

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 9: CAPITAL ASSETS (Continued)

	Balance 1/1/2004	Additions	Deletions	Balance 12/31/2004
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 25,771	\$ 0	\$ 0	\$ 25,771
Construction in Progress	523,990	210,494	(252,318)	482,166
<i>Total Capital Assets Not Being Depreciated</i>	<u>549,761</u>	<u>210,494</u>	<u>(252,318)</u>	<u>507,937</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings	3,756,639	252,318	0	4,008,957
Machinery and equipment	2,626,731	66,356	(10,428)	2,682,659
Infrastructure	5,628,383	2,326	0	5,630,709
Water Lines	1,159,926	0	0	1,159,926
Sewer Lines	2,505,379	0	0	2,505,379
<i>Total Capital Assets Being Depreciated</i>	<u>15,677,058</u>	<u>321,000</u>	<u>(10,428)</u>	<u>15,987,630</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	2,252,913	76,892	0	2,329,805
Machinery and equipment	1,815,430	177,020	(10,428)	1,982,022
Infrastructure	2,809,857	136,692	0	2,946,549
Water Lines	927,494	7,825	0	935,319
Sewer Lines	2,072,340	23,525	0	2,095,865
<i>Total Accumulated Depreciation</i>	<u>9,878,034</u>	<u>421,954</u>	<u>(10,428)</u>	<u>10,289,560</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>5,799,024</u>	<u>(100,954)</u>	<u>0</u>	<u>5,698,070</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 6,348,785</u>	<u>\$ 109,540</u>	<u>\$ (252,318)</u>	<u>\$ 6,206,007</u>

NOTE 10: 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. There have been no significant reductions in insurance coverage from last year.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 10: RISK MANAGEMENT (Continued)

The type of coverage and respective ranges are as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Limit</u>
Building and contents		
Public Utilities (90% coinsurance)	\$ 1,000	\$ 11,353,529
All Other (100% coinsurance)	500	4,550,000
Inland Marine	500	819,733
Boiler and Machinery	500	2,000,000
Automobile Liability	500-1,000	1,000,000
Crime Insurance	250	30,000
Employee Dishonesty	250	50,000
Public Officials Liability	1,000	1,000,000
Employee Benefits Liability		
Per Employee	1,000	1,000,000
Aggregate	n/a	3,000,000
General Liability		
Per Occurrence	10,000	1,000,000
Aggregate	n/a	3,000,000
Law Enforcement Liability	10,000	1,000,000

NOTE 11: DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)222-6701.

Plan members are required to contribute 8.5% of their annual covered salary to fund pension obligations. The City is required to contribute 13.55%. Contributions are authorized by State statute.

The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2004, 2003 and 2002 were \$441,813, \$468,632 and \$478,235, respectively.

The full amount has been contributed for 2003 and 2002. 92.2% has been contributed for 2004 with the remainder being reported as a liability in the statement of net assets.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to OP&F for police and firefighters were \$186,010 and \$250,039 for the year ended December 31, 2004, \$541,200 combined for 2003, and \$541,200 combined for 2002. The full amount has been contributed for 2003 and 2002 and 73% and 77%, respectively, has been contributed for 2004 with the remainder being reported as a liability within the governmental activities column of the statement of net assets.

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, 2004, the unfunded liability of the City was \$930,888, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is presented as "Police and Fire Pension Payable" in the governmental activities columns of the statement of net assets.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 12: POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor 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 OPERS is set aside for the funding of postretirement health care based on authority granted by state statute. The 2004 employer contribution rate was 13.55% of covered payroll; 4.00% was the portion that was used to fund health care for 2004.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 369,885. The City's actual contributions for 2004, which were used to fund postemployment benefits were \$130,423. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) 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.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

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 Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Ohio Police and Fire 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% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2004. 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. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$73,846 for police and \$80,763 for fire. The OP&F's total health care expenses for the year ended December 31, 2003 (the latest information available) were \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003 was 13,662 for police and 10,474 for firefighters.

NOTE 13: 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 medical prescriptions, dental and vision insurance for all employees and elected officials. The City pays monthly premiums up to a maximum amount, per union agreements. The additional premium costs are paid by the employee. City premiums are paid from the same funds that pay the employees salaries.

NOTE 14: CAPITALIZED LEASES – LESSEE DISCLOSURE

In prior years the City entered into capitalized leases for the acquisition of copiers and a fire truck. All leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The fixed assets acquired by the leases have been capitalized in the governmental activities in the amount of \$231,952, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability is recorded and is reduced for each required principal payment.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 14: CAPITALIZED LEASES – LESSEE DISCLOSURE (Continued)

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, 2004:

	Fire Truck	Copier Mayor	Copier Auditor	Total
2005	\$ 41,473	\$ 428	\$ 512	\$ 42,413
2006	0	0	0	0
2007	0	0	0	0
	<u>41,473</u>	<u>428</u>	<u>512</u>	<u>42,413</u>
Less: amount representing interest	<u>(2,162)</u>	<u>(1)</u>	<u>(1)</u>	<u>(2,164)</u>
Present value of minimum lease payments	<u>\$ 39,311</u>	<u>\$ 427</u>	<u>\$ 511</u>	<u>\$ 40,249</u>

NOTE 15: 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, 2004, the liability for unpaid compensated absences was \$1,075,552.

NOTE 16: NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 2004, follows:

	Interest Rate	Balance 1/1/2004	Additions	Reductions	Balance 12/31/2004
Business Type Activities:					
2003 Thompson Avenue Water Tank	2.90%	\$ 240,000	\$ 0	\$ (240,000)	\$ 0
2003 Chemical Feed System	2.21%	225,000	0	(225,000)	0
2004 Pipe Replacement	2.29%	225,000	15,000	(15,000)	225,000
Totals		<u>\$ 690,000</u>	<u>\$ 15,000</u>	<u>\$ (480,000)</u>	<u>\$ 225,000</u>

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 17: LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 2004 consisted of the following:

	Outstanding 1/1/2004	Additions	(Reductions)	Outstanding 12/31/2004	Amounts Due In One Year
Governmental Activities:					
General long-term obligations:					
General Obligation Bonds:					
Ohio Dept. of Transportation (ODOT) loan - street paving - 0%	\$ 562,155	\$ 0	\$ (60,000)	\$ 502,155	\$ 60,000
Obligations:					
1999 Ohio Public Works Commission (OPWC) loan - Downtown rehabilitation 0%	82,500	0	(15,000)	67,500	15,000
2002 Ohio Public Works Commission (OPWC) loan - State Route 39 - 0%	464,065	0	(23,797)	440,268	23,798
2004 St. Clair Paving SIB loan, 3.09%	0	41,879	0	41,879	0
2004 Cruisers, 5%	0	50,000	0	50,000	16,170
1999 Fawcett Project installment loan, 4.6%	124,301	0	(63,178)	61,123	61,123
1999 5th Street improvements installment loan, 5.32%	51,404	0	(4,573)	46,831	4,887
1999 Land purchase installment loan, 4.88%	36,589	0	(36,589)	0	0
2001 Bucket truck installment loan, 5.51%	58,689	0	(22,557)	36,132	23,798
Capital leases:					
2000 Fire Truck	76,572	0	(37,261)	39,311	39,311
2002 Copier Mayor	5,471	0	(5,044)	427	427
2002 Copier Auditor	6,549	0	(6,038)	511	511
2001 Copier Court	3,107	0	(3,107)	0	0
2002 Copier Probation	2,456	0	(2,456)	0	0
Compensated absences payable	923,426	0	(92,537)	830,889	196,438
Police and Fire Pension payable	945,635	0	(14,747)	930,888	15,381
Total Governmental Long-Term Obligations	3,342,919	91,879	(386,884)	3,047,914	456,844

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 17: LONG-TERM OBLIGATIONS (Continued)

Business-Type Activity:	Outstanding 1/1/2004	Additions	(Reductions)	Outstanding 12/31/2004	Amounts Due In One Year
Obligations:					
1993 Ohio Public Works Commission (OPWC) loan - Pope St. and Thompson Ave. water tank - 0%	\$ 136,500	\$ 0	\$ (13,000)	\$ 123,500	\$ 13,000
2001 Ohio Public Works Commission (OPWC) loan - water line repairs - 0%	72,476	0	(4,263)	68,213	4,263
1985 Ohio Water Development Authority (OWDA) loan - water treatment plant - 9.78%	1,443,878	0	(139,659)	1,304,219	153,318
1994 Ohio Water Development Authority (OWDA) loan - clearwell and sludge facilities - 5.77%	857,682	0	(61,745)	795,937	65,308
1996 Ohio Water Development Authority (OWDA) loan - clearwell and sludge facilities - 5.94%	32,968	0	(2,354)	30,614	2,493
1996 Ohio Water Development Authority (OWDA) loan - sewer project - 8.23%	867,363	0	(59,222)	808,141	64,096
2002 Ohio Water Development Authority (OWDA) loan - water treatment plant improvements design	83,139	32,277	(115,416)	0	0
2004 Ohio Water Development Authority (OWDA) loan - Water Tank & Service Pumps - 3.35%	0	408,697	0	408,697	0
1999 Zebra Mussell installment loan, 4.8%	14,148	0	(14,148)	0	0
2001 Henry Avenue installment loan, 5.61%	148,309	0	(34,110)	114,199	36,015
2003 Backhoe installment loan, 3.25%	48,923	0	(10,674)	38,249	11,026
Compensated absences	255,999	0	(11,336)	244,663	116,424
Total business-type activity obligations	3,961,385	440,974	(465,927)	3,936,432	465,943
Total - All Fund Types	\$ 7,304,304	\$ 532,853	\$ (852,811)	\$ 6,984,346	\$ 922,787

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.

The new OWDA loan was issued for the water improvement project. The total amount authorized for this loan was \$3,881,914, and as of December 31, 2004, the City had drawn down \$407,756. Upon completion of the project, the loan will be repaid over a period of twenty years with no interest. Since the total amount of the loan has not been determined, it is not included in the following amortization schedule.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 17: LONG-TERM OBLIGATIONS (Continued)

The new SIB loan was issued for street repair of the St. Clair Avenue project for engineering fees. The total amount authorized for this loan was \$1,081,283, and as of December 31, 2004 the City had drawn down \$41,879. Upon completion of the project, the loan will be repaid over a period of ten years with no interest the first 12 months and 3% thereafter. Since the total amount of the loan has not been determined, it is not included in the following amortization schedule.

The City entered into a loan in 1999 for the purpose of paying for the Zebra Mussel Control Project at the Water Department. The loan will be repaid with water fund revenues.

The City received loan proceeds in 2001 for the Henry Avenue project to replace water lines. The loan will be repaid with water fund revenues.

In 2003 the City entered into a loan agreement for the purchase of a backhoe to be used by the Water Department. The loan will be repaid with water fund revenues.

The City was awarded a loan from the Ohio Department of Transportation (ODOT). The proceeds were used for street resurfacing.

The City entered into a loan for the Fawcett Project and 5th Street Improvements. The money was used for downtown improvements.

The City received loan proceeds in 2001 for the purchase of a bucket truck to be used by the City Street Department.

The City received loan proceeds in 2004 for the purchase of two cruisers to be used by the Police Department.

The police and fire liability will be paid from taxes reported in the police and fire special revenue fund.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 17: LONG-TERM OBLIGATIONS (Continued)

The annual requirements to retire governmental activities debt are as follows:

Years	Installment Loans		OPWC	ODOT	Police & Fire Pension		Total	
	Principal	Interest	Principal	Principal	Principal	Interest	Principal	Interest
2005	\$ 105,978	\$ 6,723	\$ 38,798	60,000	\$ 15,381	\$ 39,401	\$ 220,157	\$ 46,124
2006	34,148	3,234	38,798	60,000	16,042	38,740	148,988	41,974
2007	22,603	2,107	38,798	60,000	16,731	38,052	138,132	40,159
2008	5,731	1,529	38,798	60,000	17,450	37,333	121,979	38,862
2009	6,043	1,217	31,298	60,000	18,201	36,584	115,542	37,801
2010-2014	19,582	1,601	118,990	202,155	103,419	170,497	444,146	172,098
2015-2019	0	0	118,990	0	127,617	146,293	246,607	146,293
2020-2024	0	0	83,297	0	157,483	116,428	240,780	116,428
2025-2029	0	0	0	0	194,336	79,578	194,336	79,578
2030-2034	0	0	0	0	239,814	34,097	239,814	34,097
2035	0	0	0	0	24,414	518	24,414	518
Totals	<u>\$ 194,085</u>	<u>\$ 16,411</u>	<u>\$ 507,767</u>	<u>\$ 502,155</u>	<u>\$ 930,888</u>	<u>\$ 737,521</u>	<u>\$ 2,134,895</u>	<u>\$ 753,932</u>

The annual requirements to retire business-type activities debt are as follows:

Years	Installment Loans		OPWC Loans	OWDA Loans		Total	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2005	\$ 47,041	\$ 7,026	\$ 17,263	\$ 285,215	\$ 241,807	\$ 349,519	\$ 248,833
2006	49,453	4,613	17,263	309,401	217,620	376,117	222,233
2007	51,885	2,071	17,263	335,713	191,308	404,861	193,379
2008	4,069	41	17,263	364,346	162,675	385,678	162,716
2009	0	0	17,263	395,507	131,515	412,770	131,515
2010-2014	0	0	79,815	1,248,730	214,955	1,328,545	214,955
2015-2019	0	0	21,319	0	0	21,319	0
2020	0	0	4,264	0	0	4,264	0
Totals	<u>\$ 152,448</u>	<u>\$ 13,751</u>	<u>\$ 191,713</u>	<u>\$ 2,938,912</u>	<u>\$ 1,159,880</u>	<u>\$ 3,283,073</u>	<u>\$ 1,173,631</u>

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 18: 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 2004. 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 2004, OMEGA received \$1,963 from the City of East Liverpool for an annual fee. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt.

NOTE 19: CLOSURE AND POSTCLOSURE CARE COST

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

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements

DECEMBER 31, 2004

NOTE 20: 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, 2004.

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.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

June 8, 2005

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool (the "City") as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 8, 2005 which included an explanatory paragraph regarding an adjustment of the beginning fund balances to record income tax receivable not previously reported. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control 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 reportable 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 caused by error or fraud 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 operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated June 8, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters 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 8, 2005.

This report is intended solely for the information and use of management, federal awarding agencies, pass-through entities, and City Council and is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.



**Auditor of State
Betty Montgomery**

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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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 16, 2005**